



Time EST	Indicator	For	Actual	Estimate*	Consensus**	Previous Period
06:00 AM	NFIB Small Business Optimism	Jan	106.9	106.0	105.3	104.9

\* Estimate from Bank of the West Economics

\*\*Consensus from Bloomberg

## NFIB Small Business Optimism Jumps to 106.9 in January – Stock and Dollar Selloff Resumes Treasuries Rally

Today, the National Federation of Independent Business posted a solid increase in their small business optimism index to 106.9 in January. This is the second highest reading on this small business confidence index in the current expansion and just shy of the 107.5 high recorded last November. Small business confidence remains at high levels not seen since 2003.

The January increase easily beat the consensus forecast looking for 105.3, but settled closer to our forecast of 106.0. We are currently ranked #2 on Bloomberg for the accuracy of our forecasts on this indicator over the past two years. Gains were seen in seven out of 11 index sub-components in January and 2 were unchanged. More small businesses expect a better economy and reported now was a good time to expand. Higher percentages of small businesses also reported positive earnings trends, increased capital spending, rising net compensation and net compensation plans. However, the percentage planning to hire remained unchanged at 20%.

Despite the solid reading on small business confidence, the U.S. stock market resumed its decline this morning in sympathy with equity market weakness in Japan and Europe. The Dow and S&P are down 0.43% and 0.16%, respectively, while the NASDAQ is down 0.11%. Energy, health care, and telecom sector stocks are leading the declines in the S&P 500 today.

Treasury yields are dropping beyond the 2-Yr maturity. The 10-Year Treasury yield is down 2.2 basis points at 2.837%. The 2-10 Treasury spread narrowed to 74.6 down 3.8 basis points. The futures market probability of another Fed funds rate hike in March is unchanged at 92.8% this morning.

The U.S. dollar is far weaker against the major currencies today with the Bloomberg dollar spot index down 0.59%. The U.S. dollar is decreasing the most against the euro, Japanese yen, and British pound today. The yen hit a 5 month high against the dollar, breaking the 108.00 level. A strong yen is a concern for the Bank of Japan as it could weigh on Japan’s exports and economic growth, and stoke deflationary pressures.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank’s view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Dr. Anderson reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.