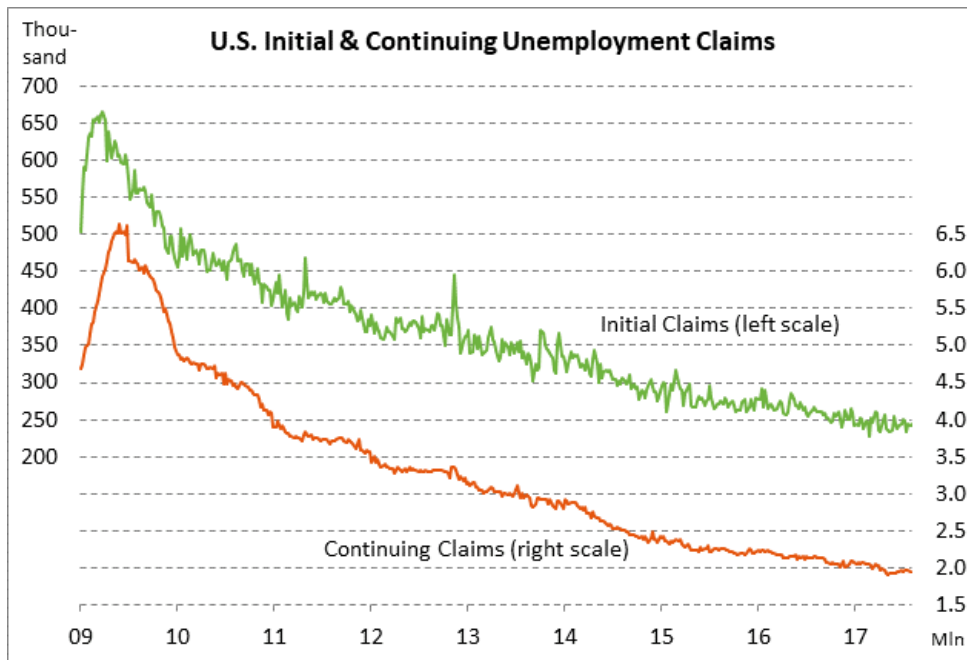


RJOMRT Previews & Perspectives for Thursday, Aug 17

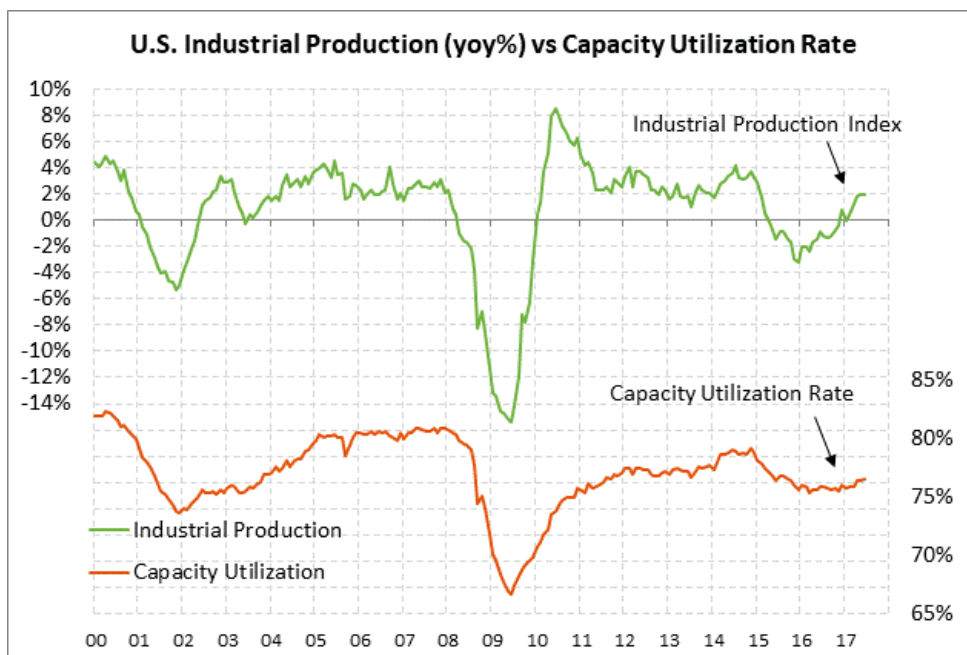
Posted on 8/16/2017 5:52:32 PM

U.S. unemployment claims expected to remain favorable -- The initial and continuing unemployment claims series continue to show a strong labor market where businesses are holding on tightly to their employees. The initial claims series is only +17,000 above the 44-year low of 227,000 posted in February. The continuing claims series is only +52,000 above the 29-year low of 1.899 million posted in May.



The market consensus is for today's initial claims report to fall -4,000 to 240,000, more than reversing last week's +3,000 increase to 244,000. The consensus is for today's continuing claims report to show a small +4,000 increase to 1.955 million following last week's -16,000 decline to 1.951 million.

