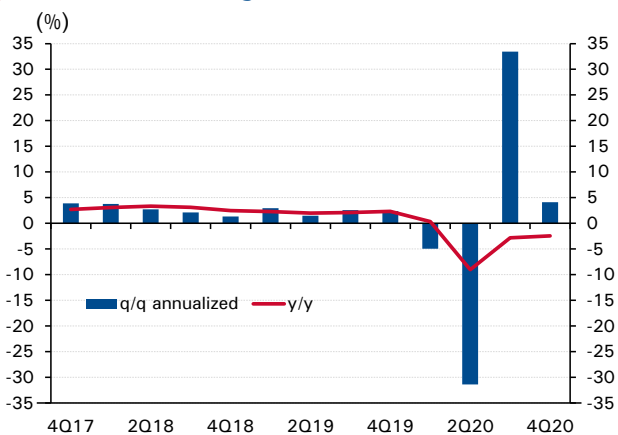


US economic recovery underway, supported by stimulus and vaccine rollout

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- Annualized GDP growth expanded by 4.1% in 4Q20 (2nd estimate). Overall in 2020, the economy contracted by 3.5%.
- Core inflation edged down to 1.3% y/y in February on disinflation in shelter/new vehicle prices, deflation in apparel.
- Retail sales growth ex-autos moderated to 5.5% y/y in February, after surging to 8.2% in January due to stimulus.
- The ISM manufacturing index jumped to a 2-year high of 60.8 in February on higher new orders and employment.
- The US 10-year treasury yield surged to a 15-month high (1.73%), supported by stimulus and recovery expectations.
- The S&P500 lost some momentum and saw higher volatility amid rising bond yields and future inflation concerns.

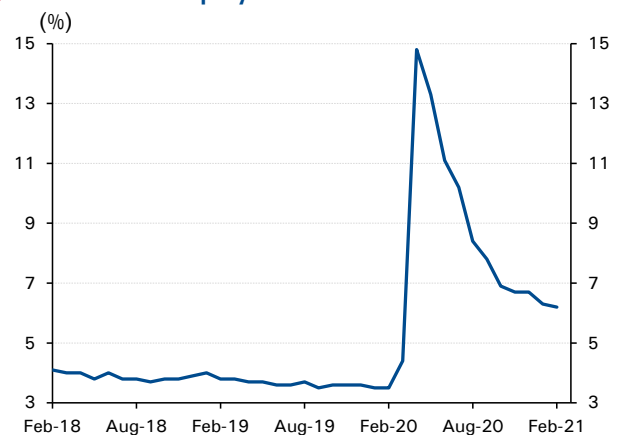
▶ **Chart 1: Real GDP growth**



Annualized GDP growth expanded by 4.1% in 4Q20 (2nd estimate). Overall in 2020, the economy contracted by 3.5%.

Source: Refinitiv

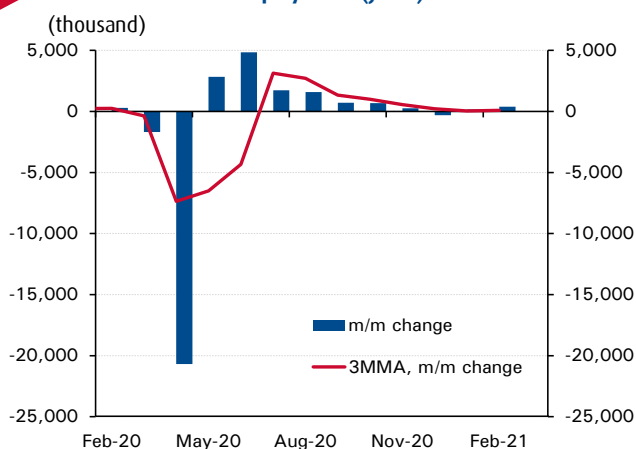
▶ **Chart 2: Unemployment rate**



The unemployment rate edged down to 6.2% in February, the lowest since April, though still well above pre-pandemic levels.

Source: Refinitiv

▶ **Chart 3: Non-farm payrolls (jobs)**



Non-farm payrolls rose by 379,000 in February, beating expectations, helped by the vaccine rollout, easing restrictions.

