

Macroeconomy

USA: Robust fundamentals saw Fed hike rates in March

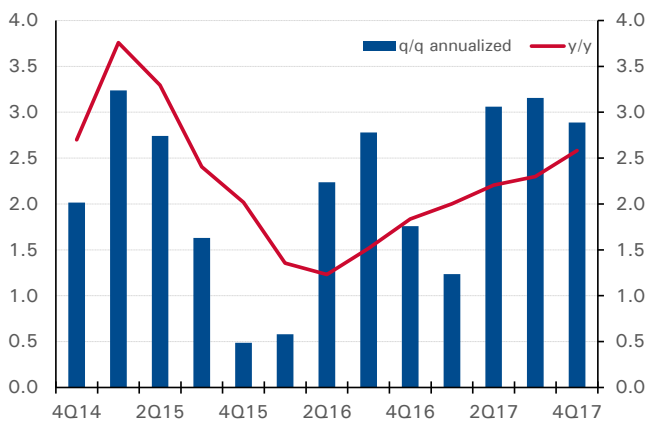
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- 4Q17 growth was revised to an annualized 2.9% q/q, reflecting the solid fundamentals.
- Non-farm payrolls surprised in February (313k), driving the 3-month average to its highest in 18 months.
- February's inflation came in as expected, with core at 1.9% y/y; keeping price expectations little changed.
- The ISM manufacturing index beat expectations, while non-manufacturing steadied at a still strong 59.5.
- February's retail sales were still weak, down a small 0.3% m/m, yet annual growth edged higher to 4.0% y/y.
- Markets are now expecting a more hawkish Fed, with at least two more hikes expected in 2018.
- The 10-year Treasury yield held steady, as shifting monetary policy expectations and trade war fears wrestled for direction.
- Trade war fears and tech privacy concerns pulled the S&P 500 lower in March.

Real GDP growth

(%)



4Q17 growth was revised to an annualized 2.9% q/q, reflecting the solid fundamentals.

Source: U.S. Bureau of Economic Analysis

Unemployment rate

(%)

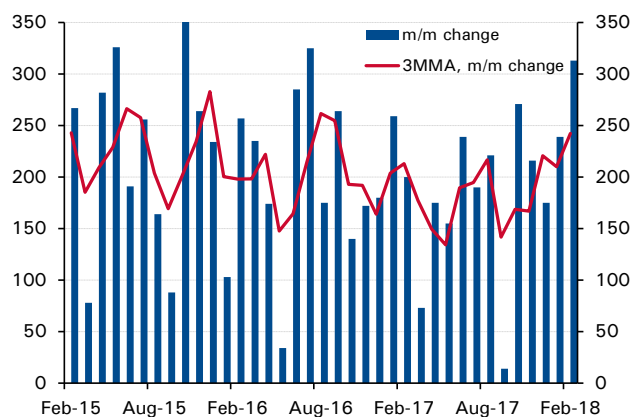


February's unemployment still at the 17-year low of 4.1%.

Source: U.S. Bureau of Labor Statistics

Non-farm payrolls (new jobs)

(thousand)

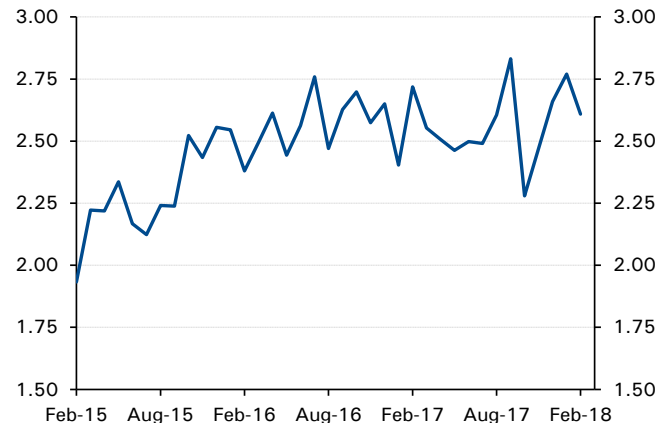


Non-farm payrolls surprised in February (313k), driving the 3-month average to its highest in 18 months (242k).