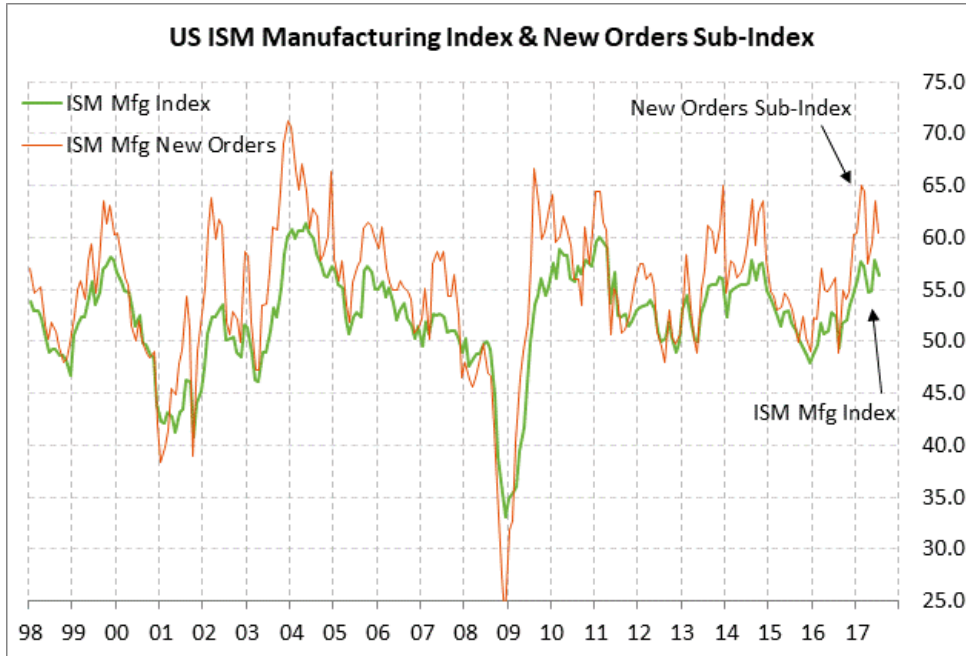
U.S. manufacturing production expected to show continued improvement -- The market consensus is for today's July industrial production report to show an increase of +0.3%, adding to June's +0.4% increase. Isolating the manufacturing sector, however, the July manufacturing production report is expected to climb +0.2% and match June's increase.



U.S. industrial production has improved since the beginning of the year with five straight monthly increases during Feb-June. On a year-on-year basis, industrial production in June improved to a 2-1/2 year high of +2.0% y/y.

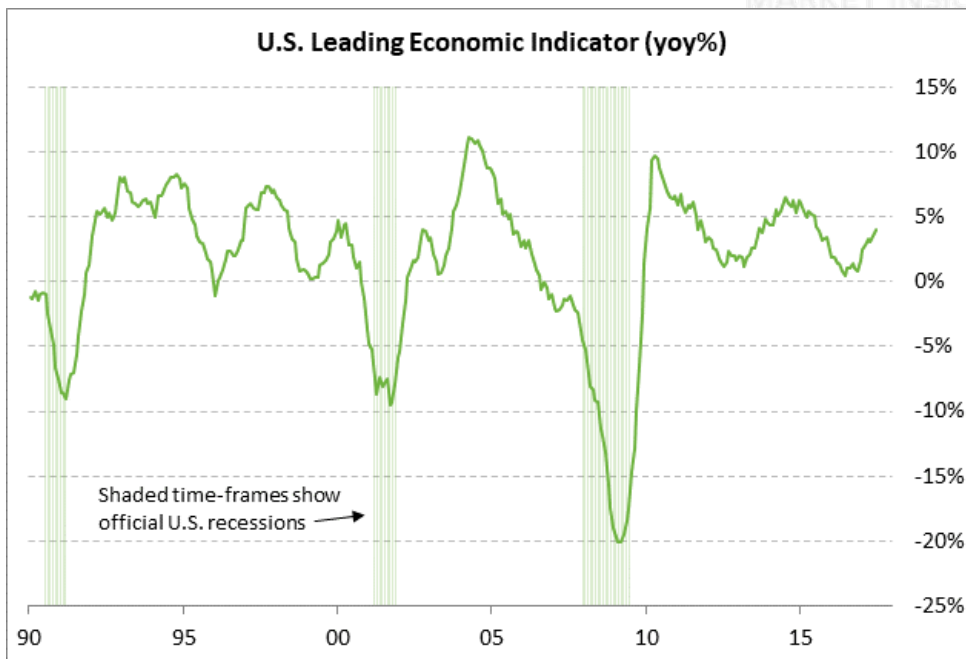
The manufacturing data has been a little weaker than the overall industrial production data but has also improved. Manufacturing production in June rose by +1.2% y/y, which was just -0.2 points below the 2-1/2 year high of +1.4% posted in April.