Source: Refinitiv

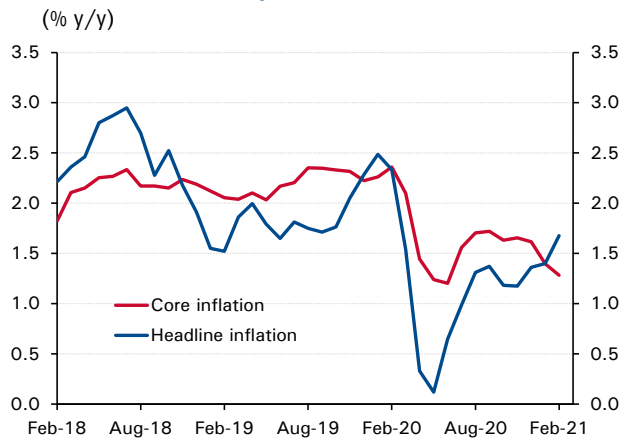
▶ **Chart 4: Wage growth**



Wage growth was unchanged at 5.3% in February, though maybe overstated as lower-wage joblessness remains high.

Source: Refinitiv

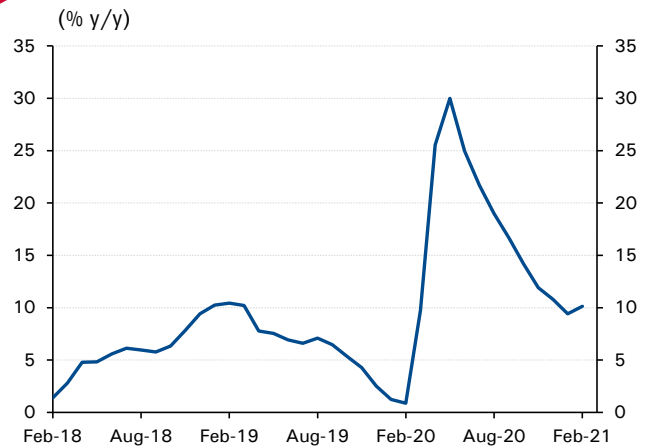
Chart 5: Consumer price inflation



Core inflation edged down to 1.3% y/y in Feb. on disinflation in shelter and new/used vehicle prices, faster deflation in apparel.

Source: Refinitiv

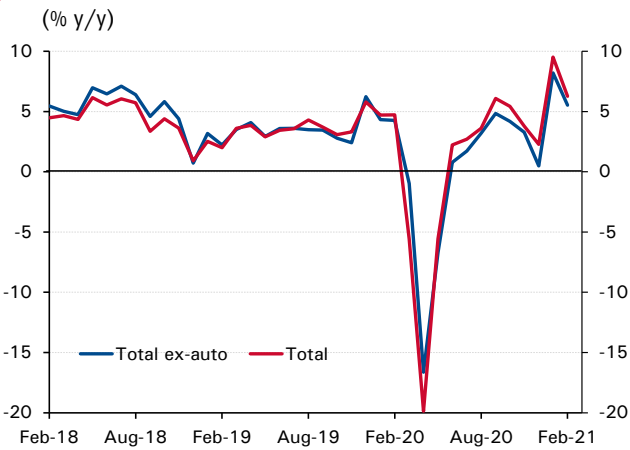
Chart 6: Commercial and industrial loans



C&I loan growth edged up to 10.1% y/y in February from 9.4% in January, could drop sharply in coming months (high 2020 base).

Source: Refinitiv

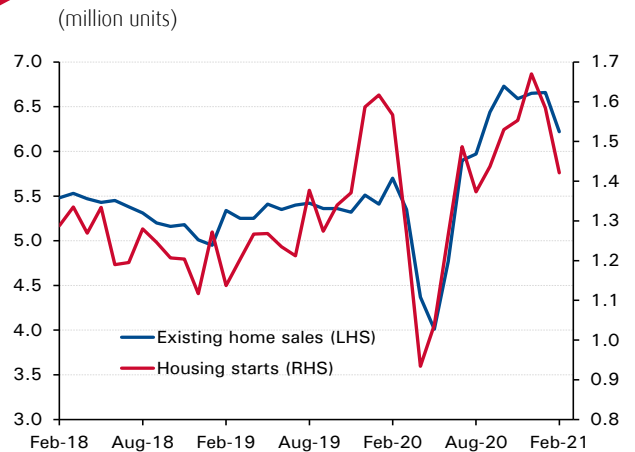
Chart 7: Retail sales



Growth in retail sales ex-autos moderated to 5.5% y/y in February, after surging to 8.2% y/y in January due to stimulus.

