

| Time EST | Indicator                 | For |   | Actual* | Estimate** | Consensus*** | Previous Period**** |
|----------|---------------------------|-----|---|---------|------------|--------------|---------------------|
| 08:30 AM | Empire Manufacturing      | May | ↑ | 20.1    | 14.8       | 15.0         | 15.8                |
| 08:30 AM | Retail Sales Advance MoM  | Apr | = | 0.3%    | 0.4%       | 0.3%         | 0.8% R↑             |
| 08:30 AM | Retail Sales Ex Auto MoM  | Apr | ↓ | 0.3%    | 0.5%       | 0.5%         | 0.4% R↑             |
| 10:00 AM | Business Inventories      | Mar | ↓ | 0.0%    | 0.2%       | 0.1%         | 0.6%                |
| 10:00 AM | NAHB Housing Market Index | May | ↑ | 70.0    | 69.0       | 69.0         | 68.0 R↓             |
| 04:00 PM | Total Net TIC Flows       | Mar |   |         | NA         | NA           | \$44.7b             |
| 04:00 PM | Net Long-term TIC Flows   | Mar |   |         | NA         | NA           | \$49.0b             |

\* ↑ 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

## Retail Sales Growth Slows but March Revised Higher and 10-Year Yield Reaches Highest Level Since 2011

U.S. retail sales advanced at a slower pace last month, but March's retail sales gains were revised higher, suggesting a better pace of real consumer spending growth is taking hold in the second quarter. However, rising fuel costs may be sapping gains in other spending categories. Retail sales climbed 0.3% in April, matching the median forecast, after a 0.8% rise in the previous month that was stronger than the initial estimate of 0.6%. Gains were led by clothing (+1.4%), gasoline stations (+0.8%) and furniture sales (+0.8%). Retail sales excluding autos rose 0.3% last month, somewhat below the consensus estimate of 0.5%.

The retail sales control group, which is used to calculate GDP and excludes food services, auto dealers, building material stores and gasoline stations, increased 0.4% after an upwardly revised 0.5% gain in March. This report signals that real consumer spending growth is poised to rebound to a healthier 2.5% in Q2, up from just 1.1% in Q1.

The other economic data released today were mixed. Business inventories were flat in March after rising 0.6% in February. The consensus was expecting a 0.1% advance. The Empire State manufacturing's general business conditions index recovered more than expected, rising to 20.1 in May from 15.8 in April. The May reading is close to the seven-month high of 22.5 in March. Finally, the NAHB Housing Market Index came in at 70 in May, slightly above the expected reading of 69 and up from a downwardly-revised 68 in April. This is the fourth time the index has reached 70 this year, pointing to continued elevated levels of homebuilder confidence.

The yield on the benchmark 10-year note hit 3.058% in early trading – up 5.5 basis points and the highest level since 2011 – after solid manufacturing and steady retail sales data. The latest uptick in rates comes amid a rally in oil prices that could have ripple effects throughout the economy. Brent crude increased to \$78.93 a barrel on Tuesday morning, after an OPEC report released Monday showed that oil inventories declined to near a 5 year average in March, suggesting the global oil supply glut is abating. The 2-10 Treasury spread is 49.5, up 3.7 basis points from yesterday. The futures market probability of another Fed funds rate hike in June is at 96.7%, unchanged from yesterday.

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U.S. stock indexes are trading sharply lower today off of two month highs. The Dow is down 0.71% and S&P 500 is down 0.73%, while the NASDAQ is down 0.89%. Losses in the S&P 500 today are led by real estate, information technology, and health care stocks.

The U.S. dollar is rallying against the major currencies today as more Fed rate hikes come into focus. The Bloomberg dollar spot index is up 0.57% from yesterday. The U.S. dollar is increasing the most against the euro, Japanese yen, and Mexican peso today.