

Macroeconomy

USA: Solid Sept. wage growth boosts Fed hike chances; inflation disappoints

> Nembr Kanafani

Senior Economist

+965 2259 5365, nemrkanafani@nbk.com

> Chaker El Mostafa

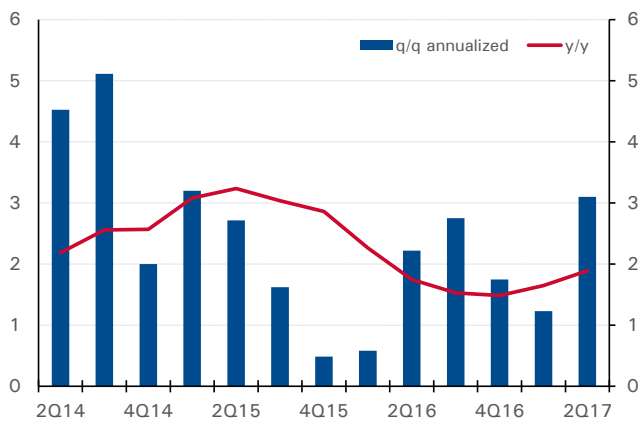
Economist

+965 2259 5356, chakermostafa@nbk.com

- Inflation higher at 2.2% in September as hurricanes drive up energy costs; core inflation disappoints at 1.7%.
- At 60.8, the ISM manufacturing index reached its highest since 2004; non-manufacturing jumped to 59.8.
- Unemployment dropped to 4.2%, its lowest since 2001, unaffected by hurricane related disruptions.
- Wage growth firmed up to 2.9%, beating expectations and boosting the likelihood of a Fed hike in December.
- Retail sales rose 4.4% in September as consumers replaced hurricane damaged goods.
- The S&P is seeing all-time highs, seemingly unaffected by geopolitics and supported by positive earnings.
- Firmer data and hawkish central bank rhetoric saw rate hike expectations rise.
- The dollar strengthened on solid fundamentals, central banks, and expectations of fiscal stimulus.

Real GDP growth

(%)



2017's final reading came in at 3.1% q/q annualized from 3.0%, on stronger consumption and investment dynamics.

Source: U.S. Bureau of Economic Analysis

Unemployment rate

(%)

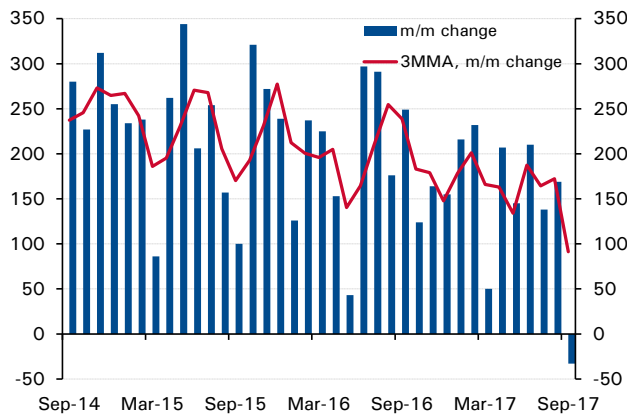


Unemployment dropped to 4.2%, its lowest since 2001, unaffected by hurricane related disruptions.

Source: U.S. Bureau of Labor Statistics

Non-farm payrolls (new jobs)

(thousand)

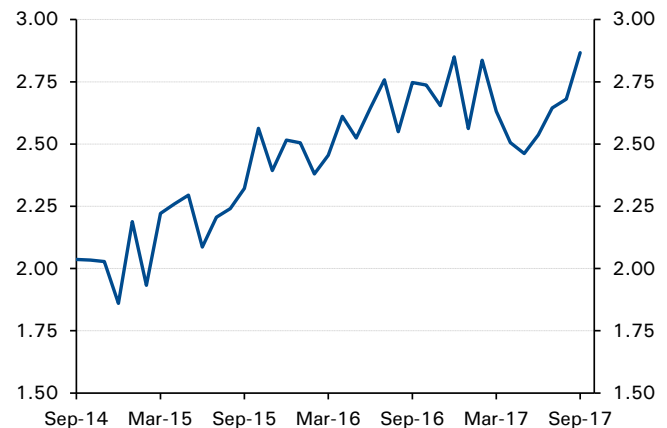


Non-farm payrolls contracted by 33,000 in September as hurricane season weighed on food and services employment.

