BANK OF THE WEST
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Daily Update

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Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
09:45 AM	Chicago Purchasing Manager	Aug	↑	63.6	62.0	63.0	65.5
10:00 AM	U. of Mich. Sentiment	Aug F	↑	96.2	95.5	95.5	95.3

* ↑ 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

Emerging Markets Getting Punished Again – U.S. Economic Indicators Beat Estimates Today

The Argentina financial crisis intensified this week - the peso dropping more than 20% this week alone, and down more than 50% year-to-date. The Argentine central bank raised interest rates yesterday to 60% from 45% previously. The International Monetary Fund said this morning that Argentina has its "full support" with high-level talks set to start on Tuesday to revise Argentina's economic plan. Argentina received a $50B loan agreement from the IMF in June, the largest in IMF history. In short, $50 billion doesn't appear to be enough to stem Argentina's financial crisis. Argentina's President made an appeal for quicker payouts from the IMF earlier this week, which helped trigger this recent investor panic.   As we have written about in past publications, we see scope for further financial and economic contagion in emerging markets before the dust finally settles.

Meanwhile, the countdown clock on the revised NAFTA agreement, or whatever we are calling it these days, is rapidly winding down. Canada and the U.S. have been in frantic last minute negotiations to see if they can come to an agreement before the U.S. imposed deadline today. Recent media reports say progress has been made in recent days, but talks got stuck last night and there is a good chance a final NAFTA deal will not be able to be reached with Canada today.

The final University of Michigan Consumer Sentiment index for August was bumped up to 96.2 from the 95.3 initial reading. The current conditions sub-index was revised higher to 110.3 from 107.8, accounting for the entire upward revision in consumer sentiment. Looking ahead, however, the future expectations index was revised lower to 87.1 from 87.3. Consumers also see faster inflation ahead. Consumer's inflation expectations were revised a tenth of a percentage point higher than originally reported. Consumers expect faster inflation over the next twelve months increasing to 3.0%.

The Chicago Purchasing Manager index also came in at a better than expected 63.6 in August, though this was a decline from July's 65.5 level. Manufacturing PMI has generally cooled in August as new import tariffs were implemented.

U.S. stocks are mixed this morning as investors wait for word on the U.S. and Canada trade talks. The Dow is down 0.36%, the S&P 500 is down 0.20% and the NASDAQ is up 0.04% in thin pre-Labor Day trading. Declines in the S&P 500 today are being driven by energy, telecommunications, and utility stocks.

Treasury yields are falling across the curve this morning on safe haven flows. The 10-Year Treasury yield is currently trading at 2.842 – down 1.3 basis points from yesterday's close. The 2-10 Treasury spread is 21.5 basis points – up 0.8 basis points from Thursday's close. The futures market probability of another Fed funds rate hike in September is 94.6 this morning, unchanged from yesterday.

The U.S. dollar is rising against the major currencies today as the market is starting to sense a comprehensive trade deal between the U.S., Canada, and Mexico is not likely to be reached today. The Bloomberg dollar spot index is up 0.49% from Thursday's close. The U.S. dollar is gaining the most against the euro, Canadian dollar, and Mexican peso today.