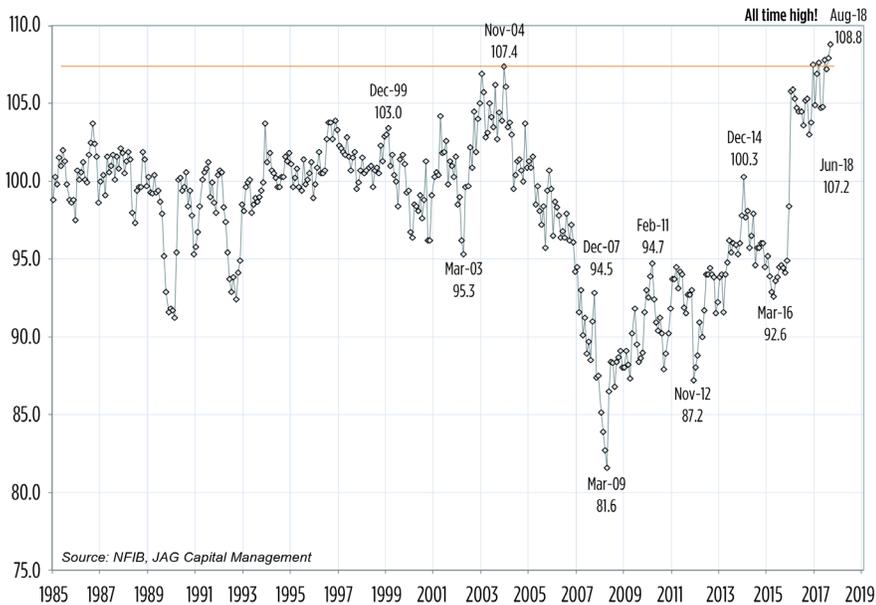


Timely Insights from JAG's Research Team

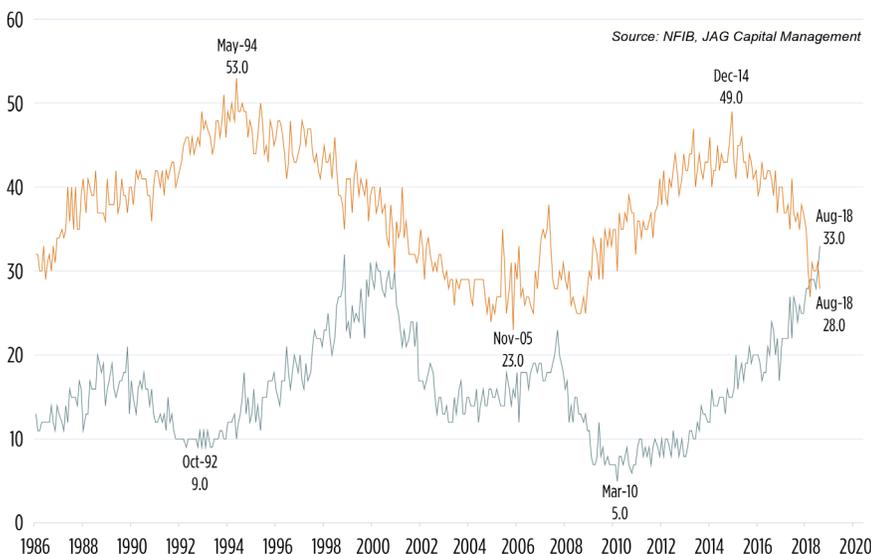
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NFIB Small Business Optimism Index



According to the latest National Federation of Independent Business (NFIB) survey, **small business owners are the most optimistic they have ever been, eclipsing the index's previous all-time high of 108 – which was set during the Reagan Administration way back in 1983.** This data, combined with GDP growth projections of 4%+, provides a counterpoint to those who complain that the “real economy” remains sluggish. NFIB considers small business optimism to be a leading indicator, pointing out that this index moved sharply higher in November 2016. **Back then, the spike in optimism preceded a doubling in the rate of GDP growth between December 2016 and February 2017.** The NFIB describes their typical member as a company employing 10 people and generating roughly \$500,000 in annual sales. In our opinion, **the fact that these types of “mom & pop” businesses are feeling good is evidence that the Main Street is sharing in the benefits of economic strength.**

Top Concern for Small Business: Quality + Cost of Labor (blue line) vs. Govt Red Tape + Taxes (orange line)



The Top Concerns for small business owners? Quality and Cost Labor. This is a big change from the previous 30+ years of survey history, during which Government Red Tape and Taxes have represented Top Concerns. **If this trend continues, we could see higher wage inflation, which could eventually translate into upward pressure on CPI inflation.** To the extent the Hawks in the Fed are focused on tamping down inflation – and we know they are from recent Fed minutes – higher wages could tempt the Fed into more tightening over the next several quarters. Therefore, we would not be surprised to see the 10yr/2yr Treasury yield curve invert sometime in the next 6 to 9 months.

Disclosures

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