



Time EST	Indicator		For	Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Chicago Fed Nat Activity Index	↓	Aug	0.18	NA	0.20	0.18 R↑
10:30 AM	Dallas Fed Manufacturing Activity	↓	Sep	28.1	32.0	31.0	30.9

* ↑ 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.-China Tariffs Take Effect Today, Chicago Fed National Activity Index Was Steady in August

Global equity markets are largely down this morning as the latest U.S. and China tariffs took effect overnight. The tariffs cover \$200 billion of China’s exports to the U.S. and China said it is ready to retaliate with tariffs on \$60 billion in U.S. exports. Chinese exports of furniture, computers and computer equipment, routers and switches, and other electrical equipment and electronics will be the most impacted by the U.S. tariffs so far based on the value of exports. The Wall Street Journal reported on Friday that China has cancelled a plan to send two delegations to the U.S. this week to try and end the dispute.

Meanwhile, the Chicago Fed National Activity Index was 0.18 in August, on par with the upwardly revised reading in July but below the consensus view of 0.20. The reading of 0.18 suggests steady economic growth with mild inflationary pressures. Forty-eight of the 85 individual indicators made positive contributions last month while 37 made negative contributions. Finally, the three month moving average – which smooths out the underlying volatility in the monthly data – rose to 0.24 in August from 0.02 in July.

In the only other U.S. economic data release today, the Dallas Fed Manufacturing Index came in at 28.1 in September. This was below consensus expectations for a reading of 31.0 and down from 30.9 in August. The production component – which according to the Dallas Fed is a key measure of the state’s manufacturing conditions – dropped six points to 23.3. Perhaps more evidence of the negative impact the escalating trade war with China may be having on the manufacturing sector.

Other sub-indexes also pointed to a slower expansion in September including the new orders index (down nine points to 14.7 and the lowest reading in six months) and the growth rate of new orders (down 8.4 points to 11.5, also a six-month low). In contrast, the six month outlook improved with the general business activity index rising to 38.0 in August from 34.7 in July. Other indexes for future manufacturing activity were mixed but remained firmly in expansion territory.

U.S. stocks are falling this morning on news that China cancelled trade talks with the United States, and that more tariffs are being implemented by both sides. The Dow and the S&P 500 are down 0.54% and 0.48% respectively, while the NASDAQ is down 0.11%. Losses in the S&P 500 today are led by real estate, materials, and industrial stocks.

Treasury yields are rising across the curve this morning. The 10-Year Treasury yield is currently at 3.076 – up 1.3 basis points from Friday’s close. The 2-10 Treasury spread is 27.3 basis points – up 0.9 basis points from Friday’s

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close. The futures market probability of another Fed funds rate hike in September is 100.0% this morning, unchanged from Friday.

The U.S. dollar is mixed against the major currencies today. The Bloomberg dollar spot index is up 0.01% from Friday's close. Over the past month the dollar has lost 0.10% of its value. The U.S. dollar is declining against the euro and British pound, but rising against the Mexican peso and Australian dollar today.