

Top Headline:

The US Labor department released the July jobs report on Friday, August 3rd. The unemployment rate fell from 4.0% in June to 3.9% in July, reflecting a 157,000 increase in nonfarm jobs and a 284,000 decrease in unemployed people to 6.3 million. Employment levels rose in professional and business industries, manufacturing, and health care & social assistance. The labor force participation rate of 62.9% was unchanged month over month and year over year. Additionally, the employed population ratio was unchanged for the month at 60.5%, though it increased by 0.3% over the year. Roughly 1.5 million people were “attached” to the labor force, with 512,000 of these people being discouraged workers, and the remaining 1 million not searching for work due to personal and family responsibilities.

Other News

China announced plans to implement \$60 billion worth of tariffs on American goods in response to the Trump administration’s new tariff threats. The tariffs range from 5% to 25% and would target items from farm products to machinery and chemicals. With these tariffs in place, China will have initiated tariffs on \$110 billion worth of goods, or 85% of all US goods exported to China last year. President Trump has threatened tariffs on \$505 billion of Chinese imports to the US. In addition, China continues to use other means to pressure the US, for example increasing checks at borders and delaying licenses for US businesses.

On Tap This Week

China’s foreign-exchange reserves data, to be released on Tuesday, is expected to have fallen since June to \$3.10 trillion.

Past Week’s Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T	7/31/18	Personal Income	Jun	0.4%	0.4%	0.4%	Healthy personal income and consumer spending levels combined with stable savings rate
T	7/31/18	Consumer Spending	Jun	0.2%	0.4%	0.4%	
T	7/31/18	Consumer Confidence	Jul	126.4	126.5	127.4	Improved upon already strong report
W	8/1/18	ISM Manufacturing	Jul	60.2	59.4	58.1	Manufacturing remains strong with threat of tariffs and increased steel prices as biggest concerns
Th	8/2/18	Jobless Claims	Jul 28	217K	218K	218K	Jobless claims and continuing claims decreased
F	8/3/18	Trade Balance	Jun	-\$43.1B	-\$46.1B	-\$46.3B	Improving deficit, though outlook uncertain

Actual < Expected
 Actual > Expected
 ♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25451	25463	1.57%	4.95%
S&P 500	2818.8	2840.4	0.76%	4.10%
USD*	94.67	95.16	0.52%	2.80%
10-Year Treasury*	2.95%	2.95%	.01%	-.001%

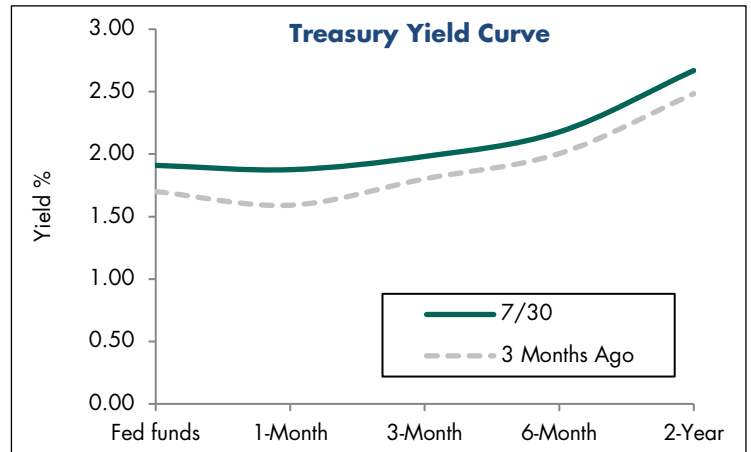
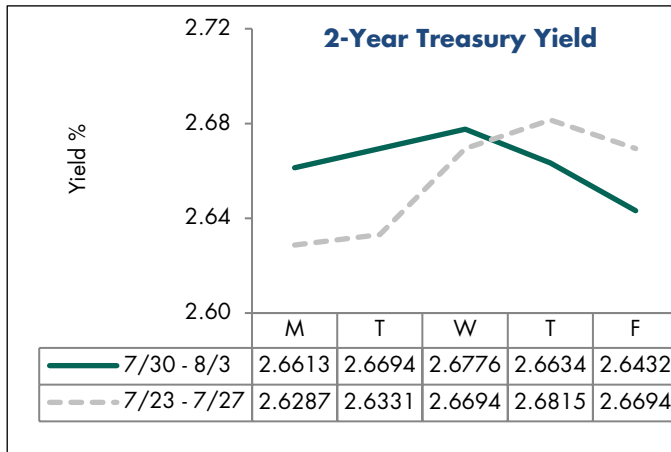
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
T	8/7/18	Consumer Credit	Jun	\$24.6B	\$15.0B
Th	8/9/18	Jobless Claims	8/4	218K	220K
Th	8/9/18	PPI	Jul	0.3%	0.2%
Th	8/9/18	Core PPI	Jul	0.3%	0.2%
F	8/10/18	CPI	Jul	0.1%	0.2%
F	8/10/18	Core CPI	Jul	0.2%	0.2%