Source: U.S. Bureau of Labor Statistics

Wage growth

(% y/y)

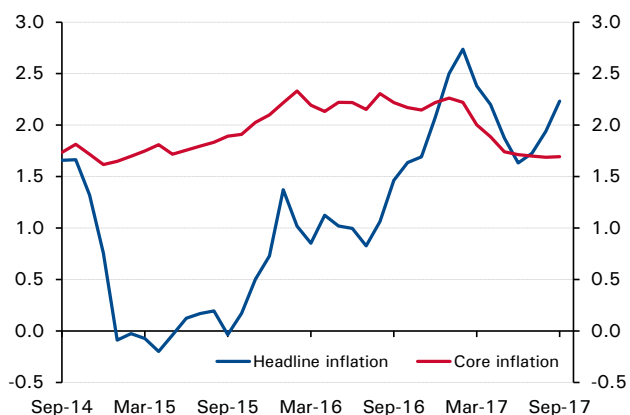


Wage growth firmed up to 2.9%, beating expectations and providing further evidence of a firming labor market.

Source: U.S. Bureau of Labor Statistics

Consumer price inflation

(% y/y)



Inflation higher at 2.2% in September as hurricanes drive up energy costs, but core inflation disappoints at 1.7%.

Source: U.S. Bureau of Labor Statistics

Commercial and industrial loans

(% y/y)

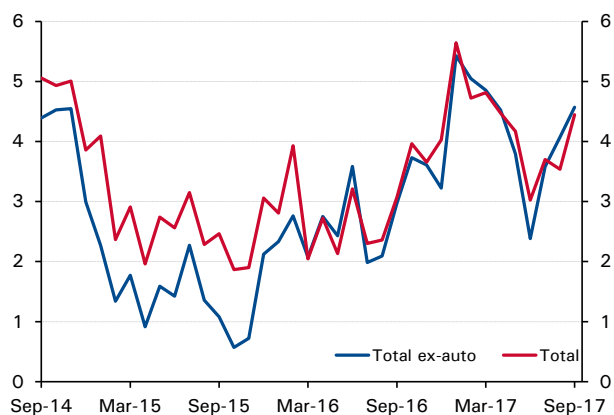


C&I loan growth edged lower to 2.0% y/y in September, down from 2.4% the previous month.

Source: Federal Reserve

Retail sales

(% y/y)

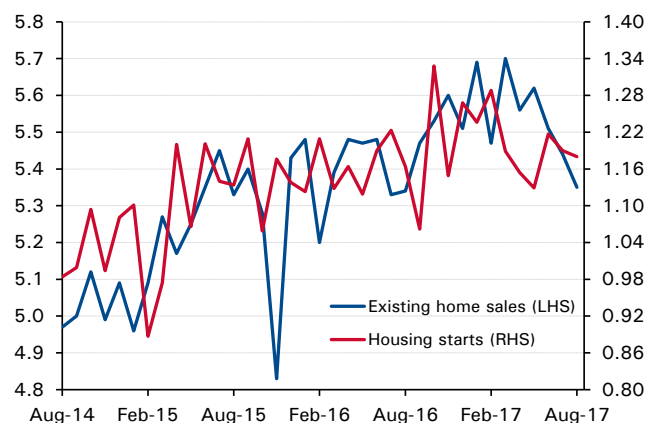


Retail sales were bumped higher to 4.4% in September as consumers replaced hurricane damaged goods.

Source: U.S. Census Bureau

Existing home sales and housing starts

(million units)

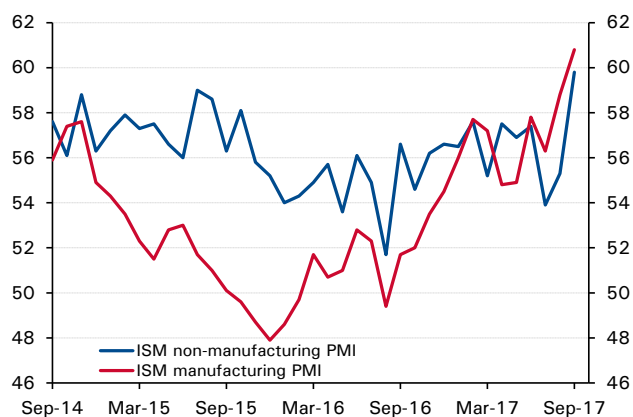


Housing starts and existing home sales both dipped for a second consecutive month, held back by hurricane season.

