

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
07:30 AM	Challenger Job Cuts YoY	Aug		13.7%	NA	NA	-4.2%
08:15 AM	ADP Employment Change	Aug	↓	163k	190k	200k	217k R↓
08:30 AM	Nonfarm Productivity	2Q F	↓	2.9%	2.9%	3.0%	2.9%
08:30 AM	Unit Labor Costs	2Q F	↓	-1.0%	-0.9%	-0.9%	-0.9%
08:30 AM	Initial Jobless Claims	01-Sep	↓	203k	216k	213k	213k
08:30 AM	Continuing Claims	25-Aug	↓	1707k	NA	NA	1710k R↑
09:45 AM	Markit US Services PMI	Aug F	↓	54.8	55.2	55.2	55.2
09:45 AM	Markit US Composite PMI	Aug F		54.7	55.0	NA	55.0
10:00 AM	ISM Non-Manufacturing Index	Aug	↑	58.5	56.0	56.8	55.7
10:00 AM	Factory Orders	Jul	↓	-0.8%	-0.6%	-0.6%	0.6% R↓
10:00 AM	Factory Orders Ex Trans	Jul		0.2%	NA	NA	0.4%

\* ↑ 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

## Private Payroll Growth Weakest of the Year in August, ISM Non-Manufacturing PMI Strengthens

U.S. economic reports this morning painted a mixed picture of the labor market with a big deceleration in ADP payroll growth, but another new low in initial jobless claims (203K) – at the lowest level now since December 1969. We make no adjustment to our forecast of August non-farm payrolls, which will be released on Friday, as a result of the new information. We look for a gain of 187K non-farm jobs in August, a modest improvement from July's 157K gain.

Private companies added just 163K jobs in August according to the ADP Employment Report, down from 217K in July and the weakest level since October 2017. The consensus was expecting a gain of 200K. There was a sharp drop in small business (less than 50 employees) and large company (500+ employees) hiring 21K and 31K positions, respectively, holding down the overall number. Medium size firms (50-499 employees) led the way with 111K hires. At the sector level, service providers added 139K jobs led by professional and business services (+35K) and education and health services (+31K). On the goods side, manufacturing firms added 19K workers and construction saw an increase of just 5K.

Much like the ISM Manufacturing Index released earlier this week, the ISM Non-Manufacturing Index came in well-above expectations at 58.5 in August, up from 55.7 in July. Economic activity in the non-manufacturing sector has now risen for 103 consecutive months. The increase was broad-based with 7 of the 10 components rising from the previous month, led by backlog of orders (up 5 points) business activity (up 4.2 points) and new orders (up 3.4 points). The only components that declined were prices paid and imports. On a down note, respondents are saying that tariff-related cost increases are beginning to accelerate so that bears watching.

U.S. stocks are lower today as trade fears linger. The Dow is down 0.18%, while the S&P 500 and NASDAQ are down 0.54% and 0.93% respectively. Declines in the S&P 500 today are led by energy, information technology, and financial stocks.

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Treasury yields are declining across the curve today. The 10-Year Treasury yield is currently trading at 2.875 – down 3.0 basis points from Wednesday’s close. The 2-10 Treasury spread is 24.6 basis points – down 0.9 basis points from yesterday’s close. The futures market probability of another Fed funds rate hike in September is 96.3% this morning, unchanged from Wednesday.

The U.S. dollar is declining slightly against the major currencies today. The Bloomberg dollar spot index is down 0.02% from Wednesday’s close. The U.S. dollar is declining the most against the Japanese yen, British pound and the Swiss franc today.