Source: Refinitiv

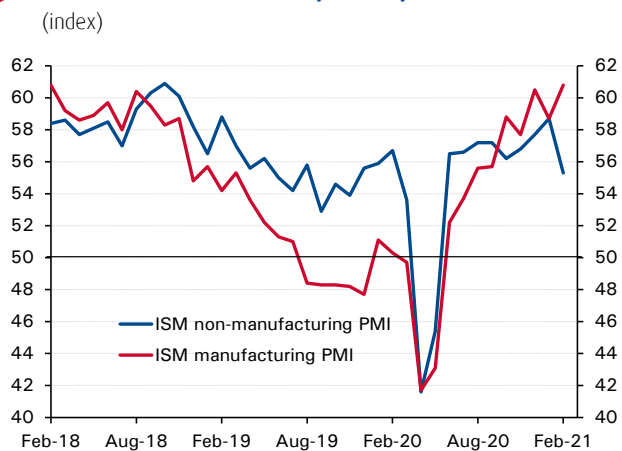
Chart 8: Existing home sales and housing starts



Housing starts declined sharply to 1.4 million units (10.3% m/m), affected by unexpected inclement weather in the southern US.

Source: Refinitiv

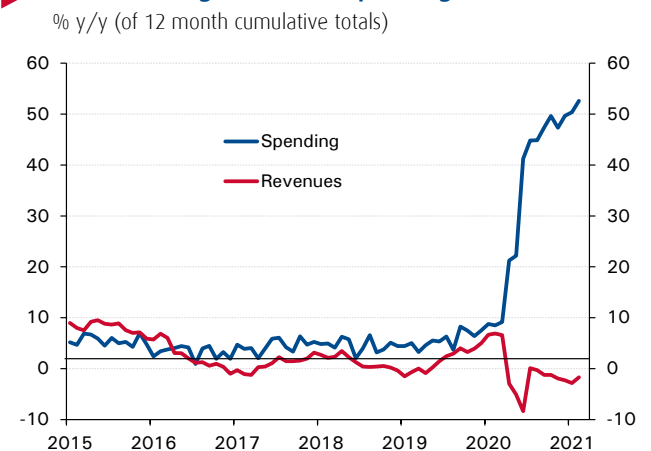
Chart 9: Business activity surveys



The ISM manufacturing index jumped to a 2-year high of 60.8 in Feb. on higher new orders, production, exports and employment.

Source: Refinitiv

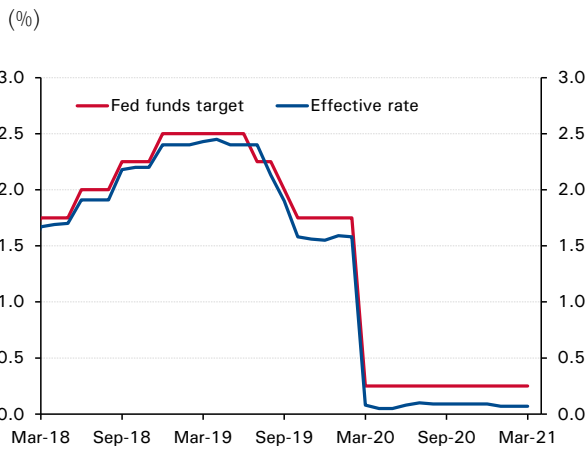
Chart 10: US government spending and revenues



The 12-month fiscal deficit reached \$3.6 trillion in February, and is expected to reach \$3.8 trillion (about 16% of GDP) by the end of FY20/21.