Source: U.S. Bureau of Labor Statistics

Wage growth

(% y/y)

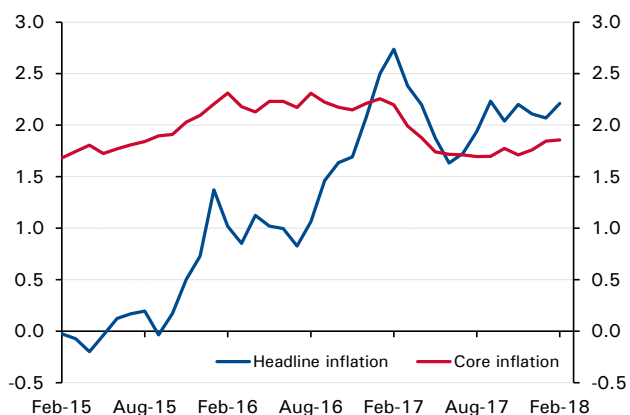


Wage growth, at 2.6% y/y in February, continued to signal a rise in wage pressures and a tightening labor market.

Source: U.S. Bureau of Labor Statistics

Consumer price inflation

(% y/y)



February's inflation came in as expected, with core at 1.9% y/y; keeping price expectations little changed.

Source: U.S. Bureau of Labor Statistics

Commercial and industrial loans

(% y/y)

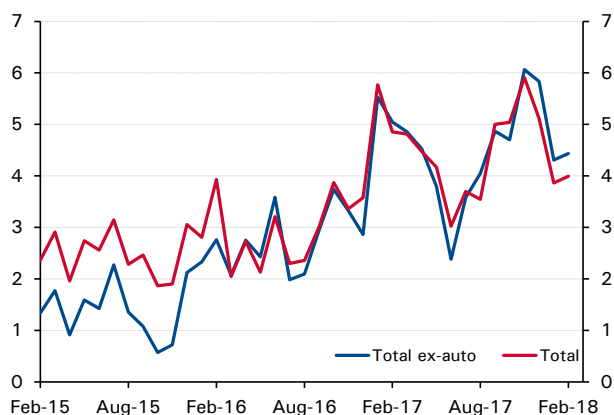


C&I loan growth edged up to 1.6% in February on optimism following tax reform and strong data.

Source: U.S. Board of Governors of the Federal Reserve System

Retail sales

(% y/y)

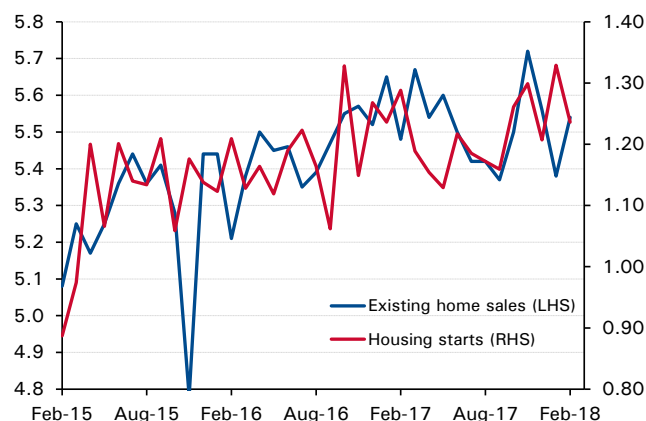


February's retail sales were still weak, down a small 0.3% m/m, yet annual growth edged higher to 4.0% y/y.

Source: U.S. Census Bureau

Existing home sales and housing starts

(million units)

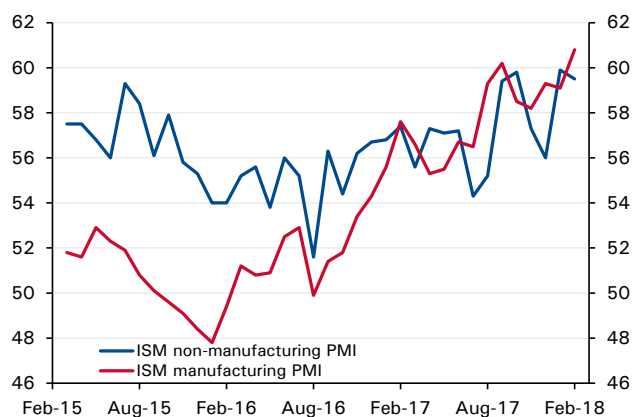


Housing starts were down in February, settling at 1.24 million, while home sales picked-up following a decline last month.

