

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Initial Jobless Claims	18-Aug	↓	210k	214k	215k	212k
08:30 AM	Continuing Claims	11-Aug	↓	1727k	NA	1730k	1729k R↑
09:00 AM	FHFA House Price Index MoM	Jun	↓	0.2%	0.2%	0.3%	0.4% R↑
09:00 AM	House Price Purchase Index QoQ	2Q		1.1%	NA	NA	1.9% R↑
09:45 AM	Markit US Manufacturing PMI	Aug P	↓	54.5	55.0	55.0	55.3
09:45 AM	Markit US Services PMI	Aug P	↓	55.2	55.8	55.8	56.0
09:45 AM	Markit US Composite PMI	Aug P		55.0	NA	NA	55.7
10:00 AM	New Home Sales	Jul	↓	627k	645k	645k	638k R↑
10:00 AM	New Home Sales MoM	Jul	↓	-1.7%	NA	2.2%	-2.4% R↑
11:00 AM	Kansas City Fed Manufacturing Activity	Aug	↓	14.0	21.0	23.0	23.0

* ↑ 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

Trade War Intensifies With New Tariffs Implemented, Housing Market Showing Additional Signs of Slowing

The U.S. began collecting 25% import tariffs today on an additional 279 Chinese products representing \$16 billion worth of imports. Key products include semiconductors, chemicals, plastics and motorcycles. China responded with its own set of tariffs on \$16 billion worth of U.S. exports, including fuel, steel products, autos and medical equipment. The U.S. and China held low-level trade talks on Wednesday but not much progress was made on resolving their differences. Talks are set to resume today.

On the U.S. data front, initial jobless claims for the week ending August 18 were slightly below the consensus estimate at 210,000, down from 212,000 the previous week. Initial claims have now declined for three straight weeks – a testament to the strength of the labor market today.

However, U.S. economic momentum may be starting to fade. The preliminary readings of the Markit Manufacturing and Service PMIs for August both came in below expectations as did the Kansas City Fed Manufacturing index for August. Negative trade war impacts will show-up first in PMI indexes like these. The Markit Manufacturing index dropped to 54.5 from 55.3 in July. This is the lowest reading on this measure in nine months and suggests slower rates of output and new business growth at manufacturing companies. Manufacturers continued to indicate a sharp lengthening of suppliers' delivery times linked to widespread truck driver shortages. Finally, the overall rate of price inflation eased further from a seven-year peak in April.

Similarly, the Markit Services PMI fell to 55.2 down from 56.0 in July. This is a four month low. New business volume increased at the slowest pace so far this year, but the rate of expansion is in line with the long-run average since the survey began in 2009. Moreover, service providers indicated the slowest rise in payroll numbers in eight months and also reported a fall in the backlog of orders.

Also, we received more signs of softening housing market activity. New home sales in July unexpectedly declined 1.7% from June from an upwardly revised 2.4% decline the prior month. Sales declined in the Northeast and the South and rose in the West and Midwest. The months' supply of new homes increased for the second

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consecutive month to 5.9 and the median home price rose 1.8% year-over-year to \$328,700. This data is consistent with the existing home sales data released yesterday that showed a slowdown in sales and an increase in home prices, and suggests that housing market activity continues to cool.

U.S. stocks are modestly lower this morning as U.S.-China trade discussions continue. The Dow and S&P500 are down 0.38% and 0.01% respectively, while the NASDAQ is down 0.14%. Declines in the S&P 500 today are being led by materials, energy, and industrials stocks.

Treasury yields are up at the short end of the curve and down at the long end this morning. The 10-Year Treasury yield is currently trading at 2.817 – down 0.2 basis points from yesterday. The 2-10 Treasury spread is at a new expansion low 21.5 basis points - down 1.4 basis points from yesterday. The futures market probability of another Fed funds rate hike in September is 92.5% this morning, up from 92.3% yesterday.

The U.S. dollar is rallying against the major currencies today. The Bloomberg dollar spot index is up 0.48% from yesterday's close. The U.S. dollar is gaining the most against the Japanese yen, euro, and British pound today.