

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Trade Balance	Jul	↑	-\$50.1b	-\$48.6b	-\$50.2b	-\$45.7b 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

## Emerging Market Selling Spreads, U.S. Trade Deficit Jumps as Deficit with China Hits a Record High

Emerging market equities and bonds were under significant selling pressure across the globe over the past 24 hours, joining their currencies lower. The emerging market currency crisis is morphing into a broader financial crisis that will hurt emerging market economic growth in the quarters ahead. Developed market equities in Japan, Europe, and the U.S. are declining in sympathy. The Hong Kong stock market (Hang Seng Index) dropped 2.61% overnight as the Trump administration prepares to implement new import tariffs on another \$200b worth of Chinese exports.

The U.S. trade deficit widened by 9.5% in July to -\$50.1b from -\$45.7b in June, the second consecutive month of big increases in the U.S. trade deficit as the trade war escalates. U.S. imports have been rising on the strength of U.S. consumer spending and the need for U.S. businesses to ensure adequate inventories as our trading partners retaliate. U.S. exports have dropped for two consecutive months as China, Europe, and emerging market economies slow and China implements retaliatory tariffs on U.S. soybeans and aircraft exports. The increase in July was driven by both export (1.0% down) and import (0.9% up). Food and beverage (soybeans), civilian aircraft, and consumer goods held back exports in July, while food and beverage and automotive bolstered imports up by 2.2% and 1.7%, respectively. The rising U.S. trade deficit in the third quarter is expected to subtract about 1.4 percentage points off of U.S. GDP growth in the third quarter.

U.S. stocks are declining this morning as shares in Europe and Asia decreased, and emerging market contagion intensified. The Dow and S&P 500 are down 0.11% and 0.38% respectively, while the NASDAQ is down 1.42%. Declines in the S&P 500 today are led by information technology, consumer discretionary, and energy stocks.

Treasury yields are falling across most of the curve this morning as investors seek the safe haven of U.S. government bonds. The 10-Year Treasury yield is currently trading at 2.893 – down 0.5 basis points from Tuesday's close. The 2-10 Treasury spread is 25.0 basis points – up 0.3 basis points from Tuesday's close. The futures market probability of another Fed funds rate hike in September is 95.2% this morning, down from 96.3% on Tuesday.

The U.S. dollar is nearly unchanged against the major currencies today. The Bloomberg dollar spot index is down 0.04% from Tuesday's close. The U.S. dollar is declining the most against the euro, British pound and Swiss Franc today.