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July 13, 2018

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Import Price Index MoM	Jun	↓	-0.4%	-0.1%	0.1%	0.9% R↑
08:30 AM	Import Price Index YoY	Jun	↓	4.3%	NA	4.6%	4.5% R↑
08:30 AM	Export Price Index MoM	Jun	↑	0.3%	NA	0.2%	0.6%
08:30 AM	Export Price Index YoY	Jun		5.3%	NA	NA	4.9%
10:00 AM	U. of Mich. Sentiment	Jul P	↓	97.1	98.0	98.0	98.2

* ↑ 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

Import Prices and Consumer Sentiment Retreat in June

The U.S. economic calendar was light again today and the data was mixed. The price index for U.S. imports fell 0.4% month-over-month in June, after increasing an upwardly revised 0.9% in May. The consensus was looking for a reading of 0.1%. The June decline was the largest monthly drop since the index decreased 0.5% in February 2016. Despite the downturn in June, overall import prices advanced 4.3% from a year ago. The primary categories responsible for the negative reading were food and beverages (-2.6%) and fuel (-0.8%). As a result, import prices excluding food and fuel was just -0.1% in June. There is no evidence so far that import tariffs are putting upward pressure on overall import prices and inflation.

Export prices rose 0.3% in June, slightly higher than the consensus estimate of 0.2% but down sharply from the 0.6% gain in May. The 0.3% advance was supported by a 1.2% increase in industrial supplies prices, while the index was weighed down by agricultural prices (-1.0%) and food and beverage prices (-0.9%). On a year-over-year basis, export price growth accelerated to 5.3% in June from 4.9% in May.

The preliminary July reading of consumer sentiment was 97.1, slightly below the consensus estimate of 98.0 and down from 98.2 in June. Despite the small decline sentiment is nearly on par with the 97.7 average of the last 12 months and since the start of 2017. The current economic conditions component retreated from 116.5 to 113.9 and was solely responsible for the decline. The index of consumer expectations actually rose from 86.3 to 86.4. Finally, consumers are increasingly concerned about the potential negative impact of tariffs on the domestic economy with negative concerns about the impact of tariffs rising from 15% in May, to 21% in June, and 38% in July. Furthermore, among those in the top third of the income distribution, 52% negatively mentioned the impact of tariffs on the economy in early July.

U.S stocks are slightly higher again this morning as investors turn their attention to second quarter earnings. The Dow is up 0.32% and the S&P 500 is up 0.16%, while the NASDAQ is up 0.11%. Gains in the S&P 500 today are being led by energy, consumer cyclical, and basic material stocks.

Treasury yields are down across the curve this morning. The 10-Year Treasury yield is at 2.831, down 1.5 basis points from yesterday. The 2-10 Treasury spread is down to 25.7 basis points, down 0.6 basis points from Thursday. The futures market probability of another Fed funds rate hike in September is 73.4% this morning, down from 75.6% at yesterday’s close.

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The U.S. dollar is stronger against the major currencies today. The Bloomberg dollar spot index is up 0.16% from yesterday's close. The U.S. dollar is increasing the most against the euro, British pound and Korean won today.