LEADING THE NEWS

Ford Opens New $500-Million Engine Plant In China.

The Detroit News (6/19, Henkel) reports Ford Motor Co. “now can produce 750,000 engines annually in China at its new Changan plant, which opens” today. “In China, Ford — through its joint venture with China Changan Ford Automobile — will manufacture Ford’s 1-liter, three-cylinder EcoBoost engine and the new 1.5-liter EcoBoost engine.” The automaker “created the 1.5-liter with China specifically in mind; it allows Chinese drivers to avoid about $300 in annual taxes.”

The Detroit Free Press (6/19, Priddle) reports, “This is the latest stage in the automaker’s largest expansion in more than 50 years with seven plants under construction in the Asia Pacific region.” The article also notes, “It is the second of five in China, a market where General Motors and Volkswagen remain the largest western competitors.”

EDUCATION AND WORKFORCE DEVELOPMENT

Automotive Classes Leads To Engineering Studies For Two Burnsville High Students.

The Minneapolis Star Tribune (6/19, Adler) reports that, while attending Burnsville High School, “Jacob Mischel and Nick Hernandez took multiple automotive classes from teacher Russ Tesmer, and both plan to use that foundation to study engineering at four-year colleges in the fall.” Mischel will major “in electrical engineering at North Dakota State University and Hernandez will pursue mechanical engineering at the University of St. Thomas.” The article also notes, “Hernandez is also interested in physics and wants to become a General Motors engineer one day.”
From SME

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ECONOMIC NEWS

**Housing Starts Increased By 6.8 Percent In May.**

The *New York Times* (6/19, Subscription Publication) reports that housing starts increased in May to a seasonally adjusted annual rate of 914,000, according to the Commerce Department. Construction of single-family homes, condos and apartments all rose.

*USA Today* (6/19, Schmit) reports that this figure represents a 6.8% increase compared to April. Starts for single-family homes increased by 0.3% after falling in the two previous months.

The *Wall Street Journal* (6/19, Mitchell, House, Subscription Publication) reports that compared to May of 2012, housing starts were up by almost 29%. The piece notes most of the increase was due to multifamily construction, which rose by 24.9%.

The *Los Angeles Times* (6/19, Khouri) reports that the number of building permits "dropped 3.1% from April, to a seasonally adjusted annual rate of 974,000." This was not unexpected, given that permits had risen to the highest level in several years in April. The piece notes, "The rate of building permits was still higher than a year earlier, though, and single-family-home permits hit a five-year high."

*Bloomberg News* (6/19, Smialek, Woellert) reports the data show starts rose in two of four regions "last month, including a 17.8 percent jump in the South and a 5.7 percent gain in the West." Notably, starts "dropped 13.7 percent in the Midwest, which may have been due to wetter-than-normal weather in the region." Bloomberg quotes Mark Vitner, an economist at Wells Fargo Securities LLC, as saying, "The housing recovery is still very much on track, and we’re going to see stronger activity in the second half of the year."

Also covering the story are the *Christian Science Monitor* (6/19, Velasco), *Reuters* (6/19, Mutikani), *MarketWatch* (6/19, Robb) and other media sources.

**Clarity Sought From Bernanke As Fed Expected To Hold Steady.**

In anticipation of the Federal Reserve’s policy statement and Chairman Ben Bernanke’s press conference today, media analyses continue to focus on expectations for Bernanke to provide clarity on the bond-buying program, which the bank is predicted to hold steady. In commentary, the *Wall Street Journal*’s David Wessel and University of Michigan professor Justin Wolfers in a Bloomberg View column provide ciphers for Bernanke’s comments, while the *Wall Street Journal* in an editorial calls for tapering as soon as possible to safeguard against potential risks.

Patti Domm in a *CNBC* (6/19) analysis writes that stocks have "staged a two-day melt-up rally" on expectations that Bernanke will not signal a step back at the meeting. Some analysts said that with the FOMC 2:00 statement expected to be balanced, focus will turn to Bernanke’s 2:30 conference for the real "fireworks."

*Reuters* (6/19, Bull) reports the Fed will likely keep its options open for scaling back the program as it maintains the pace of purchases. Bernanke, while potentially laying the groundwork for announcing tapering, is expected to emphasize the line between slowing the pace of purchases and actually tightening policy. Inflation has also emerged as a key concern for observers, and how the Fed describes the price concerns will be watched closely.

