



Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
10:00 AM	Factory Orders	Apr	↑	-0.8%	-1.1%	-1.0%	1.3% R↓
10:00 AM	Factory Orders Ex Trans	Apr		0.3%	NA	NA	0.3% R↓
10:00 AM	Durable Goods Orders	Apr F		-2.1%	NA	NA	-2.1%
10:00 AM	Durables Ex Transportation	Apr F		0.0%	NA	NA	0.0%
10:00 AM	Cap Goods Orders Nondef Ex Air	Apr F		-1.0%	NA	NA	-0.9%
10:00 AM	Cap Goods Ship Nondef Ex Air	Apr F		0.0%	NA	NA	0.0%

* ↑ indicates stronger than Consensus estimated, ↓ indicates weaker than Consensus estimated, = indicates in-line with Consensus Estimated

** Estimate from Bank of the West Economics

*** Consensus from Bloomberg

**** ↑ means prior reading revised up, ↓ means prior reading revised down

Fed Chair Powell Open to Reducing U.S. Interest Rates, U.S. Factory Orders Drop Less than Expected In April

Key Takeaways: Federal Reserve Chairman Jerome Powell, speaking at a conference at the Chicago Fed, said the Fed is willing to consider cutting interest rates to keep the U.S. expansion intact. He went on to say that the Fed is closely monitoring rising global trade disputes and the potential fallout on the U.S. economy. In the lone U.S. data release today, factory orders fell 0.8% in April after increasing a downwardly revised 1.3% in March. Orders in the volatile transportation category decreased 5.9% with nondefense aircraft and parts orders plunging 25.2%. U.S. factory orders excluding transportation advanced 0.3%. Total factory orders are still up 1.0% from a year ago.

U.S. factory orders declined 0.8% in April, above the consensus forecast of -1.0% but down from a downwardly revised gain of 1.3% in March. The decline in factory orders was led by transportation equipment (-5.9%) with nondefense aircraft and parts plummeting (-25.2%), durable goods (-2.1%) and primary metals (-1.1%).

Moreover, vehicle assemblies plunged to an 11 month low of 10.6 million units. On a positive note, defense orders jumped 3.6% somewhat offsetting the weakness from transportation equipment orders. Orders excluding the volatile transportation category rose 0.3%. Total factory orders are still up 1.0% from a year ago. Less encouraging for the U.S. factory outlook was the jump in the factory inventory/sales ratio to 1.67 months from 1.64 in March. The factory inventory/sales ratio has been on an uptrend since mid-2018.

U.S. stocks are rebounding this morning as a Mexican official said he expects Mexico to avoid Trump administration tariffs and after Fed Chair Powell said the Fed is willing to cut interest rates to sustain the U.S. economic expansion. The Dow and the S&P 500 are up 1.65% and 1.27% respectively, while the NASDAQ is up 1.72%. Gains in the S&P 500 are led by information technology, financials and industrial stocks.

Treasury yields are rising sharply across the curve this morning after the 10-year hit a 20-month low yesterday. The 10-Year Treasury yield is currently at 2.14 – up 7.1 basis points from Monday's close. Chicago Fed President Evans pushed back on the market pressure for an interest rate cut, saying the fundamentals for the economy and consumer continue to be solid. The 2-10 Treasury spread is 22.2 basis points – down 1.9 basis point from Monday's close. The futures market probability of a Fed rate cut by September is 86.4%, down from 90.1% on Monday.



The U.S. dollar is up slightly against the major currencies today. The Bloomberg dollar spot index is up 0.05% from yesterday's close and is up 0.17% over the last month. The U.S. dollar is gaining the most against the Japanese yen, euro and Korean won.