

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Chicago Fed Nat Activity Index	Mar	↓	0.10	NA	0.28	0.98 R ↑
09:45 AM	Markit US Manufacturing PMI	Apr P	↑	56.5	55.1	55.2	55.6
09:45 AM	Markit US Services PMI	Apr P	↑	54.4	53.7	54.1	54.0
09:45 AM	Markit US Composite PMI	Apr P		54.8	NA	NA	54.2
10:00 AM	Existing Home Sales	Mar	↑	5.60m	5.55m	5.55m	5.54m
10:00 AM	Existing Home Sales MoM	Mar	↑	1.1%	NA	0.2%	3.0%

* ↑ 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

Treasury Yields Near 3% as Dollar Advances, Existing Home Sales and Purchasing Manager Indexes Rebound

Solid economic data and new Treasury debt supply is pushing the yield on benchmark 10-year U.S. treasuries to nearly 3.0% this morning. The greenback strengthened against most major currencies on rising interest rates as the yield on the U.S. 10-year note hit 2.99% for the first time since 2014 before paring the gains. Also, tensions over trade between the U.S. and China appeared to ebb with Treasury Secretary Mnuchin saying he's "cautiously optimistic" on reaching an agreement with China and may travel to Beijing for discussions. Oil prices declined, after two consecutive weeks of increases on news the U.S. Treasury has softened its stance on sanctions against Rusal (a giant Russian aluminum producer).

Today's U.S. economic indicators were generally strong and better than expected. The Markit Composite PMI Output Index increased to 54.8 in April from 54.2 in March, indicating a faster upturn in business activity across the private sector. The increase was driven by accelerating growth at both manufacturing and service sector firms. New orders placed with private sector firms rose sharply in April, for the largest gain since March 2015. Furthermore, the outlook for business activity over the next 12 months rose to the highest level since May 2015.

The Chicago Fed National Activity Index (CFNAI) declined to +0.10 in March from +0.98 in February, mainly due to slower growth in production- and employment-related indicators. Forty-four of the 85 individual indicators made positive contributions to the index in March, while 41 made negative contributions. Any number above zero on this index indicates above-trend economic growth.

Existing home sales rose 1.1% in March from the prior month to a seasonally adjusted annual rate of 5.60 million, beating consensus expectations. Despite last month's increase, sales are still 1.2% below a year ago. Robust gains in the Northeast (+5.6) and Midwest (+5.3%) from the weather-induced slowdown in February, and strong condo sales gains (+5.2%) helped overall existing home sales activity rise to its strongest pace since last November.

Treasury yields are climbing across the board this morning. The 10-Year Treasury yield is currently up 1.9 basis points to 2.979%. The 2-10 Treasury spread increased to 51.1, up 0.6 basis points from Friday. The futures market probability of another Fed funds rate hike in June is 92.2%, up from 92.1% on Friday.



U.S. stock indexes are rising moderately this morning. The Dow and S&P 500 are up 0.15% and 0.41%, respectively, while the NASDAQ is up 0.53%. Gains in the S&P 500 today are led by consumer discretionary, information technology and health care stocks.

The U.S. dollar is rising strongly against the major currencies today. The Bloomberg dollar spot index is up 1.23% from Friday. The U.S. dollar is increasing the most against the Mexican peso, euro, and Japanese yen today.