Source: National Association of Realtors, U.S. Census Bureau

Business surveys

(index)

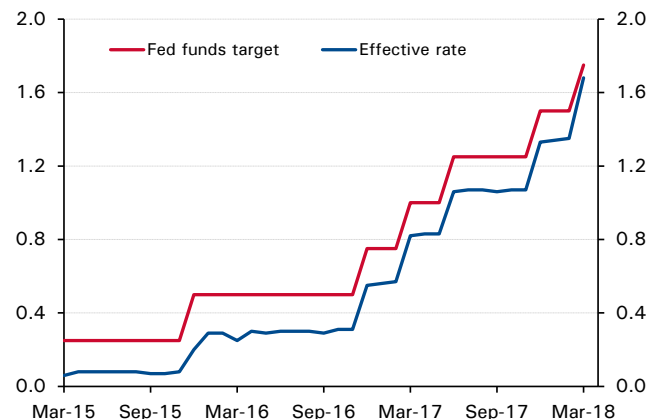


Manufacturing beat expectations, jumping to 60.8, while non-manufacturing steadied at a still strong 59.5.

Source: Institute for Supply Management

Interest rates

(%)

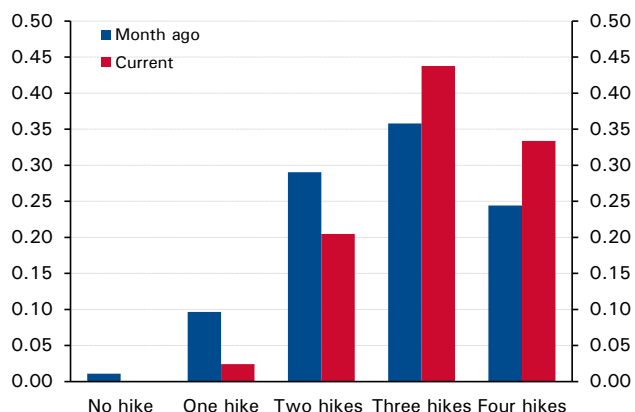


The Fed hiked its benchmark rate in March-18, while adopting a relatively more hawkish stance.

Source: Thomson Reuters Eikon

Fed rate hike outlook for 2018

(probability, as of 23 March 2018)



Markets are now expecting a more hawkish Fed in 2018, with two more hikes expected in 2018 with 77% certainty.

Source: CME Group

Government bond yields

(%)



The 10-year yield hovered around 2.8%, as shifting monetary policy expectations and trade war fears wrestled for direction.

Source: Thomson Reuters Eikon

Stock markets

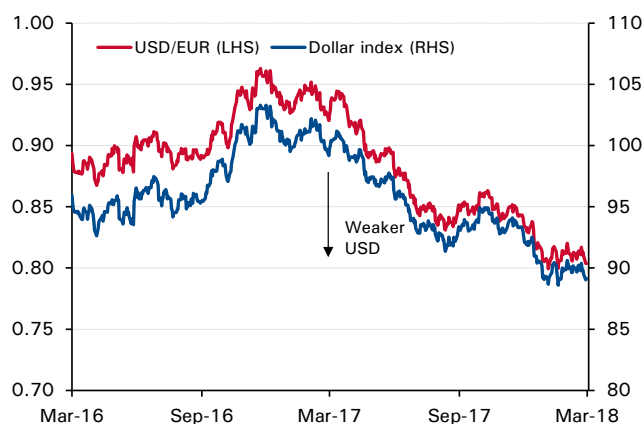
(S&P 500)



Trade war fears and tech privacy concerns pulled the S&P 500 lower in March.

Source: Thomson Reuters Eikon

Exchange rates



Recently positive global growth is still seeing investors leave the dollar for other major and emerging currencies.

Source: Thomson Reuters Eikon

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