

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Initial Jobless Claims	07-Jul	↓	214k	230k	225k	232k R↑
08:30 AM	Continuing Claims	30-Jun	↑	1739k	NA	1730k	1742k R↑
08:30 AM	CPI MoM	Jun	↓	0.1%	0.2%	0.2%	0.2%
08:30 AM	CPI Ex Food and Energy MoM	Jun	=	0.2%	0.2%	0.2%	0.2%
08:30 AM	CPI YoY	Jun	=	2.9%	NA	2.9%	2.8%
08:30 AM	CPI Ex Food and Energy YoY	Jun	=	2.3%	NA	2.3%	2.2%
02:00 PM	Monthly Budget Statement	Jun			NA	-\$80.0b	-\$146.8b

\* ↑ 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

## Consumer Price Inflation Rises Again in June, But Gains Not Alarming

U.S. equity markets are partially recovering from yesterday's losses as trade fears diminished amid a lack of immediate retaliatory tariffs by China in response to the \$200 billion in new tariffs announced by the Trump Administration. The Chinese commerce ministry said that China has not reached out to the U.S. to resume trade discussions but that China does not want a trade war. Investors are focusing more on strong corporate earnings which are expected to grow 20% in the second quarter according to FactSet.

U.S. consumer price inflation moderated to 0.1% month-over-month in June from 0.2% in May as energy and apparel prices fell. This was below the consensus estimate of 0.2%. Excluding food and energy, consumer prices rose 0.2%, in line with expectations. On a year-over-year basis, consumer prices increased 2.9% – the fastest pace since February 2012 – after advancing 2.8% in May. Excluding food and energy, prices rose 2.3% which was spot on with the consensus. The underlying upward trend in year-on-year inflation suggests the Fed will continue to gradually raise interest rates, but there is no sign in this report that the Fed is behind the curve in keeping underlying consumer inflation in-line with their intermediate-term 2.0% target. We expect consumer inflation to peak this summer before gradually moving back down to 2.1% in 2019.

On the labor market front, initial jobless claims for the week ending July 7 came in at a low 214,000, down from an upwardly revised 232,000 the week before. This is the lowest level in initial claims since early May and suggests that labor market conditions remained robust in early July. The four week moving average, a better measure of underlying labor market trends, also fell 1,750 to low 223,000 last week. States with the largest increases in claims were Massachusetts (+4,795), New Jersey (+4,364) and Kentucky (+4,024), while claims declined the most in California (-6,404), Pennsylvania (-3,966) and Maryland (-2,500).

U.S. stocks are rising today as trade tensions haven't worsened. The Dow and the S&P 500 are up 0.72% and 0.55%, while the NASDAQ is up 0.85%. Gains in the S&P 500 today are being led by information technology, industrials, and health care stocks.



Treasury yields are mixed this morning. The 10-Year Treasury yield is at 2.851 up 0.2 basis points from yesterday. The 2-10 Treasury spread is down to 26.7 basis points, down 0.6 basis points from Wednesday. The futures market probability of another Fed funds rate hike in September is 75.6% this morning, unchanged from yesterday's close.

The U.S. dollar is weaker against the major currencies today. The Bloomberg dollar spot index is down 0.22% from yesterday's close. The U.S. dollar is decreasing the most against the Mexican peso, euro, and Canadian dollar today.