

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	CPI MoM	Mar	↓	-0.1%	0.1%	0.0%	0.2%
08:30 AM	CPI Ex Food and Energy MoM	Mar	=	0.2%	0.2%	0.2%	0.2%
08:30 AM	CPI YoY	Mar	=	2.4%	NA	2.4%	2.2%
08:30 AM	CPI Ex Food and Energy YoY	Mar	=	2.1%	NA	2.1%	1.8%
08:30 AM	CPI Core Index SA	Mar	=	256.2	NA	256.2	255.8
08:30 AM	Real Avg Weekly Earnings YoY	Mar		0.9%	NA	NA	0.6%
08:30 AM	Real Avg Hourly Earning YoY	Mar		0.4%	NA	NA	0.3% R ↓
02:00 PM	Monthly Budget Statement	Mar			NA	-\$186.0b	-\$215.2b
02:00 PM	FOMC Meeting Minutes	21-Mar					

* ↑ 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

U.S.-Russia Tensions Weigh on Markets, Consumer Inflation Rises From a Year Ago On Base Effects

President Trump lobbed back at Russia via Twitter Wednesday morning, promising to fire missiles at Syria in response to a recent chemical weapons attack allegedly carried out by the government of Syrian President Bashar Assad. Amid rumors that Washington may take military action over the chemical attack, a Russian senior official Tuesday threatened that Russia's military would shoot down any U.S. missile that entered Syrian airspace, including targeting launch sites. U.S. equity markets are responding negatively to the threats.

U.S. economic data today was largely in line with expectations. Headline CPI inflation accelerated to 2.4% year-over-year from 2.2% in February, spot on with the consensus. The increase in consumer inflation over the past 12 months has been driven by a 7.0% gain in energy prices, a 3.9% increase in transportation prices and a 3.0% rise in shelter prices. Last year, cell phone quality adjustments held back consumer inflation, but with the release of the March CPI data those base effects dropped out of the calculation, adding to the upward pressure on consumer inflation last month. Core CPI (excluding food and energy) inflation also accelerated to 2.1% year-over-year from 1.8% in February.

Last month, the larger than expected 0.1% drop in headline CPI prices was driven by a 2.8% decline in energy prices and more modest declines in commodity prices (-0.6%), transportation (-1.2%), and apparel (-0.6%) prices. Inflation accelerated for medical care +0.4% and remained firm in shelter +0.3% last month. The CPI inflation data released today do not alter our outlook for a Fed rate hike at the FOMC meeting in June.

Treasury yields are declining across the board this morning. The 10-Year Treasury yield is currently down 2.7 basis points at 2.775%. The 2-10 Treasury spread hit a new expansion low this morning, declining to 47.4, down 2.2 basis points from yesterday. The flat Treasury yield curve remains a major headwind for bank net interest margins and raises the risk that aggressive interest rate hikes from the Fed could invert the Treasury yield curve. The futures market probability of another Fed funds rate hike in June is 82.9% down from 87.1% yesterday.



U.S. stock indexes are mixed this morning. The Dow and S&P 500 are down 0.42% and 0.33%, respectively, while the NASDAQ is up 0.14%. Losses in the S&P 500 today are led by telecommunications, financials, and material stocks.

The U.S. dollar is weaker against the major currencies today. The Bloomberg dollar spot index is down 0.22% from yesterday. The U.S. dollar is declining the most against the Euro, the Japanese yen and Canadian dollar today.

The FOMC Meeting Minutes from the March Meeting and Monthly Budget Statement will be released later today.