BANK OF THE WEST
BNP PARIBAS

Daily Update

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Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	CPI MoM	Sep	↓	0.1%	0.2%	0.2%	0.2%
08:30 AM	CPI Ex Food and Energy MoM	Sep	↓	0.1%	0.2%	0.2%	0.1%
08:30 AM	CPI YoY	Sep	↓	2.3%	NA	2.4%	2.7%
08:30 AM	CPI Ex Food and Energy YoY	Sep	↓	2.2%	NA	2.3%	2.2%
08:30 AM	Initial Jobless Claims	06-Oct	↑	214k	212k	207k	207k
08:30 AM	Continuing Claims	29-Sep		1660k	NA	NA	1656k 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

Global Equity Markets under Pressure, U.S. Consumer Inflation Lighter Than Expected in September

U.S. and global equity markets tumbled again today after sharp declines yesterday, initially triggered in part by rising bond yields and hawkish Fed speak. The S&P 500 and the Dow posted their biggest declines since February and the CBOE Volatility Index soared 59.2% to 24.98 over the past two days. Long-term Treasury bond yields have since subsided and the equity selloff has taken on a life of its own. Right now this feels like a regular stock market correction due to high valuations and not a sign of impending economic problems.

Overall U.S. consumer inflation remained moderate in September with a month-over-month increase of just 0.1%. This is below expectations for a 0.2% increase and is down from a 0.2% increase in August. The largest declines were in used car and truck prices (-3.0%) and energy services prices (-0.8%). The year-ago increase moderated to 2.3% from 2.7% in August. Finally, consumer inflation excluding food and energy increased 0.1% for the second straight month and is up 2.2% year-over-year, unchanged from August. This tamer than expect consumer inflation report does not alter our view that the Fed will raise interest rates by a quarter percentage point at their December meeting.

Initial jobless claims rose 7,000 to 214,000 for the week ending October 6. This was above the consensus view of 207,000 but close to our projection of 212,000. The Labor Department reported that claims in South and North Carolina were impacted by Hurricane Florence that hit the region in mid-September. The four-week moving average rose 2,500 to 209,500. Despite the modest increase, claims remain close to a 49-year low and the labor market expansion remains intact.

U.S. stocks fell again today despite the tame U.S. inflation report. The Dow and the S&P 500 fell 2.13% and 2.06% respectively, while the NASDAQ dropped 1.25%. Losses in the S&P 500 today were led by energy, financial and real estate stocks.

Treasury yields were mixed today, rising at the short-end, but falling at the longer-end of the curve. The 10-Year Treasury yield is currently at 3.15 – down 1.3 basis points from Wednesday's close. The 2-10 Treasury spread is 30.3 basis points – down 1.9 basis points from yesterday's close. The futures market probability of another Fed funds rate hike in December is 72.7% today, up from 71.7% on Wednesday.

The U.S. dollar declined against the major currencies today. The Bloomberg dollar spot index is down 0.42% from Wednesday's close. The U.S. dollar declined the most against the Korean won, Mexican peso and Australian dollar today.