



Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Chicago Fed Nat Activity Index	Jun	↑	0.43	NA	0.25	-0.45 R↓
10:00 AM	Existing Home Sales	Jun	↓	5.38m	5.39m	5.44m	5.41m R↓
10:00 AM	Existing Home Sales MoM	Jun	↓	-0.6%	NA	0.2%	-0.7% 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

Earnings Season Kicks into High Gear, Existing Home Sales Struggle

About one-third of S&P 500 companies report quarterly earnings this week, including high-profile companies like Facebook, Amazon and Alphabet as well as the major oil companies Exxon Mobil and Chevron. Thus far 87% of companies that have reported earnings have exceeded Wall Street expectations. Consequently, FactSet is now forecasting Q2 profits will rise almost 21% from a year ago.

The U.S. economic calendar was light today and the data was mixed. The Chicago Fed National Activity Index (CFNAI) rebounded to +0.43 in June from a downwardly revised -0.45 in May, suggesting above trend economic growth returned in June. The consensus was expecting a reading of 0.25. Three of the four broad categories made positive contributions in June, led by the production-related indicators (+0.36, up from -0.56 in May) and employment-related indicators (+0.08, down slightly from +0.11 in May). The contribution from the personal consumption and housing category ticked down to -0.06 in June from -0.04 in May.

Existing home sales were 5.38 million in June, roughly in line with our estimate of 5.39 million but below the consensus expectation of 5.44 million. This is the third consecutive monthly drop as sales declines in the South and West exceeded gains in the Northeast and Midwest. Total existing home sales are now down 2.2% from a year ago. The decline in June was concentrated in the single-family category with sales of condos and co-ops flat for the month. Despite a 4.3% increase in total housing inventory to 1.95 million existing homes for sale in June, the median price for all types of housing hit a record-high of \$276,900, an increase of 5.2% from June 2017. Months supply of homes ticked up to a still historically low 4.3 months from 4.1 months in May. We believe a combination of falling housing affordability and tight housing supply are keeping a lid on existing home sales this year.

U.S. stocks are marginally lower this morning as investors wait for tech company earnings results. The Dow and the S&P are down 0.13% and 0.06% respectively, while the NASDAQ is down 0.16%. Declines in the S&P 500 today are being led by industrials, real estate, and utilities stocks.

Treasury yields are up sharply across the curve this morning with the biggest increases at the long end. Media reports that the Bank of Japan is likely to discuss changes to its yield curve control policy led to a jump in the 10-Year JGB yield overnight, and helped trigger a global selloff in long-term government bonds. The 10-Year Treasury yield is at 2.947, up 5.4 basis points from Friday. The 2-10 Treasury spread is 33.2, up 3.1 basis points from Friday. The 2-10 Treasury spread hit a low of 24.6 last week. The futures market probability of another Fed funds rate hike in September is at 80.6% this morning, up from 78.2% on Friday.

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The U.S. dollar is appreciating against the major currencies today. The Bloomberg dollar spot index is up 0.19% from yesterday's close. The U.S. dollar is gaining the most against the euro, Australian dollar, and Canadian dollar today.