

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Empire Manufacturing	Dec	↓	10.9	20.6	20.0	23.3
10:00 AM	NAHB Housing Market Index	Dec	↓	56.0	61.0	60.0	60.0
04:00 PM	Total Net TIC Flows	Oct			NA	NA	-\$29.1b
04:00 PM	Net Long-term TIC Flows	Oct			NA	NA	\$30.8b

\* ↑ 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

## Empire Manufacturing Index Tumbles In December, U.S. Homebuilder Confidence Weakens Again

The Empire Manufacturing Index declined to 10.9 in December from 23.3 in November. This was well below the consensus view for a reading of 20.0 and the lowest reading in 19 months. The share of respondents reporting that conditions had improved over the month dropped to 30%, an 11 percentage point decline from November, while 19% of respondents reported that conditions had worsened. The new orders index slipped six points to 14.5, and the shipments index fell seven points to 21.0. The index for the number of employees rose twelve points to 26.1, indicating very strong growth in employment levels, while the average workweek index declined slightly to 8.0 from 9.2. The prices paid index remained elevated but dropped nearly five points to 39.7, indicating a slight deceleration in input price increases. Meanwhile, the prices received index declined slightly from 13.1 to 12.8. Looking ahead, firms remained fairly optimistic about the six-month outlook, though optimism was down 3.0 points from November to 30.0.

The NAHB Housing Market Index fell more than forecast to 56.0 in December from 60.0 in November - the weakest since May 2015. Declines were broad-based across current sales (-6 points), sales expectations (-4 points) and buyer traffic (-2 points). Regionally, the index fell in the Northeast (-15 points), the South (-4 points) and the Midwest (-2 points) and was unchanged in the West. The federal limit on state and local property-tax deductions is expected to have an outsized impact on housing demand in high tax Northeast states. Winter weather storms may also have added to the drop in the December index. According to the NAHB, concerns over housing affordability persist and continue to weigh on homebuilder confidence.

U.S. stocks are down this morning after last week's sharp selloff. The Dow and the S&P 500 are down 0.38% and 0.48% respectively, while the NASDAQ is down 0.06%. Losses in the S&P 500 today are led by utilities, real estate and health care stocks.

Treasury yields are down across the curve this morning on flight to safety flows. The 10-Year Treasury yield is currently at 2.870 – down 2.0 basis points from Friday's close. The 2-10 Treasury spread is 15.9 basis points – down 0.1 from Friday's close. The futures market probability of another Fed funds rate hike in December is 74.0% this morning, up from 72.4% on Friday.



The U.S. dollar is declining against the major currencies today. The Bloomberg dollar spot index is down 0.28% from yesterday's close but is up 0.70% over the last month. The U.S. dollar is losing the most against the euro, Mexican peso, and Japanese yen today.