*Inflation Still Running Below Target, CPI Shows.* Setting up inflation concerns to continue at the meeting, the *Wall Street Journal* reports that inflation remained stubbornly low. The CPI rose 0.2% in May from the previous month, in line with expectations, but remained below the 2% target set by the Fed. The core CPI, which excludes food and energy, rose 0.1% for the month, also in line with expectations.

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Street Journal (6/19, Derby) reports that price gains continue running well below the Fed’s target, according to consumer price index data released Tuesday. The 1.4% reading for May likely translates to an annualized increase of 0.7% compared to the Fed’s 2% target, Macroeconomic Advisers said. Fed officials have maintained they are not highly concerned over soft inflation given that future expectations still track higher, but the Journal explains mixed signals have emerged on that front as well.

ENERGY AND ENVIRONMENT


Bloomberg News (6/19, Welsch) reports, “Canadian oil prices are forecast to fall compared with world benchmarks because production from oil sands, fields of sand coated with heavy oil beneath about 90,000 square kilometers (34,749 square miles) of boreal forest in northern Alberta, is estimated to more than double to 3.8 million barrels a day by 2022.” Bloomberg News reports, “The prospect of prices staying below other types of crude oil risks undermining investment in the Alberta oil sands, the world’s third-largest reserves and the US’s biggest source of imports.” Companies “lost a combined C$2.5 billion ($2.45 billion) in revenue last year on lower prices, according to Houston-based PPHB Securities LP.”

LAW AND POLICY

Prime Minister Concludes European Trip Unable To Win Canada-EU Trade Deal.

Bloomberg News (6/19, Mayeda, Argitis) reports Prime Minister Stephen Harper concludes his European trip unable to complete a trade deal with the European Union. “Harper, who met German Chancellor Angela Merkel and Italian Prime Minister Enrico Letta on the sidelines of the Group of Eight leaders’ summit in Northern Ireland, couldn’t persuade his European peers to drop their remaining objections in the discussions. “One of the biggest sticking points for Canada is access for the country’s beef and pork producers, a concession that faces resistance from France and Ireland, two of Europe’s biggest meat suppliers.”

Financial Regulations Seen As Key Sticking Point For US-EU Trade Talks.

In an analysis piece, the Wall Street Journal (6/19, Nixon, Subscription Publication) says that a key point of contention in the proposed US-EU free trade agreement is whether to include the financial sector within its scope. While some in the EU want to include it, in order to push for what they see as a more equal playing field, the US Treasury Department prefers setting global regulatory standards in forums such as the Basel Committee. Treasury believes that financial market fragmentation since the financial crisis is partially a result of the EU lagging behind in implementing previous agreements. The Journal adds that a person familiar with Treasury’s view said that financial regulation is not a necessary component of a trade agreement and including it could delay implementation of previously agreed reforms. Meanwhile, the EU argues that the CFTC’s push to apply American rules to derivatives with only a US link threatens to increase the cost of business for its financial firms. The Journal notes that eight finance ministers sent a joint letter to Treasury Secretary Jack Lew in April urging an effort to reach a consensus on the issue.

Former IMF Chief Economist Simon Johnson writes in an op-ed for Bloomberg News (6/18) that a trade deal could be a “poisoned chalice for the US,” with the “biggest danger” being the “European banking system,” which he argues is severely undercapitalized. Johnson points to a KBW Inc. study (6/19) comparing “capital levels at large banks in the US and Europe, with an emphasis on leverage ratios, by looking at loss-absorbing equity capital compared with total assets, without any risk-weighting.” Johnson endorses the methodology and calls the figures for European banks “alarming.”

ALSO IN THE NEWS

NASA Issues Asteroid Grand Challenge.

The Los Angeles Times (6/18, Netburn) reported, "NASA is getting serious about protecting the Earth from asteroids," and it is seeking input from the public on how it “can efficiently identify potentially hazardous asteroids” or improve its plans for capturing one and placing it in lunar orbit. Robert Lightfoot, associate director of NASA, said, “Too often, by the time we present a mission to the public, it has already been baked, and there’s not much we can change,” adding, “This is your chance to present your ideas to us before the mission is baked.” The deadline for submission is July 18.

