



Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
06:00 AM	NFIB Small Business Optimism	Mar	↓	104.7	106.5	107.0	107.6
08:30 AM	PPI Final Demand MoM	Mar	↑	0.3%	0.2%	0.1%	0.2%
08:30 AM	PPI Ex Food and Energy MoM	Mar	↑	0.3%	0.2%	0.2%	0.2%
08:30 AM	PPI Final Demand YoY	Mar	↑	3.0%	NA	2.9%	2.8%
08:30 AM	PPI Ex Food and Energy YoY	Mar	↑	2.7%	NA	2.6%	2.5%
10:00 AM	Wholesale Trade Sales MoM	Feb	↑	1.0%	NA	0.1%	-1.5% R ↓
10:00 AM	Wholesale Inventories MoM	Feb	↑	1.0%	0.8%	0.8%	1.1%

\* ↑ indicates stronger than Consensus estimated, ↓ indicates weaker than Consensus estimated, = indicates in-line with Consensus Estimated

\*\* Estimate from Bank of the West Economics

\*\*\* Consensus from Bloomberg

\*\*\*\* ↑ means prior reading revised up, ↓ means prior reading revised down

## Xi Raises Negotiated Settlement Hopes. Small Business Optimism Slips but Producer Price Inflation Heats Up

Chinese President Xi Jinping discussed plans Tuesday to further open up the country's economy, with measures including lowering import tariffs on autos, enforcing legal intellectual property of foreign groups and reducing duties on other consumer products. With Xi's comments and President Trump's more friendly tone indicating a potentially less combative approach to the nations' disagreements, market fears of a trade war may be overblown. A risk-on tone is evident in markets around the globe today.

We received somewhat conflicting U.S. economic data today. The NFIB Small Business Optimism Index declined to a five month low of 104.7 and is now below the six month average of 105.9. The decline in optimism was driven by an 11 percentage point decline in the number of firms expecting the economy to improve and an 8 percentage point decline in the number expecting higher sales. Small business owners may be starting to scale-back their upbeat expectations that followed the passage of Federal tax reform.

At the same time, growth in producer prices accelerated more than the consensus expected on both a month-to-month and year-over-year basis. The increase last month was driven by a 2.2% gain in food prices and a 0.6% increase in transportation and warehousing prices. The increases occurred despite a sizable 2.1% drop in energy prices last month. The strong inflation data today provides more evidence that a tight labor market and less favorable calendar effects are stoking inflation pressures near-term. This raises the probability that the Fed increases interest rates again at their June FOMC meeting.

Treasury yields are extending their rise this morning as a full-blown trade war with China is less likely to occur. The 10-Year Treasury yield is currently up 2.4 basis points at 2.803%. The 2-10 Treasury spread is declining to 49.8 down 0.5 basis points from yesterday. The futures market probability of another Fed funds rate hike in June is rising this morning to 82.9% from 78.3% yesterday.

U.S. stock indexes are rallying this morning. The Dow and S&P 500 are up 2.11% and 1.64%, respectively, while the NASDAQ is up 1.80%. Gains in S&P 500 today are led by energy, materials, and information technology stocks.

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The U.S. dollar is weaker against the major currencies today. The Bloomberg dollar spot index is down 0.12% from yesterday. The U.S. dollar is declining the most against the Canadian and Australian dollar, and Mexican peso today.