

Time EST	Indicator	For	Actual*	Estimate**	Consensus***	Previous Period****
07:30 AM	Challenger Job Cuts YoY	May	-4.8%	NA	NA	-1.4%
08:30 AM	Personal Income	Apr	= 0.3%	0.3%	0.3%	0.2% R↓
08:30 AM	Personal Spending	Apr	↑ 0.6%	0.3%	0.4%	0.5% R↑
08:30 AM	Real Personal Spending	Apr	↑ 0.4%	NA	0.2%	0.5% R↑
08:30 AM	PCE Deflator MoM	Apr	= 0.2%	0.2%	0.2%	0.0%
08:30 AM	PCE Deflator YoY	Apr	= 2.0%	NA	2.0%	2.0%
08:30 AM	PCE Core MoM	Apr	↑ 0.2%	0.1%	0.1%	0.2%
08:30 AM	PCE Core YoY	Apr	= 1.8%	NA	1.8%	1.8% R↓
08:30 AM	Initial Jobless Claims	26-May	221k	229k	228k	234k
08:30 AM	Continuing Claims	19-May	1726k	NA	1733k	1742k R↑
09:45 AM	Chicago Purchasing Manager	May	↑ 62.7	57.9	58.3	57.6
10:00 AM	Pending Home Sales MoM	Apr	↓ -1.3%	0.2%	0.4%	0.6% R↑

* ↑ 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. Stocks Slide on Steel and Aluminum Tariffs, Consumer Spending Jumps Boosting Q2 GDP Forecast

U.S. stocks dropped and Treasuries rose on the news that the Trump Administration is ready to impose tariffs on goods from key trading partners. Stock futures turned negative after a report that the U.S. will impose levies on steel and aluminum from the EU, Mexico and Canada when a temporary exemption expires this week.

Retaliation from our trading partners can be expected. The EU plans to impose counter tariffs on \$3.3B of U.S. imports and complain to the WTO. Canada said it will respond “appropriately”, while Mexico said retaliation is an option. The yield on the 10-year Treasury fell to 2.83% amid all of the trade policy turbulence. Across the pond, the euro got a lift from strong inflation data and European stocks rose despite the uncertainty in Italy over plans for a coalition government.

Meanwhile, the U.S. economic data was mostly positive today. Personal income increased 0.3% month-over-month in April, in line with our estimate. The growth primarily reflected increases in wages and salaries, personal interest income and government social benefit payments. Personal spending jumped 0.6%, above the consensus expectation of 0.3% and up strongly from the upwardly revised 0.5% gain in March. This signifies a stronger start to consumer spending in Q2 that we previously expected. We revise up our forecast for Q2 consumer spending growth to 3.3%, pushing up our forecast for Q2 GDP growth to a sizzling 3.9%. Finally, the PCE Deflator and the PCE Core Deflator held steady at 2.0% and 1.8% respectively from a year ago in April. This does not alter our view of the Fed raising the fed funds rate by 25 basis points in June.

Initial jobless claims fell 13k in the week ended May 26 to 221k, breaking a recent streak of increases and nearing recent cycle lows reached in mid-April. This week’s reading is in-line with the four-week moving average of 222,250. Recent evidence continues to suggest that labor markets remain tight. We are expecting an increase of 169k jobs in May when the BLS releases the payroll report tomorrow.



Finally, the Pending Home Sales Index, a forward-looking indicator based on contract signings, declined 1.3% in April to 106.4. This was well below the consensus estimate of a 0.4% gain. The housing market is being held back by supply constraints in many parts of the country. Further, rising mortgage rates and declining affordability could lead to hesitation among some potential buyers and weigh on home sales this summer.

Treasury yields are up at the short end of the curve and down at the long end this morning. The 10-Year Treasury yield is 2.835%, down 2.0 basis points from yesterday. The 2-10 Treasury spread is 41.9, down 2.6 basis points from yesterday. The futures market probability of another Fed funds rate hike in June is at 81.7%, unchanged from yesterday's close.

U.S. stock indexes are mixed this morning due to trade war concerns. The Dow and S&P 500 are down 0.88% and 0.50% respectively, while the NASDAQ is up 0.01%. Declines in the S&P 500 today are led by consumer staples, telecommunications, and industrial stocks.

The U.S. dollar is up strongly against the major currencies today. The Bloomberg dollar spot index is up 0.20% from yesterday. The U.S. dollar is increasing the most against the Mexican peso, Canadian dollar and Korean won today.