

Time EST	Indicator	For	Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	GDP Annualized QoQ	3Q A	↑ 3.5%	3.4%	3.3%	4.2%
08:30 AM	GDP Price Index	3Q A	↓ 1.7%	2.0%	2.1%	3.0%
08:30 AM	Core PCE QoQ	3Q A	↓ 1.6%	NA	1.8%	2.1%
10:00 AM	U. of Mich. Sentiment	Oct F	↓ 98.6	99.0	99.0	99.0

*↑ 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

Third Quarter U.S GDP Growth Exceeds Expectations, Consumer Sentiment Slips in October

The U.S. economy continued to expand at a brisk pace in the third quarter with annualized GDP growth of 3.5%. This was above consensus expectations of 3.3% but down from an unrevised 4.2% in the second quarter. Growth was driven by a 4.0% increase in consumer spending, the strongest pace since the fourth quarter of 2014. Finally, inflation moderated with the core PCE price index decelerating to 1.6% in the third quarter from 2.1% in the prior period.

The final reading on October consumer sentiment was 98.6, down from the preliminary estimate of 99.0 and below the 100.1 recorded in September. The month-to-month decline was broad based, with current economic conditions declining from 115.2 to 113.1 and consumer expectations retreating to 89.3 from 90.5. Despite the moderate decline, consumer sentiment has been higher so far this year (average monthly reading of 98.5) than in any year since 2000 according to the University of Michigan. Finally, inflation expectations are on the rise with consumers' now anticipating inflation of 2.9% a year from now, up from 2.7% in September.

U.S. stocks are falling today in part on weak tech earnings reports. The Dow and the S&P 500 are down 0.77% and 1.29% respectively, while the tech-heavy NASDAQ is down 1.39%. Losses in the S&P 500 today are led by consumer discretionary, real estate, and communications stocks.

Treasury yields are down sharply across the curve again today in a flight to safety. The 10-Year Treasury yield is currently at 3.085 – down 3.0 basis points from Thursday's close. The 2-10 Treasury spread is 27.6 basis points – up 0.5 basis points from Thursday's close. The futures market probability of another Fed funds rate hike in December is 69.4% this morning, down from 73.7% on Thursday.

The U.S. dollar is losing ground against the major currencies today. The Bloomberg dollar spot index is down 0.19% from yesterday's close, but is up 1.30% over the last month. The U.S. dollar is declining the most today against the euro, Japanese yen, and British pound.