

| Time EST | Indicator | For | Actual* | Estimate** | Consensus*** | Previous Period**** |
|----------|---------------------------------|--------|------------|------------|--------------|---------------------|
| 07:30 AM | Challenger Job Cuts YoY | Apr | -1.4% | NA | NA | 39.4% |
| 08:30 AM | Nonfarm Productivity | 1Q P | ↓ 0.7% | 0.5% | 0.9% | 0.3% R↑ |
| 08:30 AM | Unit Labor Costs | 1Q P | ↓ 2.7% | 3.2% | 3.0% | 2.1% R↓ |
| 08:30 AM | Initial Jobless Claims | 28-Apr | ↓ 211k | 226k | 225k | 209k |
| 08:30 AM | Continuing Claims | 21-Apr | ↓ 1756k | NA | 1835k | 1833k R↓ |
| 08:30 AM | Trade Balance | Mar | ↑ -\$49.0b | -\$56.0b | -\$50.0b | -\$57.7b R↓ |
| 09:45 AM | Markit US Services PMI | Apr F | ↑ 54.6 | 54.4 | 54.5 | 54.4 |
| 09:45 AM | Markit US Composite PMI | Apr F | 54.9 | NA | NA | 54.8 |
| 10:00 AM | ISM Non-Manufacturing Composite | Apr | ↓ 56.8 | 58.2 | 58.0 | 58.8 |
| 10:00 AM | Factory Orders | Mar | ↑ 1.6% | 0.9% | 1.4% | 1.6% R↑ |
| 10:00 AM | Factory Orders Ex Trans | Mar | 0.3% | NA | NA | 0.2% R↑ |
| 10:00 AM | Durable Goods Orders | Mar F | 2.6% | NA | NA | 2.6% |
| 10:00 AM | Durables Ex Transportation | Mar F | 0.1% | NA | NA | 0.0% |
| 10:00 AM | Cap Goods Orders Nondef Ex Air | Mar F | -0.4% | NA | NA | -0.1% |
| 10:00 AM | Cap Goods Ship Nondef Ex Air | Mar F | -0.8% | NA | NA | -0.7% |

* ↑ 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. China Trade Concerns Return, ISM Non-Manufacturing Weaker Than Expected, Jobless Claims Remain Low

The economic calendar is heavy today and the data is mixed. Growth in the service economy slowed, more than expected in April, as the ISM Non-manufacturing Index slipped to 56.8 in April from 58.8 in March. This is the third consecutive monthly decline in this index. The business activity sub-index dropped to a four month low, and the employment index was the lowest in a year. But as scary as these deteriorating trends for service businesses seem, the new orders component actually improved to a robust 60.0 from 59.5, and nearly all other sub-components remain in solid expansion territory, despite the recent pull-back. Non-manufacturing industries have been expanding for 99 consecutive months, according to this index.

Meanwhile, initial jobless claims remained near historical lows last week, increasing only 2k to 211k for the week ending April 28 well under the consensus estimate looking for an increase to 225k. Continuing claims dropped 4.2% from the prior week and are down 11.8% from a year ago. The labor market continues to perform well. We expect the economy created another 185K net new jobs in April with the unemployment rate dropping to 4.0%.

Nonfarm productivity increased 0.7 percent during the first quarter of 2018, as output increased 2.8 percent and hours worked increased 2.1 percent. The 0.7% is slightly below the consensus estimate of 0.9%. From the first quarter of 2017 to the first quarter of 2018, productivity increased 1.3 percent, about where it has been over the past six quarters. Unit labor costs rose 2.7% year-over-year up from 2.1% at the end of 2017, indicative of a labor market at or above full-employment.

Finally, factory goods orders rose 1.6% in March, above the consensus estimate of 1.4%. Data for February was revised up to show orders jumping 1.6% instead of the previously reported 1.2% increase. The bulk of the gains



can be attributed to aircraft orders. Orders for transportation equipment increased 7.6%, lifted by a 44.5% jump in the volatile orders for civilian aircraft. Orders for machinery fell 1.9 percent, the largest drop since April 2016, after rising 0.6 percent in February. Despite full-expensing of equipment purchases under the new Federal tax law, we have yet to see any meaningful pickup in business equipment spending as a result.

Treasury yields are lower across the curve this morning. The 10-Year Treasury yield is down 3.0 basis points to 2.936%. The 2-10 Treasury spread is 46.6, down 1.4 basis points from yesterday. The futures market probability of another Fed funds rate hike in June is still 96.7%, unchanged from yesterday.

U.S. stock indexes are down sharply this morning on U.S.-China trade concerns. Trump's economic team wrapped up day one of China talks in Beijing with no comment. Both China and the U.S. have worked in recent days to lower expectations of an agreement surrounding these high-level meetings being led by U.S. Treasury Secretary Steve Mnuchin. The Dow and S&P 500 are down 1.10% and 1.40%, respectively, while the NASDAQ is down 0.87%. Losses in the S&P 500 today are led by financials, health care, and consumer discretionary stocks.

The U.S. dollar is declining against the major currencies today, giving back some recent gains. The Bloomberg dollar spot index is down 0.25% from yesterday. The U.S. dollar is decreasing the most against the Japanese yen, euro, and Australian dollar today.