



Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:15 AM	ADP Employment Change	Sep	↑	230k	185k	185k	168k R↑
09:45 AM	Markit US Services PMI	Sep F	↑	53.5	52.9	53.0	52.9
09:45 AM	Markit US Composite PMI	Sep F		53.9	NA	NA	53.4
10:00 AM	ISM Non-Manufacturing Index	Sep	↑	61.6	57.8	58.0	58.5

\* ↑ 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

## Solid Upside Surprises on ADP and ISM Non-Manufacturing in September

Yet another month of impressive payroll gains is likely given this morning's ADP employment report. According to the ADP National Employment Report, private sector employment increased by 230,000 jobs in September, well above consensus expectations for a gain of 185,000. This was the strongest monthly ADP jobs gain in seven months. Job gains were led by medium size businesses (+99,000) followed by large businesses (+75,000) and small businesses (+56,000). Furthermore, job gains were broad-based across industries with the biggest increases in professional & business services (+70,000), education & health services (+44,000) and construction (+34,000). It's important to note that ADP's methodology only includes employees on payrolls and does not account for those displaced by short-lived events such as Hurricane Florence. Therefore, job growth according to this report might be overstated relative to the official BLS report that will be released on Friday. Our forecast calls for job gains of 180,000 in September with the unemployment rate dropping to 3.8%.

In a data release today that shed some light on the health of the U.S. service sector, the ISM Non-Manufacturing Index unexpectedly rose to 61.6 in September from 58.5 in August. The consensus expected a reading of 58.0. This is the 104<sup>th</sup> consecutive month of growth in the non-manufacturing sector. Eight of the nine components increased in September, led by employment (+5.7 points), business activity (+4.5 points) and imports (+3.0). According to the Institute for Supply Management, respondents remain positive about business conditions and the current and future economy, while concerns remain about capacity, logistics and the uncertainty of global trade.

U.S. stocks are rising this morning on news of the better-than-expected ADP jobs report. The Dow and the S&P 500 are up 0.52% and 0.40% respectively, while the NASDAQ is up 0.20%. Gains in the S&P 500 today are led by energy, industrials, and financial stocks.

Treasury yields are rising across the curve this morning with the biggest increases at the long end. The 10-Year Treasury yield is currently at 3.101 – up 3.7 basis points from Tuesday's close. The 2-10 Treasury spread is 26.7 basis points – up 1.3 basis points from yesterday's close. The futures market probability of another Fed funds rate hike in December is 77.2% this morning, up from 71.5% on Tuesday.

The U.S. dollar is gaining ground against the major currencies today. The Bloomberg dollar spot index is up 0.15% from Tuesday's close. The U.S. dollar is gaining the most against the Japanese yen, euro and Australian dollar.

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