

Top Headline: Inflation Moving Higher

On Thursday of last week, President Trump stated in a CNBC interview that he was “unhappy” with the Federal Reserve’s decision to continue increasing rates. Though the President defined this comment as a complaint rather than an instruction on monetary policy, it breaks with tradition of presidents not commenting on the state of monetary policy. Early on Friday morning, Trump also tweeted that increasing rates “hurts all that we have done”, and that “the U.S. should be allowed to recapture what was lost due to illegal currency manipulation and BAD Trade Deals”. These comments could potentially raise questions as to whether the Federal Reserve’s decisions are subject to any political bias. It should be noted that Chair Jerome Powell has not met with Trump since his nomination.

Other News

The Fed reported that U.S. manufacturers have begun to feel the effects of higher prices and disturbances to supply chains because of newly implemented trade policies. Manufacturers are struggling to find steel of the same quality domestically and are concerned about losing out to foreign competitors. Additionally, tariffs on steel have resulted in impulsive purchases in the hopes of beating tariffs, along with disruptions to previously placed orders, and higher prices.

On Tap This Week

This week is highlighted by the release of U.S. second quarter GDP on Friday. Economists are anticipating a growth rate of 4.2%, supported by strong retail sales.

Past Week’s Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 7/16/18	Retail Sales	Jun	0.8%	0.5%	0.5%	Strong acceleration seen in autos and restaurants
M 7/16/18	Sales Less Autos	Jun	0.9%	0.4%	0.4%	
T 7/16/18	Industrial Production	Jun	-0.1%	0.6%	0.6%	Motor vehicle production and hi-tech production surged
T 7/16/16	Capacity Utilization	Jun	77.9%	77.7%	78.0%	
W 7/18/18	Housing Starts	Jun	1350K	1320K	1173K	Starts fell for single – and multi-family homes
W 7/18/18	Building Permits	Jun	1301K	1329K	1273K	

Actual < Expected

Actual > Expected

◆ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25019	25058	0.15%	2.43%
S&P 500	2801.3	2801.8	0.02%	4.93%
USD*	94.68	94.48	-0.21%	4.61%
10-Year Treasury*	2.83%	2.89%	0.06%	-0.07%

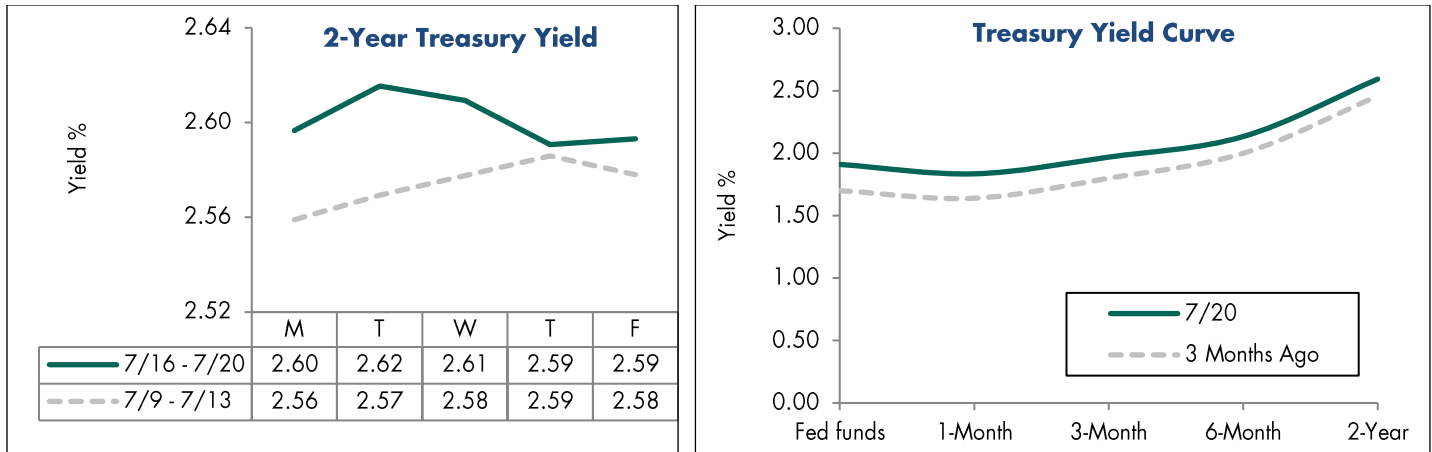
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
M 7/23/18	Existing Home Sales	Jul	5.44M	5.43M
W 7/25/18	New Home Sales	Jul	689K	668K
Th 7/26/18	Jobless Claims	Jul 21	207K	215K
F 7/27/16	GDP	Q2 1 st	2.0%	4.2%
F 7/27/16	GDP Deflator	Q2 1 st	2.2%	2.3%
F 7/27/18	Consumer Sentiment	Jul	97.1	97.1

Yield Curve Highlights



Detailed Economic Releases

7/16/2018	Prev.	Exp.	Act.
Retail Sales	0.8%	0.5%	0.5%
Sales Less Autos	0.9%	0.4%	0.4%

Total sales and sales less autos rose an expected amount in June, supported by a surge in auto and restaurant sales. Both sectors have showed growth in the last two months, with autos up 0.9% in June and 0.8% in May, and restaurants up 1.5% and 2.6% in June and May. These increases are due to higher consumer confidence and are in line with improvements in the labor market. Strength in sales was also seen at health and personal care stores, e-commerce, gasoline stations and building materials.

Summary: Total sales continue to reflect increasing consumer confidence and a strengthening labor market.

7/17/2018	Prev.	Exp.	Act.
Industrial Production	-0.1%	0.6%	0.6%
Capacity Utilization	77.9%	78.3%	78.0%

Manufacturing production increased by 0.8% in June, a significant comeback from the prior month's growth of -0.7%. Motor vehicle production also grew by 7.8% and hi-tech production grew by 1.4%. Mining also supported growth with an uptick of 1.2%, offsetting a decline in utility output which was likely a result of mild weather conditions in June.

Summary: Increases in manufacturing supported overall growth in industrial production.

7/18/2018	Prev.	Exp.	Act.
Housing Starts	1350K	1320K	1173K
Building Permits	1301K	1329K	1273K

Housing starts fell by 12.3% compared to the previous month and permits fell 2.2% in the month of June, both coming in below expectations. This was due to a decrease in single-family homes by 9.1% as well as a decrease in multi-family homes of 19.8%. Decreases could be seen across the country, though they were more concentrated in the Midwest. While single-family permits increased, multi-family permits decreased, and overall completions remained unchanged.

Summary: Housing starts and building permits came in below expectations suggesting that the housing sector will not be a positive contributor to second-quarter GDP.

About Us

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