



# Pioneer Bank & Trust

## Trust & Investments

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June 2016  
Ask a Trust Officer

### Low interest rates

Dear Trust Officer:

I am so tired of these low interest rates. Can we expect an uptick sometime soon? Earlier this year there was talk of a June increase, as I recall.—*Cautious Saver*

Dear Cautious:

I am afraid that you may have to get used to disappointment. Your memory is correct. A June interest rate hike was predicted by many early in the year, but new developments have made that very unlikely.

Specifically, there was a very poor jobs report for May. The consensus forecast was for 160,000 new jobs, and the reality missed that by a mile, as only 38,000 jobs were added, the worst report since September 2010. Unpacking the data, one finds even more ominous information:

- The labor force participation rate bottomed at a 35-year low last October. The low participation rate explains why so many Americans don't believe that the economy truly has recovered from the last recession. Improvement in the participation rate since October was almost entirely erased with the May jobs report, as 664,000 people dropped out. There are now over 102 million Americans either unemployed or not looking for work.
- According to the household survey, during April and May 312,000 full-time jobs were lost, offset partially by the creation of 118,000 part-time jobs. The reasons for the increased reliance on part-timers are unclear.

These signs suggest that the economy is not strong enough for an interest rate hike soon. Perhaps the May report was an anomaly and will be offset by much better news in June. If so, we may hope for higher interest rates in the fall.

(June 2016)  
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