



Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Trade Balance	Sep	↑	-\$54.0b	-\$53.8b	-\$53.6b	-\$53.3b R↑
08:30 AM	Change in Nonfarm Payrolls	Oct	↑	250k	190k	200k	118k R↓
08:30 AM	Change in Manufacturing Payrolls	Oct	↑	32k	16k	16k	18k
08:30 AM	Unemployment Rate	Oct	=	3.7%	3.7%	3.7%	3.7%
08:30 AM	Underemployment Rate	Oct		7.4%	NA	NA	7.5%
08:30 AM	Average Hourly Earnings MoM	Oct	=	0.2%	0.2%	0.2%	0.3%
08:30 AM	Average Hourly Earnings YoY	Oct	=	3.1%	NA	3.1%	2.8%
08:30 AM	Average Weekly Hours All Employees	Oct	=	34.5	34.5	34.5	34.5
08:30 AM	Labor Force Participation Rate	Oct	↑	62.9%	NA	62.7%	62.7%
10:00 AM	Factory Orders	Sep	↑	0.7%	0.3%	0.5%	2.6% R↑
10:00 AM	Factory Orders Ex Trans	Sep		0.4%	NA	NA	0.4% R↑
10:00 AM	Durable Goods Orders	Sep F		0.7%	NA	NA	0.8%
10:00 AM	Durables Ex Transportation	Sep F		0.0%	NA	NA	0.1%
10:00 AM	Cap Goods Orders Nondef Ex Air	Sep F		-0.1%	NA	NA	-0.1%
10:00 AM	Cap Goods Ship Nondef Ex Air	Sep F		-0.1%	NA	NA	0.0%

\* ↑ 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

## U.S.-China Trade Tensions Ease, U.S. Job Growth Rebounds Sharply In October

According to Bloomberg, President Trump has instructed officials in his administration to start drafting terms of a trade deal with China with the hope of reaching an agreement with Chinese President Xi Jinping at the G20 summit later this month in Argentina. Global equity markets are responding positively to this development with the Nikkei, Hang Seng and Shanghai indexes all advancing more than 2%.

The U.S. employment report was better than expected with nonfarm payrolls advancing 250,000 in October. Some of the strength was likely due to a bounce back from hurricane Florence, while the Labor Department reported that hurricane Michael had “no discernable effect”. Strength was seen in construction, manufacturing, transportation and warehousing, and health care payroll growth. The unemployment rate held steady at 3.7% for the second consecutive month and is down from 4.1% a year ago. Average hourly earnings growth year-over-year accelerated sharply to 3.1% in October, a new expansion high.

The U.S. trade deficit widened more than forecast to \$54.0 billion in September from the upwardly revised \$53.3 billion in August. Imports increased 1.5% month-on-month to an all-time high of \$266.6 billion with goods imports increasing 1.6%. Exports also increased 1.5% to \$212.6 billion, with goods exports up 2.1% and services exports up a more modest 0.4%. Year-to-date, the deficit increased \$40.7 billion or 10.1% from the same period last year. Finally, the trade deficit with China increased 4.3% to \$40.2 billion. Exports of U.S. soybeans – targeted by China with retaliatory tariffs – declined by over 29% in September according to the Associated Press.

In the other U.S. data release of note today, U.S. factory orders rose 0.7% in September, above the consensus view of 0.5% but down from the upwardly revised advance of 2.6% in August. The U.S. manufacturing expansion

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should continue at a moderate pace in the months ahead. Transportation equipment led the way with 1.9% growth, fueled by a 118.7% bounce in defense aircraft and parts according to Reuters. Factory orders excluding transportation were up 0.4%. Factory orders are up 7.9% year-over-year in September. Finally, the inventory to shipments ratio was 1.33 last month, down slightly from 1.34 in August.

U.S. stocks are down this morning after Apple's earnings report yesterday. The Dow and the S&P 500 are down 0.55% and 0.57% respectively, while the tech-heavy NASDAQ is down 1.31%. Losses in the S&P 500 today are led by information technology, real estate and communications stocks.

Treasury yields are rising sharply across the curve this morning. The 10-Year Treasury yield is currently at 3.182 – up 5.1 basis points from Thursday's close. The 2-10 Treasury spread is 30.1 basis points – up 1.3 basis points from Thursday's close. The futures market probability of another Fed funds rate hike in December is 74.6% this morning, up from 71.3% on Thursday.

The U.S. dollar is losing ground against the major currencies today. The Bloomberg dollar spot index is down 0.05% from yesterday's close but is up 0.84% over the last month. The U.S. dollar is declining the most today against the Mexican peso, Indian rupee and Korean won.