Florida Today (6/18, Halvorson) reported William Gerstenmaier, NASA’s associate administrator for human space exploration and operations, said, “We’re looking for ideas and concepts from you about better ways to do this, more efficient ways – things that will actually feed forward to other missions that we want to do in exploration, that we want to do in deep space.” He said that the asteroid capture mission is “that first step that’s going to allow us to get humans beyond Earth orbit,” adding, “we look to you to help figure out ways to connect those dots and make effective use of this mission so
it feeds forward to those other bigger destinations." The six areas NASA is looking for ideas in are "asteroid observation; asteroid redirection systems; asteroid deflection demonstrations; asteroid capture systems; crew systems for asteroid exploration; and partnerships and participatory engagement."

The Orlando (FL) Sentinel (6/18, Matthews) reported the Administration "unveiled a ‘Grand Challenge’ that would redouble efforts by NASA — and challenge amateur astronomers — to catalog all the asteroids near Earth large enough to cause significant damage if they hit the planet. NASA Deputy Administrator Lori Garver said, ‘We want to prove that we are, in fact, smarter than the dinosaurs.’" Jason Kessler, of NASA’s chief technologist office, said, ‘We have done a very good job on the big ones. It’s the smaller ones that could be a potential threat and where we have a lot of work to do.’ Meanwhile, the White House is doubling the money for the effort, to $40 million, so NASA officials hope to revive the WISE orbiting telescope, which “can detect as many as 100 new asteroids a year.” Jim Green, director of NASA’s planetary-science division, said, ‘Our plan is to turn it back on.’

Bloomberg News (6/19, Tirone) reports NASA “is counting on private investors to help invent and manufacture new technologies.” NASA director Charles Bolden said, ‘The technology isn’t developed yet,’ adding, ‘The things we’re trying to do are global issues bigger than any one nation can or should undertake.’ He also said, ‘Unlike other natural disasters, we can avert this. It allows us to avoid becoming like the dinosaurs.’ Bolden also said that NASA “is consulting with the UN and allies to discuss asteroid rights of use and ownership” for when the US places an asteroid in lunar orbit.

Engine Makers Trade Claims At Pairs Air Show.
In continuing coverage, Aviation Week (6/19) reports, ‘The real story developing at the’ Paris Air Show ‘is the heated exchange of words between’ CFM International and Pratt & Whitney ‘over whose powerplant is the most technologically advanced.’ CFM “opened fire” by saying its Leap-1A would better than P&W’s geared turbofan on fuel burn and maintenance cost., then Pratt argues that “the GTF ‘is about more than the gears’, and that the core technologies in the PW1000G family are as advanced as makes economic sense in an engine of this class.”

Safran Reorganization To Better Drive Market For Electric Aircraft Systems.
Flightglobal (6/19, Thisdell) reports Safran “is overhauling its organisation to better drive the market for ‘more electric’ aircraft systems,” merging its three electrical businesses: Labinal, Safran Power, and Goodrich Electric Power Systems. CEO Jean-Paul Herteman also said the company is “hiring large numbers of engineers to support its development of the CFM International Leap engine.”

Aerojet Rocketdyne Formed From Two Engine Rivals.
Spaceflight Now (6/19) reports GenCorp Inc. has finished combining Aerojet and its recently purchased Pratt & Whitney Rocketdyne under the new banner Aerojet Rocketdyne. This combines “the two primary producers of rocket engines in the US,” and it “will continue to provide the primary products for United Launch Alliance’s Evolved Expendable Launch Vehicles and develop the RL10-C, a common upper stage engine.”

Aerojet Extends Partnership On Hall Effect Thrusters. The Sacramento (CA) Business Journal (6/18, Anderson, Subscription Publication) reports Aerojet Rocketdyne and Experimental Design Bureau Fakel "extended a partnership that gives Aerojet the right to market and sell its" Hall effect thrusters in the US.

Aerojet CEO: Company Is Hiring. The Sacramento (CA) Business Journal (6/18, Anderson, Subscription Publication) reports Aerojet Rocketdyne president Warren Boley Jr. said the company “plans to hire more engineers and support staff at its headquarters,” adding that “keeping talent and finding new talent is critical.”

STOCKS

Stock Prices In Relation To Previous Day's Adjusted Close

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TUESDAY’S LEAD STORIES

- Embraer Unveils Revamped Jet To Challenge CSeries.
• GE Aviation To Open New Plant In North Carolina.
• California University Of Pennsylvania Starts New Program To Address Manufacturing Skills Gap.
• New York Area Manufacturing Up In June.
• US, EU To Begin Talks On A Trans-Atlantic Trade Deal.
• Stock Prices In Relation To Previous Day's Adjusted Close