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

Business surveys

(index)

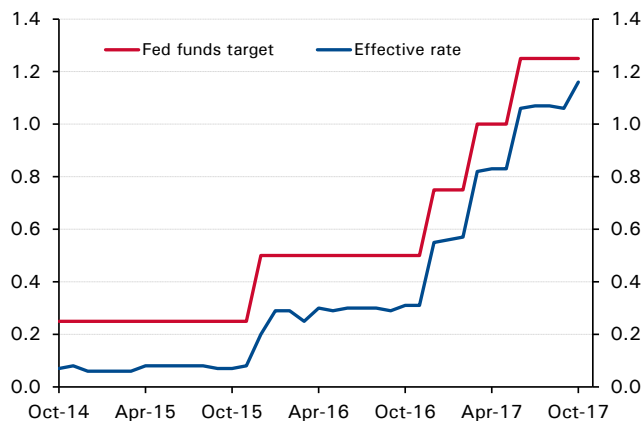


At 60.8, the ISM manufacturing activity index reached its highest since 2004; non-manufacturing jumped to 59.8.

Source: Institute for Supply Management, Federal Reserve

Interest rates

(%)

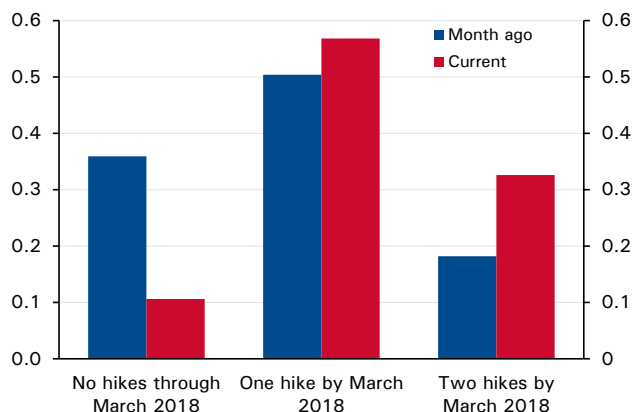


The next rate hike is expected at the next Fed meeting, with market's giving a December hike more than 80% probability.

Source: Thomson Reuters Eikon

Fed rate hike outlook

(probability, as of 16 October 2017)

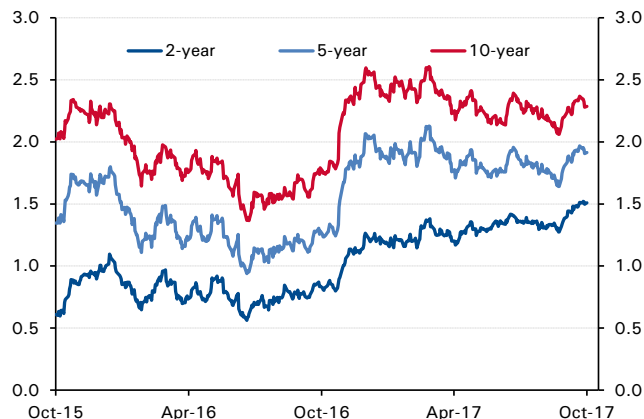


Firmer labor market data and hawkish central bank rhetoric have seen rate hike expectations rise despite softer inflation.

Source: CME Group

Government bond yields

(%)



The 10-year yield edged lower in October as geopolitical concerns and US politics affected investor sentiment.

Source: Thomson Reuters Eikon

Stock markets

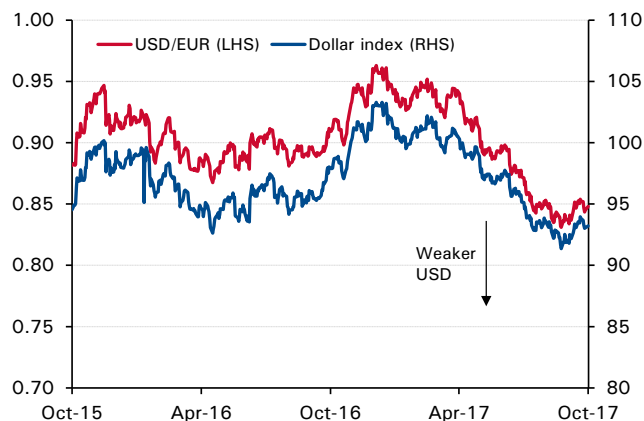
(S&P 500)



The S&P continues to register all-time highs, seemingly unaffected by geopolitics and supported by positive earnings.

Source: Thomson Reuters Eikon

Exchange rates



The dollar strengthened on solid fundamentals, central banks, and expected fiscal stimulus.

Source: Thomson Reuters Eikon

Head Office

Kuwait

National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain

National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates

National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia

National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan

National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon

National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt

National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America

National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom

National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France

National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore

National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China

National Bank of Kuwait SAKP
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait

NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates

NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey

Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353