Source: Refinitiv

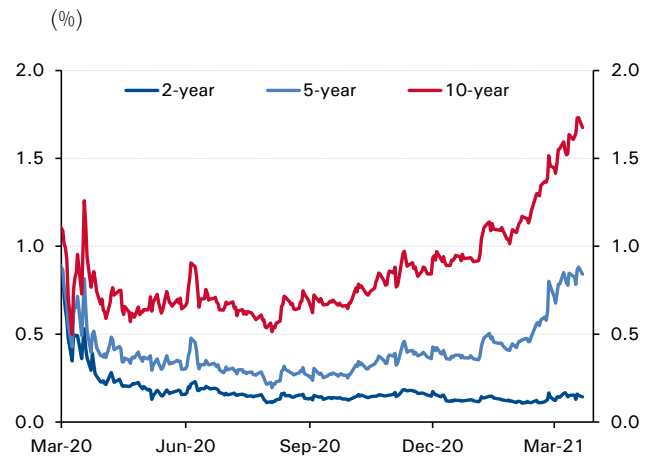
▶ **Chart 11: Policy interest rates**



The policy rate remained unchanged at a range of 0-0.25% as the Fed pledged to continue supporting the economic recovery.

Source: Refinitiv

▶ **Chart 12: Government bond yields**

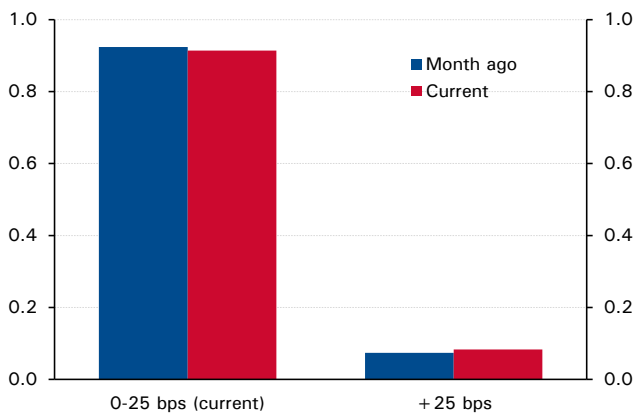


The US 10-year treasury yield surged to a 15-month high of 1.73% (March 19), supported by stimulus and recovery expectations.

Source: Refinitiv

▶ **Chart 13: Fed policy action outlook for 2021**

(futures market probability, as of 23 March 2021)

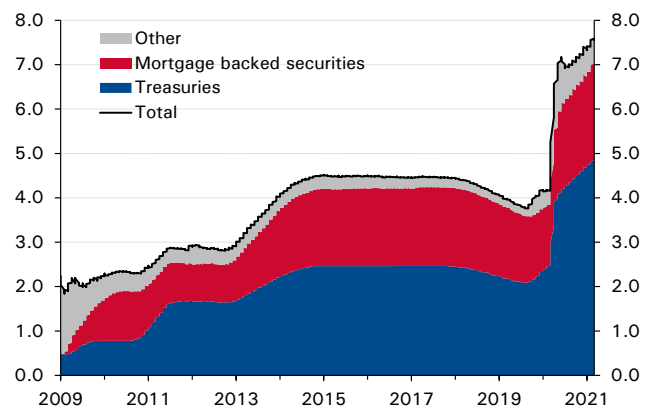


Futures markets probabilities of a rate hike in 2021 have risen slightly from last month, but remain very low.

Source: Refinitiv

▶ **Chart 14: Fed balance sheet size and composition**

(total assets, \$trn)



Federal reserve assets continued to expand, reaching \$7.58 trillion in late March on continued quantitative easing.

Source: Refinitiv

▶ **Chart 15: Stock market**

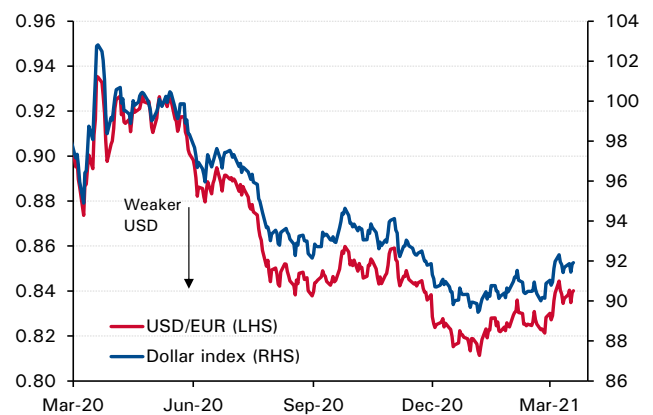
(S&P 500)



The S&P500 lost some momentum and saw higher volatility, as investors digested rising bond yields and inflation expectations.

Source: Refinitiv

▶ **Chart 16: Exchange rates**



The USD index rallied in March in line with higher bond yields amid an improving virus and economic backdrop.

Source: Refinitiv

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