

Top Headline: Trade War Continues

Following China's announcement Friday that it would impose tariffs on \$75bn of U.S. products, President Trump responded by saying he would raise tariffs to 30% on some Chinese imports. Specifically, he will raise tariffs on existing and upcoming tariffs to be implemented in September and December by 5 percentage points. President Trump continued by directing U.S. companies to look for alternatives to China.

Other News

The CBO increased its 10-year forecast for budget deficits by \$809bn last Wednesday, following a deal reached by congressional leaders and the White House. The deal will raise the deficit by \$1.7 trillion between 2020 and 2029, bringing the deficit to \$12.2 trillion. Government debt as a proportion of the economy would increase from 79% this year to 95% in 2029.

On Tap This Week

Second quarter GDP will be released on Thursday, with consumer confidence and sentiment also out this week.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
W 8/21	Existing Home Sales	Jul	5.290M r↑	5.385M	5.420M	Existing home sales were up led by growth in single-family home sales
W 8/21	FOMC Minutes	Jul	N/A	N/A	N/A	Minutes defined the rate cut as risk management, though further rate cuts were not explicitly guaranteed
Th 8/22	Initial Jobless Claims	8/17	221K r↑	216K	209K	Four-week averages for initial and continuing claims fell
F 8/23	New Home Sales	Jul	728K r↑	645K	635K	Despite a fall in the three-month average, new sales came on the back of a strong upward revision for June

Actual < Expected

Actual > Expected

◆ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25886	25629	-0.99%	0.17%
S&P 500	2888.7	2847.1	-1.44%	0.74%
USD*	98.1	97.6	-0.51%	0.03%
10-Year Treasury*	1.55%	1.54%	-0.02%	-0.79%

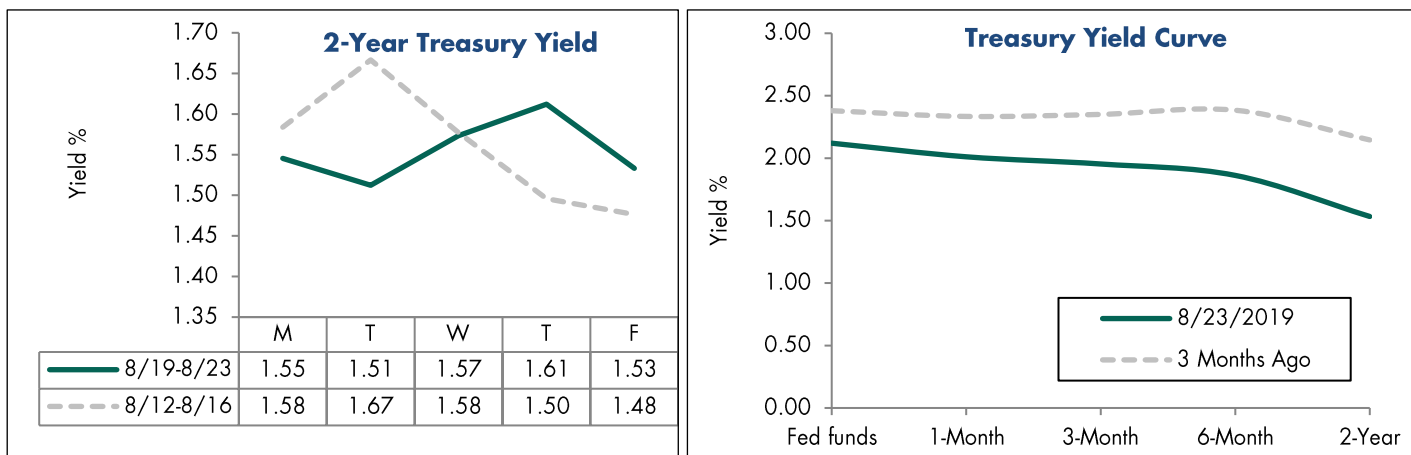
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
M 8/26	Durable Goods Orders	Jul	2.1%	1.2%
T 8/27	Consumer Confidence ◆	Aug	135.7	129.0
Th 8/29	GDP	Q2(p)	2.1%	2.0%
Th 8/29	Real Consumer Spending	Q2(p)	4.3%	4.3%
Th 8/29	International Trade in Goods	Jul	\$74.2B	\$74.6B
Th 8/29	Initial Jobless Claims ◆	8/24	209K	215K
F 8/30	Personal Income	Jul	0.4%	0.3%
F 8/30	Consumer Spending	Jul	0.3%	0.5%
F 8/30	Consumer Sentiment ◆	Aug	92.1	92.3

Yield Curve Highlights



Detailed Economic Releases

8/21/2019	Prev.	Exp.	Act.
Existing Home Sales	5.290M \uparrow	5.385M	5.420M

Existing home sales increased to 5.420M, in the best result seen since February of this year. The increase brings the year-on-year growth rate to 0.6% which is the best since February of 2018. Single-family homes which were up to 4.840M led the gain in the report and were up 1.0% on the year. Despite this strength, of concern is the 1.6% decrease in supply on the month to 1.89M units, though the median price was up 4.3% on the year to \$280,800. The West, South and Midwest all saw increased sales, while Northeast sales fell by low single-digits.

Summary: Sales were up with the year-on-year growth rate at the highest in over a year, led by gains in single-family homes.

8/21/2019	Prev.	Exp.	Act.
FOMC Minutes	N/A	N/A	N/A

Minutes describe last month’s rate cut as a “recalibration” of policy, and notably, did not explicitly mention further rate cuts. Several of the 18 FOMC members disagreed with the rate cut, arguing that it may suggest a more negative interpretation of the economy despite positive economic data. On the other hand, some members also argued for a 50 basis-point cut. The minutes reiterated concerns regarding trade tensions and a generally slowing global economy as is reflected in manufacturing and business investment data. Given these weaknesses, the cut was defined as necessary risk management.

Summary: Despite the FOMC's "flexible and focused" stance in terms of interpreting data in addition to the lack of data, expectations of further rate cuts remain.

8/22/2019	Prev.	Exp.	Act.
Initial Jobless Claims	221K r↑	216K	209K

Jobless claims for the reported week fell by 12K to 209K, bringing the four-week average down by 5K from last month to 214,500. Continuing claims also fell by 54K to 1.674M with this four-week average also down slightly.

Summary: Claims remained at healthy levels consistent with reports over the last few months.

8/23/2019	Prev.	Exp.	Act.
New Home Sales	728K r↑	645K	635K

Despite sales below expectations and a fall in the three-month average from 663K in June to 655K in July, the 635K increase in July follows an upward revision of last month's data from 646K to 728K which sets a new expansion high. Another strength in the report is the 1.2% increase in supply to 337K, with supply relative to sales at 6.4 months, promising more choices for buyers for a longer amount of time. Additionally, the median price increased by 2.2% to \$312,800.

Summary: Lower mortgage rates seem to be passing through given strength in today's report.

About Us

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