

Time EST	Indicator		For	Actual*	Estimate**	Consensus***	Previous Period****
06:00 AM	NFIB Small Business Optimism	↓	Oct	107.4	108.0	108.0	107.9
02:00 PM	Monthly Budget Statement		Oct		NA	-\$103.5b	-\$63.2b

\* ↑ 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 Resume Trade Discussions, U.S. Small Business Optimism Slips for Second Consecutive Month

According to Bloomberg, trade talks were held last Friday between U.S. Treasury Secretary Steve Mnuchin and Chinese Vice Premier Liu He as the two countries attempt to come to an agreement on a framework for a trade deal. Although the discussions did not generate tangible results, the two countries are expected to have further talks at the Group of 20 nations summit in Argentina later this month. Furthermore, the South China Morning Post reported today that Vice Premier Liu is expected to visit the U.S. for additional discussions designed to lower trade tensions before President Trump and Xi meet in person.

U.S. small business owner optimism slipped again in October with the NFIB Small Business Optimism Index dipping to 107.4 from 107.9 in September. Small business optimism peaked in August at 108.8. Despite the small decline, small business optimism remains high by historical standards is still above its year-to-date average of 106.9. Job creation remained solid in October but small business owners are still having a lot of trouble filling open positions. Thirty eight percent of small business owners reported job openings they could not fill, tied with the record high recorded in September.

Furthermore, 34% of small business owners reported increasing compensation in order to attract new employees and retain existing workers, just three percentage points off September's all-time high. Finally, 28% of small business owners plan to raise prices – up four points from September. The price hikes could at least temporarily boost consumer inflation, if increased tariffs and labor costs are passed along to the consumer.

U.S. stocks are trying to rebound this morning after yesterday's steep selloff. The Dow is up 0.17%, while the S&P 500 and the NASDAQ are up 0.21% and 1.39% respectively. Gains in the S&P 500 today are led by information technology, industrials, and financial stocks.

Treasury yields are down across the curve this morning. The 10-Year Treasury yield is currently at 3.154 – down 2.8 basis points from Friday's close. The 2-10 Treasury spread is 26.1 basis points – up 0.1 basis points from Friday's close. The futures market probability of another Fed funds rate hike in December is 76.6% this morning, down from 76.7% on Friday.

The U.S. dollar is down slightly against the major currencies today. The Bloomberg dollar spot index is down 0.19% from yesterday's close but is up 2.46% over the last month. The U.S. dollar is declining the most today against the British pound, euro, and Korean won. News that the British Cabinet could sign off on the Irish backstop to the Brexit deal is leading to some optimism this morning that a messy Brexit can still be avoided. Expect more volatility in the Pound and the euro near-term as Brexit headline risk remains high.

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