BANK OF THE WEST
BNP PARIBAS

Daily Update

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Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
09:00 AM	FHFA House Price Index MoM	Jul	↓	0.2%	0.1%	0.3%	0.3% R↑
09:00 AM	S&P CoreLogic CS 20-City MoM SA	Jul	↓	0.09%	-0.10%	0.10%	0.16% R↑
10:00 AM	Richmond Fed Manufacturing Index	Sep	↑	29.0	20.0	20.0	24.0
10:00 AM	Conf. Board Consumer Confidence	Sep	↑	138.4	131.5	132.1	134.7 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

Home Price Increases Weaker Than Consensus Expected, Consumer Confidence Soars In September

There were two readings on the state of the housing market today and both were somewhat weaker than expected. The FHFA House Price Index increased 0.2% month-over-month in July, below the consensus estimate of 0.3% and down from the upwardly revised gain of 0.3% in June. FHFA home prices weakened in six of the nine regions in July. On a year-ago basis, home prices rose 6.4% in July with the biggest gains in the Mountain (8.7%) and Pacific (7.9%) regions.

The S&P CoreLogic CS 20-City Index confirmed the general slowdown in U.S. home price appreciation in July. The index rose 0.09% in July. This was slightly below the consensus view of a 0.10% advance and down from the upwardly revised reading of 0.16% in June. S&P CoreLogic 20-City CS home prices, using non-seasonally adjusted data, were up 5.9% year-over-year in July, a deceleration from 6.4% in June. The biggest gains were in Las Vegas (13.7%), Seattle (12.1%) and San Francisco (10.8%). Five of the 20 cities saw home price gains accelerate from a year ago compared to June. While home prices continue to rise compared to a year ago, the pace of gains is decelerating in part due to an erosion in affordability as mortgage rates increase.

Continued strong gains in the labor market and stock market propelled consumer confidence higher in September with the index rising sharply to 138.4, up from an upwardly revised reading of 134.7 in the previous period. The consensus was looking for a reading of 132.1. The gain was primarily due to a six point increase in the expectations component with the present situation component increasing by just 0.3 points. Confidence is now at an 18-year high and closing in on the all-time high of 144.7 reached in 2000. Finally, inflations expectations remained anchored in September with consumers expecting inflation to rise 4.7% in 12 months, unchanged from August, but down from 5.0% in July.

U.S. stocks are modestly higher this morning. The Dow and S&P 500 are up 0.14% and 0.03% respectively, while the NASDAQ is up 0.19%. Gains in the S&P 500 today are led by energy, consumer discretionary, and real estate stocks.

Treasury yields are rising across the board this morning. The 10-Year Treasury yield is currently at 3.095 – up 0.6 basis points from Monday's close. The 2-10 Treasury spread is 26.1 basis points – down 1.2 basis points from yesterday's close. The futures market probability of another Fed funds rate hike in September is 100.0% this morning, unchanged from Monday.

The U.S. dollar is losing ground against the major currencies today. The Bloomberg dollar spot index is down 0.06% from Monday's close, but up 0.39% over the past three trading days. The U.S. dollar is declining the most against the euro, British pound and Korean won today.