

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Retail Sales Advance MoM	Nov	↑	0.2%	0.1%	0.1%	1.1% R↑
08:30 AM	Retail Sales Ex Auto MoM	Nov	-	0.2%	0.2%	0.2%	1.0% R↑
09:15 AM	Industrial Production MoM	Nov	↑	0.6%	0.3%	0.3%	-0.2% R↓
09:15 AM	Capacity Utilization	Nov	↓	78.5%	78.5%	78.6%	78.1% R↓
09:45 AM	Markit US Manufacturing PMI	Dec P	↓	53.9	55.1	55.0	55.3
09:45 AM	Markit US Services PMI	Dec P	↓	53.4	54.5	54.6	54.7
10:00 AM	Business Inventories	Oct	-	0.6%	0.4%	0.6%	0.5% R↑

* ↑ 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

Core U.S. Retail Sales Growth Strong in November, U.S. Industrial Production Rebounded Last Month

U.S. retail sales rose 0.2% month-on-month in November, down from the upwardly revised gain of 1.1% in the prior month but above consensus expectations for an advance of 0.1%. Retail sales are up 4.2% from a year ago. Nonstore retail led the way with a 2.3% increase followed by electronics and appliances (+1.4) and furniture and home furnishing stores (+1.2%). Sales at gasoline stations declined 2.3% on the month. Core retail sales – which exclude autos, gasoline, building materials and food services and is used to estimate the consumer spending component of GDP – increased a solid 0.9% last month on top of an upwardly revised gain of 0.7% in October. This points to a robust pace of consumer spending in the fourth quarter.

U.S. industrial production increased 0.6% from a month ago in November on a surge in output at utilities (+3.3%) and mines (+1.7%). Manufacturing production, in contrast, was flat. The gain was double expectations for a rise of 0.3% and up from the downwardly revised reading of -0.2% in October. Capacity utilization for the industrial sector rose to 78.5% from 78.1%, spot on with our estimate. Capacity utilization is now just 1.3 percentage points below its long-run average from 1972-2017.

There are preliminary signs U.S. manufacturing activity could remain soft in December. The IHS Markit Flash U.S. Manufacturing PMI, released this morning, fell to 53.9 in December, well below the consensus view of 55.0 and down from 55.3 in November. The index is now at a 13-month low. The rate of job creation in manufacturing was the softest since August 2017. According to IHS Markit, cautious hiring was due to a drop in business optimism to the lowest level in 26 months. The U.S. Services PMI weakened to 53.4 this month, the lowest reading since January. New work rose at the weakest pace since April 2017, which contributed to a decline in unfinished business for the first time in four months. The U.S. Composite PMI fell to 53.6 in December from 54.7 last month. It now stands at a 19-month low.

U.S. stocks are down this morning after weaker-than-expected Chinese retail sales and industrial output overnight. The Dow and the S&P 500 are down 1.73% and 1.20% respectively, while the NASDAQ is down 1.43%. Losses in the S&P 500 today are led by health care, energy, and information technology stocks.



Treasury yields are down across the curve this morning. The 10-Year Treasury yield is currently at 2.886 – down 2.7 basis points from Thursday’s close. The 2-10 Treasury spread is 15.5 basis points – up 0.2 from Thursday’s close. The futures market probability of another Fed funds rate hike in December is 72.3% this morning, down from 73.1% on Thursday.

The U.S. dollar is rising against the major currencies today. The Bloomberg dollar spot index is up 0.31% from yesterday’s close and is up 0.98% over the last month. The U.S. dollar is advancing the most against the euro, British pound and Australian dollar today.