

## July ISM Non-MF Index, UI Claims

### *Broad Economic Indexes Eased in July*

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- Initial claims for unemployment insurance fell by 5,000 for the week ending July 29, to 240,000.

The ISM Non-Manufacturing Index for July eased to a still positive 53.9, from a strong 57.4 in June. All 10 sub-indexes still in positive territory. Fifteen of the 17 reporting industries said that they expanded in July. Several anecdotal comments alluded to a summer slow-down in orders, hiring or production.

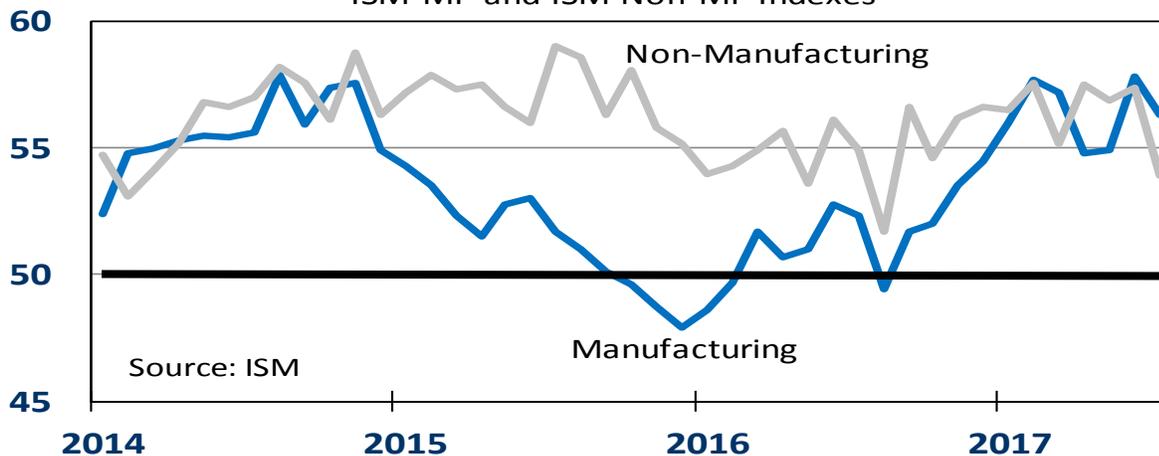
Both the ISM Non-Manufacturing Index, and the ISM Manufacturing Index eased to a still-positive position in July. This raises a yellow caution flag for U.S. economic activity in the second half of 2017. We still expect the U.S. economy to maintain moderate expansion in Q3 after real GDP grew at a 2.6 percent rate in Q2. We will be releasing our August U.S. Economic Outlook early next week which will include our revised Q3 GDP forecast. It is a reasonable question to ask at this point, "What is driving the U.S. economy forward?" To answer that, we can start with a list of what is not driving it forward. First, autos. Auto sales remain below last year's record setting pace. We expect to see moderate cutbacks in auto production next year. Second, oil drilling. Range-bound oil prices are resulting in smaller increases in the drilling rig count this summer. Third, fiscal stimulus. So far, the Trump Administration has had difficulty driving its agenda through Congress. We still may see tax reform before the end of this year, but the debt ceiling debate could prove to be a political logjam in September. Fourth, housing. It is fair to say that housing is keeping pace with the economic expansion, but it is not leading the expansion. What is driving the U.S. economy forward? First, a synchronized global expansion. Improving global conditions are creating more demand for U.S. goods and services. Second, a weaker dollar which is helping to make those goods and services cheaper. Third, consumer spending. A strong job market, increasing confidence and pent-up demand is a potent combination. Fourth, global liquidity. Huge deals are being announced almost daily.

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 indicating tight labor market conditions. Continuing claims inched up by 3,000 to hit 1,968,000 for the week ending July 22, this is also a very low number.

**Market Reaction:** U.S. equity markets opened with losses. The yield on 10-Year Treasury bonds is down to 2.24 percent. NYMEX crude oil is up to \$49.85/barrel. Natural gas futures are up to \$2.81/mmbtu.

## U.S. Indexes Dipped in July

### ISM-MF and ISM Non-MF Indexes



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