Yield Curve Highlights



Detailed Economic Releases

7/31/2018	Prev.	Exp.	Act.
Personal Income	0.4%	0.4%	0.4%
Consumer Spending	0.2%	0.4%	0.4%

Personal income growth for the month of June came in as expected at 0.4%. The report also showed healthy overall and core inflation rates at 2.2% and 1.9%, respectively. Wages and salaries grew by 0.4%, while the savings rate remained at 6.8%, equal to the upwardly revised May number. This suggests that consumers did not lower savings rates in order to increase spending. Spending on services increased by 0.6% while spending on durables was unchanged from the previous month.

Summary: Personal income remained constant while consumer spending increased, reflecting a healthy consumer and easing inflationary pressure.

7/31/2018	Prev.	Exp.	Act.
Consumer Confidence	126.4	127.0	127.4

Consumer confidence beat expectations by 0.4 points coming in at 127.4. While the percentage of respondents who believe jobs are hard-to-get was unchanged at 15.0%, the portion describing jobs as plentiful increased by 3% to 43.1%. On the other hand, the expectations component of the survey dropped by more than 2 points suggesting decreased optimism regarding future income and job prospects. Additionally, buying plans for homes decreased by 1% to 5.1%. Inflation expectations increased by 2 tenths percent to 5.1% coming in higher than the Fed's 2% target and reflecting a generally upward trend.

Summary: Consumer confidence continued to improve overall following an already strong performance.

8/1/2018	Prev.	Exp.	Act.
ISM Manufacturing	60.2	59.5	58.1

The ISM manufacturing score fell below expectations at 59.5, down more than 2 points from the previous month. Deliveries increased for the month, but new orders and backlogs slowed slightly though still at strong levels. Production decreased while inventories of raw materials rose, possibly because of inventory stocking in response to tariffs.

Summary: The manufacturing index remained strong despite some decreases. Risks associated with tariffs as well as increased steel prices continue to be the biggest concerns.

8/2/2018	Prev.	Exp.	Act.
Jobless Claims	217K	218K	218K

The four-week average for jobless claims decreased by 3,500 to 214,500, one of the lowest levels in the last 50 years. Additionally, continuing claims in lagging data decreased by 23,000 to 1.724 million.

Summary: Jobless claims continues to be at one of the lowest levels in the last 50 years.

8/3/2018	Prev.	Exp.	Act.
Trade Balance	-\$43.1B	-\$46.1B	-\$46.3B

The trade deficit was larger than expected, coming in at -\$46.3 billion. Exports decreased by 0.7% while imports rose by 0.6%. Data also shows a larger deficit with China in June of \$33.5 billion and a deficit over the year of \$185.7 billion. Deficits also increased by 11% with Europe, by 5.5% with Mexico, and decreased by 23.4% with Canada.

Summary: Larger deficit than expected in June with the outlook remaining uncertain.

About Us

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