

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Housing Starts	Sep	↓	1201k	1250k	1210k	1268k R↓
08:30 AM	Housing Starts MoM	Sep	↑	-5.3%	NA	-5.6%	7.1% R↓
08:30 AM	Building Permits	Sep	↓	1241k	1275k	1275k	1249k R↑
08:30 AM	Building Permits MoM	Sep	↓	-0.6%	NA	2.0%	-4.1% R↑
02:00 PM	FOMC Meeting Minutes	26-Sep					

\* ↑ 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

## New Home Construction Shows Additional Signs of Weakening

The U.S. economic calendar is very light today but there was another weaker than expected reading on the state of the U.S. housing market. Housing starts declined 5.3% month-on-month in September well below the downwardly revised gain of 7.1% in August (previously 9.2%). Declines were seen in both single-family and multifamily starts falling 0.9% and 15.2% respectively in September. On a regional basis, starts in the South, which account for about 47% of total U.S. homebuilding, sank 13.7%. That was the sharpest decline since October 2015. Hurricane Florence, which hit North and South Carolina in September, likely weighed on homebuilding in the region last month. Of course rebuilding from the Hurricanes in the Carolinas and Florida will add to national homebuilding activity in the months ahead. Starts jumped 29% in the Northeast, increased 6.6% in the West, and fell 14.0% in the Midwest. Overall, housing starts are still up 3.7% from a year ago.

Meanwhile, homebuilding permits slipped for a second consecutive month, declining another 0.6% in September. The permit decline was concentrated in the multifamily sector (-7.6%) with single-family permits increasing 2.9% last month. Permits declined in the Midwest (-18.9%) and the Northeast (-9.8%) but increased in the West (+11.1%) and South (0.6%). The decline in homebuilding permits in recent months suggests that future national homebuilding will continue to weaken over the near-term.

U.S. stocks are down this morning after yesterday's impressive rally. The Dow and the S&P 500 are down 0.81% and 0.76% respectively, while the NASDAQ is down 0.54%. Losses in the S&P 500 today are led by consumer discretionary, materials, and energy stocks.

Treasury yields are declining across the curve this morning. The 10-Year Treasury yield is currently at 3.150 – down 1.3 basis points from Tuesday's close. The 2-10 Treasury spread is 29.1 basis points – down 1.1 basis points from yesterday's close. The futures market probability of another Fed funds rate hike in December is 75.9% this morning, unchanged from Tuesday.

The U.S. dollar is gaining ground against the major currencies today and is trading near its highest levels in two days. The Bloomberg dollar spot index is up 0.20% from Tuesday's close and is up 0.75% over the last month. The U.S. dollar is advancing the most against the euro, British pound and Canadian dollar. The euro is under pressure as Italian bonds turn negative, and the British pound is struggling as Brexit fears remain high with the EU Brexit summit getting under way.

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