Manufacturing confidence remains relatively strong, although down from post-election levels. The ISM manufacturing index fell by -1.5 points to 60.4 in July, down by -4.7 points from the 8-year high of 65.1 posted in February. However, the July index level of 60.4 was still +6.3 points higher than the pre-election level of 54.1 level seen in Oct 2016.



The U.S. manufacturing sector is getting a boost from improved overseas growth combined with this year's sharp decline in the dollar index that has made U.S. exports more competitively priced. The auto sector, however, has become a drag on manufacturing.

U.S. leading indicators expected to show continued firm U.S. economic growth -- The market consensus is for today's July leading indicators index to show a +0.3% increase, adding to June's strong increase of +0.6%. On a year-on-year basis, the LEI in June was strong at a 2-year high of +4.0% y/y.

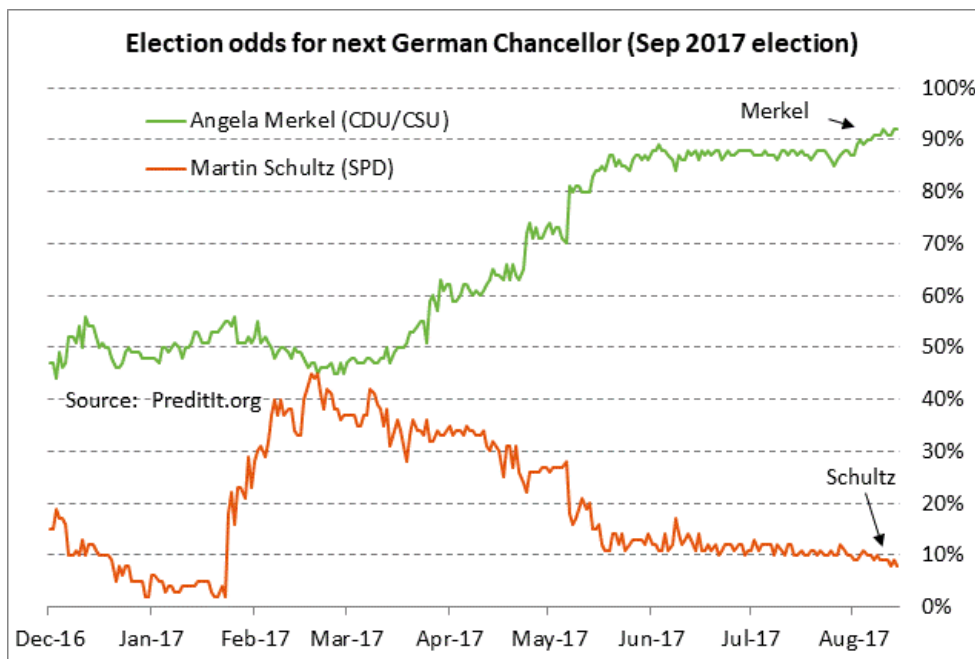


U.S. GDP started out 2017 on a weak footing with GDP growth of only +1.2% in Q1. GDP growth then improved to +2.6% in Q2, but that led to only a lackluster first half average of +1.9%. GDP is now expected to improve in the second half of the year. The Atlanta Fed's GDPNow is forecasting Q3 GDP growth at a strong +3.7%. However, inventories will contribute about 1 point to GDP in Q3, meaning that GDPNow expects Q3 GDP ex-inventories to show a more moderate increase of +2.7%. The consensus expectation for Q3 GDP is +2.5%.

After Q3, the consensus is for U.S. GDP growth of +2.4% in Q4 and +2.2% in the first half of 2018. The market is still looking for a little stronger GDP growth than would otherwise be the case due to hopes that Congress will pass a tax cut for 2018 that is stimulative for the economy.

German election adds to list of September events -- September could prove to be an eventful month. The U.S. Congress must pass 2018 spending authority to keep the U.S. government open past Oct 1 and must also pass a debt ceiling increase by early to mid-October.

The German national election on Sep 24 adds to the list of potential market-moving events, although the outcome at this point heavily favors the status quo with German Chancellor Merkel in the lead. However, there are still six weeks left until the election, which is enough time for odds to shift. The campaign this week shifted into high gear with a series of campaign rallies.



Ms. Merkel's coalition currently has a commanding lead in the polls with 38% support, versus 24% support for the opposition Social Democrats (SPD), according to an Emnid survey published by Bild am Sonntag newspaper. Ms. Merkel's personal popularity has dropped by 10 points to 59%, although that is still better than SPD leader Martin Schultz with a 33% approval rating.

The betting odds are overwhelmingly in favor of Ms. Merkel keeping her job as German Chancellor at 92%, according to Predictit.org. The odds for SPD leader Martin Schultz to become the next German Chancellor are only 8%.

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