Macroeconomy

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

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

Source: Federal Reserve

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

Source: U.S. Census Bureau

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

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

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

Source: CME Group

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

Source: Thomson Reuters Eikon

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

Source: Thomson Reuters Eikon

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

Source: Thomson Reuters Eikon