

Economic data for the week highlighted the strength of the U.S. labor market, and were consistent with moderate GDP growth in the third quarter.

The ISM Non-Manufacturing Index for July eased to a still-positive 53.9, down from a strong 57.4 in June. Similarly, the ISM Manufacturing Index for July eased to a still-positive 56.3, down from 57.8 in June. These broad indexes show ongoing expansion at the start of Q3.

Payroll job data for July exceeded expectations, showing a net gain of 209,000 jobs for the month. The household employment survey also showed a strong gain in July, up by 345,000 for the month. Likewise, the civilian labor force increased by 349,000, bringing the unemployment rate back down to a tight 4.3 percent.

Initial claims for unemployment insurance fell by 5,000 for the week ending July 29, to hit 240,000. This is a very low number, also indicating tight labor markets. Continuing claims inched up by 3,000 to a very low 1,968,000 for the week ending July 22.

Auto sales inched up in July, to a 16.77 million unit rate. The year-over-year comparisons were soft, and that is what the press focuses on, but sales improved slightly on a month-to-month basis.

According to the Mortgage Bankers Association, applications for mortgages fell 2.8 percent for the week ending July 28. Purchase apps fell 2.0 percent and refi apps were down by 3.8 percent, implying that the new and existing homes sales data for July will be soft.

The U.S. international trade gap in goods and services narrowed in June to -\$43.6 billion. This is a backwards looking number with neutral implications for Q2 GDP. Imports eased by \$0.4 billion while exports expanded by \$2.4 billion.

Personal income and spending were both flat in June. This is also backward looking data, already incorporated into the first estimate of Q2 GDP. The June income data shows that wages and salary were in good shape, increasing by 0.4 percent for the month, consistent with the strong job growth we saw in June and the low unemployment rate.

Construction spending eased by 1.3 percent in June, with a large 5.4 percent drop in public projects. Private residential projects eased by 0.2 percent, while private nonresidential ticked up by 0.1 percent.

We expect August to be mostly quiet for central banks. Europe is on vacation. The Fed will convene in Jackson Hole at the end of the month.

Survey	Last Actual	
Fed Funds Rate (Effective) <i>(after the FOMC meeting of 9/19-9/20)</i> 1.00 to 1.25 percent	1.16 % (Jul)	We expect the Fed to announce the start of balance sheet reduction at the September 19/20 FOMC meeting. We look for the next fed funds rate hike to come in December or later.
July PPI (8/10, Thursday) Consensus: 0.1 percent	0.1 % (Jun)	<u>Up</u> by 0.1 percent. Inflation data continues to run cool.
July PPI Ex-Food, Energy & Trade (8/10, Thursday) Consensus: 0.2 percent	0.2 % (Jun)	<u>Up</u> by 0.2 percent.
July CPI (8/11, Friday) Consensus: 0.2 percent	0.0 % (Jun)	<u>Up</u> by 0.2 percent. Energy prices are up a little, removing that drag.
July CPI Ex. Food & Energy (8/11, Friday) Consensus: 0.2 percent	0.1 % (Jun)	<u>Up</u> by 0.2 percent. An easing dollar will put some upward pressure on import prices.

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August 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																
31	August 1	2	3	4																																																
	AUTO SALES <u>(mln-SAAR)</u> May 16.8 Jun 16.7 Jul 16.8 INCOME and SPENDING <table border="1"> <thead> <tr> <th></th> <th>Income</th> <th>Spending</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>0.2%</td> <td>0.3%</td> </tr> <tr> <td>May</td> <td>0.3%</td> <td>0.2%</td> </tr> <tr> <td>Jun</td> <td>0.0%</td> <td>0.1%</td> </tr> </tbody> </table> ISM MFG INDEX May 54.9 Jun 57.8 Jul 56.3 CONSTRUCTION SPENDING Apr -1.8% May 0.3% Jun -1.3%		Income	Spending	Apr	0.2%	0.3%	May	0.3%	0.2%	Jun	0.0%	0.1%		UNEMPLOYMENT CLAIMS <u>(ths)</u> <table border="1"> <thead> <tr> <th>Apr</th> <th>May</th> <th>Jun</th> <th>Jul</th> </tr> </thead> <tbody> <tr> <td>235</td> <td>236</td> <td>245</td> <td>250</td> </tr> <tr> <td>234</td> <td>233</td> <td>238</td> <td>248</td> </tr> <tr> <td>243</td> <td>235</td> <td>242</td> <td>234</td> </tr> <tr> <td>257</td> <td>255</td> <td>244</td> <td>245</td> </tr> <tr> <td>238</td> <td></td> <td></td> <td>240</td> </tr> </tbody> </table> ISM NON-MFG INDEX May 56.9 Jun 57.4 Jul 53.9	Apr	May	Jun	Jul	235	236	245	250	234	233	238	248	243	235	242	234	257	255	244	245	238			240	TRADE BALANCE <u>(bln)</u> Apr -\$47.6 May -\$46.4 Jun -\$43.6 EMPLOYMENT REPORT <table border="1"> <thead> <tr> <th></th> <th>U. Rate</th> <th>Jobs (ths)</th> </tr> </thead> <tbody> <tr> <td>May</td> <td>4.3%</td> <td>+145</td> </tr> <tr> <td>Jun</td> <td>4.4%</td> <td>+232</td> </tr> <tr> <td>Jul</td> <td>4.3%</td> <td>+209</td> </tr> </tbody> </table>		U. Rate	Jobs (ths)	May	4.3%	+145	Jun	4.4%	+232	Jul	4.3%	+209
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