



| Time EST | Indicator | For | Actual | Estimate* | Consensus** | Previous Period |
|----------|------------------------------|--------|--------|-----------|-------------|-----------------|
| 08:30 AM | Initial Jobless Claims | 09-Sep | 284k | 315k | 300k | 298k |
| 08:30 AM | Continuing Claims | 02-Sep | 1944k | NA | 1950k | 1940k |
| 08:30 AM | CPI MoM | Aug | 0.4% | 0.3% | 0.3% | 0.1% |
| 08:30 AM | CPI Ex Food and Energy MoM | Aug | 0.2% | 0.1% | 0.2% | 0.1% |
| 08:30 AM | CPI YoY | Aug | 1.9% | NA | 1.8% | 1.7% |
| 08:30 AM | CPI Ex Food and Energy YoY | Aug | 1.7% | NA | 1.6% | 1.7% |
| 08:30 AM | Real Avg Weekly Earnings YoY | Aug | 0.9% | NA | NA | 1.1% |
| 08:30 AM | Real Avg Hourly Earning YoY | Aug | 0.6% | NA | NA | 0.7% |

* Estimate from Bank of the West Economics

**Consensus from Bloomberg

Consumer Inflation Moves Higher in August While Jobless Claims Decline Post Hurricane Harvey

Consumer inflation for August came in somewhat stronger than the consensus forecast or the producer price index released yesterday indicated. The headline CPI Index jumped 0.4% in August while the year-on-year increased 1.9%. The year-on-year increase was 0.2 percentage points higher than July's 1.7% reading.

The Core-CPI, which excludes volatile food and energy categories, increased 0.2% last month with the year-on-year increase holding at 1.7%. These consumer inflation numbers are closer to what the Federal Reserve needs to see to continue to raise interest rates gradually, but remain somewhat short of the Fed's 2.0% inflation target. That said one month of faster inflation, largely driven by gasoline prices and shelter, probably won't change a lot of views on the inflation outlook at the FOMC. Consistent with our baseline forecast, we feel this report slightly raises the odds of another rate hike in December.

Robust gains were seen in energy (i.e. gasoline prices) +2.8%, transportation +1.4%, commodities +0.5%, and Housing +0.4% in August. Weaker price gains were seen for food, apparel, and medical care, while outright price declines occurred last month in education, tobacco, and personal computers. Adding to the positive spin on inflation picking up from low levels was the unexpected drop in initial jobless claims. Jobless claims fell back to 284K last week after surging to 298K the week before in the aftermath of hurricane Harvey. This could mean the damage to monthly payrolls for September might not be as bad as some analysts have suggested.

Treasury yields are higher following the hotter inflation data, though renewed North Korean threats of nuclear war against the U.S. and Japan and reports that a new ballistic missile test is being prepared for launch could temper yield gains today. The 10-Year Treasury yield is up 1.6 basis points from yesterdays close to 2.204%. The 2-10 Treasury spread narrowed to 83 down 1.3 basis points from yesterdays close. The futures market probability of another Fed funds rate hike by December 2017 increased to 46.7% from 38.9% yesterday.

U.S. stock futures are indicating a lower open today. Dow and S&P500 futures are down 0.08% and 0.19% respectively, while NASDAQ futures are off 0.39%. The U.S. dollar is trading fractionally higher this morning against most major currencies, with the Bloomberg dollar spot index rising 0.01% from yesterday. The lone exception is weakness against the British Pound as the BOE sounded more confident about the growth and inflation outlook and signaled a rate hike in "coming months".

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