

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Chicago Fed Nat Activity Index	Jul	↓	0.13	NA	0.45	0.48 R↑
10:30 AM	Dallas Fed Manufacturing Activity	Aug	↑	30.9	27.5	30.0	32.3

* ↑ 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

U.S. Mexico Announce Trade Agreement- Canada May Rejoin Talks

U.S. stock markets are celebrating the announcement today that the U.S. and Mexico has reached a bilateral agreement to revamp NAFTA. The U.S. is calling it the U.S. Mexico Trade Agreement. Trump says he will terminate the existing deal and go into this one with Mexico. Lighthizer says U.S.-Mexico deal will go to Congress for approval. Talks with Canada haven't started yet, but are expected to begin shortly with hopes of reaching a final agreement between all three countries soon.

The new agreement with Mexico appeared to center on rules governing the automobile industry. Reuters is reporting that the U.S.-Mexico deal will require 75% of auto content to be made in the U.S. and Mexico up from the current 62.5%. It also will require 40 to 45% of auto content to be made by workers earning at least \$16 per hour.

On the economic data front, the Chicago Federal Reserve's National Activity index came in weaker than expected, slipping to 0.13 in July from an upwardly revised 0.48 in June. This suggests that U.S. economic activity slowed closer to trend in July from above-trend growth in June. The drop in this index was due primarily to slower growth in production-related indicators with 49 of 85 monthly indicators making negative contributions last month. However, 36 of 85 indicators still made positive contributions to the index. A reading in this index below zero indicates below-trend-growth in U.S. economy and easing pressure on future inflation.

On a positive note, the Dallas Fed manufacturing activity index for August came in better than expected at 30.9 from 32.3 in July. This was a slight drop from July, but well above the 6-month moving average at 28.5. The index number remains firm as the Dallas Fed region is supported by higher oil prices.

U.S. stocks are rising across the board this morning on news of the U.S. Mexico trade agreement. The NASDAQ is at new record highs. The Dow and the S&P 500 are up 0.89% and 0.69% respectively, while the NASDAQ is up 0.95%. Advances in the S&P 500 today are being led by materials, financials, and industrials stocks.

Treasury yields are rising across the board. The 10-Year Treasury yield is currently trading at 2.846 – up 3.6 basis points from Friday's close. The 2-10 Treasury spread is at a 20.7 basis points – up 1.5 basis points from Friday's close. The futures market probability of another Fed funds rate hike in September is 96.9% this morning, up from 92.3% Friday's close.

The U.S. dollar is falling against the major currencies today. The Bloomberg dollar spot index is down 0.41% from Friday's close as the Mexican peso and Canadian dollar rise on news of the trade agreement breakthrough with Mexico. The U.S. dollar is losing the most against the Mexican peso, euro, and Canadian dollar today.

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