

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
09:15 AM	Industrial Production MoM	Sep	↑	0.3%	0.2%	0.2%	0.4%
09:15 AM	Capacity Utilization	Sep	↓	78.1%	78.2%	78.2%	78.1%
10:00 AM	NAHB Housing Market Index	Oct	↑	68.0	66.0	66.0	67.0
10:00 AM	JOLTS Job Openings	Aug	↑	7136	NA	6900	7077 R↑
04:00 PM	Total Net TIC Flows	Aug			NA	\$60.3b	\$52.2b
04:00 PM	Net Long-term TIC Flows	Aug			NA	NA	\$74.8b

* ↑ 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. Equity Markets Are Up On Strong Earnings, U.S. Economic Data Mostly Surprises to The Upside

U.S. equity markets are sharply higher today after last week's steep declines. According to CNBC.com, the Dow, the S&P 500 and the NASDAQ all declined about 4% last week. Propelling the market higher today are stronger-than-expected earnings results from Goldman Sachs and Morgan Stanley. Moreover, FactSet expects earnings for S&P companies to increase around 19% in the third quarter.

U.S. industrial production came in a bit better than expected, increasing 0.3% in September, above the consensus estimate of 0.2% but down from 0.4% in August. This is the fourth consecutive monthly increase. The gain was held back less than 0.1 percentage point by Hurricane Florence, according to the Federal Reserve report. The gains were led by auto manufacturing (1.7%), machinery (0.9%), computer and electronics (0.5%), and mining (+0.5%), while utilities production was flat. For the entire third quarter, industrial production advanced at an annual rate of 3.3%, down from 5.3% in the second quarter. Finally, capacity utilization in September was 78.1% unchanged from the previous month. Capacity utilization is now 1.7 percentage points below its long-run average from 1972-2017.

The NAHB Housing Market Index also increased to 68.0 in October, above the consensus view of 66.0 and up slightly from 67.0 in September. According to National Association of Home Builders, homebuilder sentiment is up in part because lumber prices are falling on rising supply. Increases were broad-based with prospective buyer traffic up four points and current sales conditions and sales expectations in the next six months each increasing a point. Finally, confidence improved across all four regions of the U.S., led by a four point advance in the Northeast.

The last U.S. data release today contained more positive news on the labor market. The number of job openings rose to a record-high 7.14 million in August up from an upwardly revised 7.08 million in July. The hiring rate increased to 3.9% in August from 3.8% in July, while the rate of separations – which includes quits, layoffs and discharges – was unchanged at 3.8%. Finally, the number of job seekers for each available open position was 0.87. This report is more evidence that the labor market continues to tighten.



U.S. stocks are rising strongly this morning. The Dow and the S&P 500 are up 1.45% and 1.20% respectively, while the NASDAQ is up 1.80%. Advances in the S&P 500 today are led by information technology, health care and communications stocks.

Treasury yields are rising across the curve this morning. The 10-Year Treasury yield is currently at 3.167 – up 1.1 basis points from Monday’s close. The 2-10 Treasury spread is 30.3 basis points – up 0.1 basis points from Monday’s close. The futures market probability of another Fed funds rate hike in December is 75.9% this morning, down from 76.2% yesterday.

The U.S. dollar is losing ground against the major currencies today. The Bloomberg dollar spot index is down 0.16% from Monday’s close but is up 0.27% over the last month. The U.S. dollar is losing the most against the Mexican peso, British pound, and Canadian dollar.