

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
09:15 AM	Industrial Production MoM	Jun	↑	0.6%	0.5%	0.5%	-0.5% R↓
09:15 AM	Capacity Utilization	Jun	↓	78.0%	78.1%	78.3%	77.7% R↓
10:00 AM	NAHB Housing Market Index	Jul	=	68.0	69.0	68.0	68.0
04:00 PM	Total Net TIC Flows	May			NA	NA	\$138.7b
04:00 PM	Net Long-term TIC Flows	May			NA	NA	\$93.9b

* ↑ 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

Fed Chair Powell Testifies On Capitol Hill, U.S. Industrial Production Rebounds

Federal Reserve Chairman Jerome Powell is delivering his semi-annual monetary policy testimony on Capitol Hill today. Although the economic landscape hasn't changed much since he stated at a press conference on June 13 that the U.S. economic system is in good shape he will likely be pressed on recent steps the Fed has taken to relax certain financial regulations. Investors will also be paying close attention to any discussion of the yield curve which might signal the Fed's next move on interest rates.

Industrial production rebounded solidly in June, though May's decline was far bigger than previously reported. The U.S. manufacturing expansion remains intact. Industrial production rose 0.6% in June, boosted by a sharp rebound in manufacturing from -1.1% in May to +0.8% in June and a strong 1.2% gain in mining output (largely oil production). This was slightly above the consensus estimate of 0.5% and up sharply from the downwardly revised -0.5% in May. For the second quarter as a whole, industrial production advanced at an annual rate of 6.0%, the third consecutive quarterly increase. Meanwhile, capacity utilization came in at 78.0%, up from the downwardly revised 77.7% in May but below expectations for a reading of 78.3%. Inflationary pressures remain muted and this does not alter our outlook for two more increases in the fed funds rate this year.

On the housing front, the NAHB Housing Market Index was 68 in July, unchanged from June. Current sales were unchanged from June at 74, sales in the next six months declined from 75 to 73 and prospective buyer traffic increased from 50 to 52. Regionally, home builder confidence declined in the Northeast and West, increased in the South and was flat in the Midwest. Homebuilders are facing rising costs for land, labor and materials, especially with new tariffs on Chinese steel and aluminum in addition to duties imposed on Canadian lumber last year. The price of lumber jumped to a record high a few months ago and is still up over 50% in the past year.

U.S stocks are rising slightly this morning. The Dow and the S&P 500 are up 0.06% and 0.19% respectively, while the NASDAQ is up 0.17%. Gains in the S&P 500 today are being led by materials, consumer staples and financial stocks.

Treasury yields are mixed this morning, rising on the short-end and falling on the long-end of the curve. The 10-Year Treasury yield is at 2.853, down 0.6 basis points from Monday. The 2-10 Treasury spread is 25.2, down 1.2 basis points from yesterday. The futures market probability of another Fed funds rate hike in September is 78.2% this morning, up from 77.7% at Monday's close.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank's view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Dr. Anderson reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.



The U.S. dollar is stronger against the major currencies today. The Bloomberg dollar spot index is up 0.22% from Monday's close. The U.S. dollar is gaining the most against the Japanese yen, euro, and British pound today.