

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Empire Manufacturing	Jan	↓	3.9	13.0	10.0	11.5 R↑
08:30 AM	PPI Final Demand MoM	Dec	↓	-0.2%	-0.2%	-0.1%	0.1%
08:30 AM	PPI Ex Food and Energy MoM	Dec	↓	-0.1%	0.0%	0.2%	0.3%
08:30 AM	PPI Final Demand YoY	Dec	=	2.5%	NA	2.5%	2.5%
08:30 AM	PPI Ex Food and Energy YoY	Dec	↓	2.7%	NA	2.9%	2.7%

* ↑ 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.K. Parliament Vote on Brexit Deal Not Expected to Pass, Producer Prices Decline for the First Time in a Year

After two and a half years of negotiations, the British Parliament will finally decide today on a bill that determines the terms of Britain's departure from the European Union. Prime Minister Theresa May has been lobbying hard to convince Parliament that the deal she negotiated with Brussels is the best way forward. Ladbrokes betting odds puts the implied probability that the EU deal is rejected today at a whopping 95%. What's the way forward if the deal is rejected you ask? No one knows for sure, but there is currently a 40% probability of a new referendum on EU membership, and a 40% probability of a general election by the end of 2019. There is also a 70% probability of a delay in Brexit beyond March 29th official exit day. What a mess, right. On the bright-side for markets, there is only a 22% probability of a no-deal Brexit. If the EU deal is rejected today, I think a new referendum on EU membership is highly likely.

U.S. final demand producer prices declined 0.2% month-on-month in December, in-line with our estimate and down from 0.1% in the previous month. Goods prices declined 0.4% – led by a sharp 5.4% decrease in energy prices – while services prices fell a more modest 0.1%. Producer prices excluding food and energy fell 0.1%, the first decline in core producer prices in more than a year. Final demand producer prices are up 2.5% from a year ago, spot on with the consensus and unchanged from November. Finally, producer prices excluding food and energy are up 2.7% year-over-year, below the consensus view and unchanged from the previous month. This report confirms that inflationary pressures remain well-contained and there could be more downside in the months ahead.

The Empire State Manufacturing Index disappointed expectations, falling 7.6 points to 3.9 in January. This is the second consecutive decline and the lowest reading on this index since May 2017. The index is now well-below the six-month average of 17.6. The number of employees index fell 10.1 points and the new orders index declined 9.9 points. Moreover, firms were less optimistic about the six-month outlook with the index for future business conditions falling 13 points to 17.8. This report will add to concerns that the Q1 economic slowdown may be sharper than forecast.

U.S. stocks are rising this morning, in part on optimism around recently announced large-scale tax cuts in China to help stimulate the Chinese economy. The Dow is up 0.59%, while the S&P 500 and NASDAQ are up 0.96% and



1.59% respectively. Gains in the S&P 500 today are led by communications, information technology, and health care stocks.

Treasury yields are rising today. The 10-Year Treasury yield is currently at 2.715 – up 1.2 basis points from Monday's close. The 2-10 Treasury spread is 18.0 basis points – up 0.9 from Monday's close. The futures market probability of another Fed funds rate hike in June is 19.4% this morning, up from 17.8% on Monday.

The U.S. dollar is rising against the major currencies today. The Bloomberg dollar spot index is up 0.51% from yesterday's close but is down 1.55% over the last month. The U.S. dollar is gaining the most today against the euro, British pound, and Japanese yen.