

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
09:45 AM	Markit US Services PMI	Feb F	↓	56.0	56.1	56.2	56.2
09:45 AM	Markit US Composite PMI	Feb F		55.5	NA	NA	55.8
10:00 AM	ISM Non-Manufacturing Index	Feb	↑	59.7	57.1	57.4	56.7
10:00 AM	New Home Sales	Dec	↑	621k	585k	600k	599k R↓
10:00 AM	New Home Sales MoM	Dec	↑	3.7%	NA	-8.7%	9.1% R↓
02:00 PM	Monthly Budget Statement	Jan			NA	\$12.0b	-\$13.5b

* ↑ 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

China Lowers 2019 GDP Growth Estimate, ISM Non-Manufacturing Index Stronger Than Expected In February

Chinese Premier Li Keqiang announced at the opening of the National People's Congress on Tuesday that China was lowering its official economic growth target this year to 6.0-6.5%, down from the 6.6% growth achieved last year. Growth in 2018 was the slowest in nearly 30 years. The reasons for the downward revision include the trade war with the U.S., a slowing global economy and a crackdown on debt. Our forecast for Chinese GDP growth in 2019 remains at the lower end of that government target range at 6.1%.

In an effort to shore up the slowing domestic economy, the Chinese government is cutting taxes, boosting infrastructure spending and encouraging more lending. The government announced tax cuts of around 2 trillion yuan or \$298B or 1.2% of Chinese GDP. The People's bank of China has cut the reserve requirement ratio (RRR) for Chinese banks 5 times since January 2018 to encourage more bank lending, and has setup medium-term lending facilities to funnel more credit to small and medium size private companies in China.

Here in the U.S., the economic indicators mostly surprised on the upside today, suggesting that underlying economic growth momentum remains intact. The ISM Non-Manufacturing Index jumped to 59.7 in February from 56.7 in January. This was well above the consensus forecast of 57.4 and slightly higher than the six-month average of 59.3. Six of the 10 components increased, led by new orders (+7.5 points), business activity (+5.0 points) and new export orders (+4.5 points). The biggest declines were in prices paid (-5.0 points), imports (-3.5 points) and employment (-2.6 points). Economic activity in the non-manufacturing sector has now expanded for 109 consecutive months. According to the Institute for Supply Management, respondents were concerned about the uncertainty of tariffs, capacity constraints and employment resources but remain optimistic about overall business conditions and the economy.

New home sales increasing 3.7% in December, down from 9.1% in November but well above consensus expectations for a decline of 8.7%. New home sales are now at a seven month high. Sales increased in the South (+18,000), Northeast (+13,000) and West (+2,000) but declined in the Midwest (-11,000). New home sales were down 2.4% from December 2017. While new home inventories continue to rise. There were 344,000 homes for sales in December, up 3.0% from the previous month and the highest level since December 2008. Finally, the



median home price was \$318,600 in December, down 7.2% from December 2017. Increasing new home inventory and weaker sales growth in 2018 is weighing on new home prices.

U.S. stocks are nearly unchanged today. The Dow is and the S&P 500 are down 0.07% and 0.06% respectively, while the NASDAQ is up 0.04%. Losses in the S&P 500 today are led by energy, financials, and industrial stocks.

Treasury yields are up across the curve this morning. The 10-Year Treasury yield is currently at 2.731 – up 0.9 basis points from Monday's close. The 2-10 Treasury spread is 18.0 basis points – down 0.5 basis points from Monday's close. The futures market probability of another Fed funds rate hike by June is 4.5% this morning, up from 0.0% on Monday, while the probability of a rate cut by January is 7.7%, down from 13.2% on Monday.

The U.S. dollar is rising against the major currencies today. The Bloomberg dollar spot index is up 0.17% from Monday's close and is up 0.82% over the last month. The U.S. dollar is gaining the most today against the euro, Canadian dollar and Swiss franc.