USA: Mixed data and renewed trade tensions weigh on Fed outlook

- GDP growth was revised down to 2.2% 1Q18, on weaker consumer spending and inventory investment.
- The unemployment rate fell to 3.9% in April as some job seekers left the labor force.
- Non-farm payrolls moderated in April (164,000) as the economy gets closer to full employment.
- Wage growth softened in April to 2.6% y/y, alleviating concerns over inflationary pressures.
- Housing starts were slower than expected in April, rising by 1.29 million units as prices increased.
- ISM manufacturing and non-manufacturing surveys came below expectations, easing further in April.
- Mixed data, political uncertainty, and trade tensions lowered expectations of four interest rate hikes in 2018.
- The 10-year yield briefly breached 3% before falling back on geopolitics and falling oil prices.
- Higher US yields and increasing political uncertainty lifted the US dollar index 3% m/m in May.

**Chart 1: Real GDP growth**

GDP growth was revised down to 2.2% from 2.3% in 1Q18, on weaker consumer spending and inventory investment.

Source: U.S. Bureau of Economic Analysis

**Chart 2: Unemployment rate**

The unemployment rate fell to 3.9% in April as some job seekers left the labor force.

Source: U.S. Bureau of Labor Statistics

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

Non-farm payrolls moderated in April (164,000) as the economy gets closer to full employment.

Source: U.S. Bureau of Labor Statistics

**Chart 4: Wage growth**

Wage growth softened in April to 2.6% y/y, alleviating concerns over inflationary pressures.

Source: U.S. Bureau of Labor Statistics
Inflation edged up to 2.5% in April on higher oil prices, while core steadied at 2.1% y/y.  
Source: U.S. Bureau of Labor Statistics

Commercial and industrial loan growth jumped to 3.3% in April.  
Source: U.S. Board of Governors of the Federal Reserve System

Retail sales matched expectations, rising 0.3% m/m, with annual growth at 4.7% y/y.  
Source: U.S. Census Bureau

Housing starts were slower than expected in April, rising by 1.29 million units as prices increased.  
Source: National Association of Realtors, U.S. Census Bureau

ISM manufacturing and non-manufacturing surveys came below expectations, easing further in April.  
Source: Institute for Supply Management

The Fed is expected to hike its benchmark rate in June with 80% certainty, down from 90% a month ago.  
Source: Thomson Reuters Eikon
Mixed data, political uncertainty, and trade tensions lowered expectations of at least four interest rate hikes in 2018.

Source: CME Group

Easing trade rhetoric and solid Q1 earnings helped the S&P 500 edge higher in May.

Source: Thomson Reuters Eikon

Higher US bond yields and increasing political uncertainty lifted the US dollar index 2% m/m in May.

Source: Thomson Reuters Eikon