

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Empire Manufacturing	Jul	↑	22.6	20.0	21.0	25.0
08:30 AM	Retail Sales Advance MoM	Jun	-	0.5%	0.5%	0.5%	1.3% R↑
08:30 AM	Retail Sales Ex Auto MoM	Jun	↑	0.4%	0.3%	0.3%	1.4% R↑
10:00 AM	Business Inventories	May	-	0.4%	0.4%	0.4%	0.3%

* ↑ 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

WTI Oil Prices Slump Below \$70 Per Barrel, Retail Sales Show Solid Gains in Q2

Oil prices declined over 3.5% on Monday after Treasury Secretary Mnuchin said some crude importers could receive waivers to continue buying supplies from Iran despite U.S. sanctions on the Middle East country. The Trump administration wants to avoid upsetting global oil markets as it attempts to pressure Iran to make concessions on its nuclear program, ballistic missile tests and its role in regional conflicts.

The week is off to a good start on the U.S. economic data front. The consumer is on a roll. Retail sales showed solid gains in June, and May sales were revised sharply higher. Analysts have been marking up their forecasts for real consumer spending into the 3.4% range for the second quarter as a result of the robust retail sales data.

Total retail sales rose 0.5% month-over-month in June, spot on with the consensus estimate but down from an upwardly revised 1.3% in May. The biggest gains by category were in health and personal care (+2.2%), eating and drinking establishments (+1.5%) and non-store retailers (+1.3%). The largest declines were in sporting goods (-3.2%) and clothing (-2.5%). Retail sales excluding autos advanced 0.4%, slightly higher than consensus expectations but below the 1.4% growth in May.

In other data releases, the Empire State Manufacturing Index came in at 22.6 in July, down from 25.0 in June but above the consensus expectation of 21.0. The new-orders index declined 3.1 points to 18.2, while the shipments index fell 8.9 points to 14.6. Indexes for unfilled orders and inventories also declined. The prices-paid index fell 10 points but was still elevated at 42.7. Optimism about the future slipped as the index for future conditions fell 7.8 points to 31.1. While down from the eight-month high in June, manufacturing activity in the Empire State continues at a brisk pace and is above the six-month average of 19.9.

Business inventories was the other data point released today and it was also in line with the consensus call for a 0.4% increase in May. Business sales jumped 1.4% in May, the biggest gain since September 2017 and up sharply from 0.6% in April. At May's sales pace, it would take 1.34 months for businesses to exhaust inventories. That was the smallest inventories/sales ratio since December 2014 and was down from 1.35 months in April. Inventory investment was fairly neutral to first-quarter economic growth but a moderate contribution from inventory accumulation is expected to support second-quarter growth.

U.S stocks are fairly flat this morning. The Dow is up 0.03% and the S&P 500 is down 0.17%, while the NASDAQ is down 0.16%. Losses in the S&P 500 today are being led by energy, health care, and consumer staples stocks.

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Treasury yields are rising across the curve this morning. The 10-Year Treasury yield is at 2.867, up 4.0 basis points from Friday. The 2-10 Treasury spread is 26.6, up 1.5 basis points from Friday. The futures market probability of another Fed funds rate hike in September is 77.9% this morning, up from 75.6% at Friday's close.

The U.S. dollar is weaker against the major currencies today. The Bloomberg dollar spot index is down 0.13% from Friday's close. The U.S. dollar is decreasing the most against the euro, Mexican peso and Canadian dollar today.