Unemployment steady at record lows, but manufacturing activity remains weak

- Wage growth fell to 2.9% in December, the lowest since 2018, from 3.1% in November.
- Core inflation held steady at 2.3% in December, while headline inflation rose to 2.3% from 2.1% in November.
- Retail sales surged by 5.8% y/y in Dec. from 3.3% in Nov, the highest since 2018 on solid consumer sentiment.
- The ISM manufacturing activity index fell to the lowest level since 2009, well below expectations.
- Futures markets probabilities, previously neutral, are now skewed towards one or more rate cuts this year.
- US stocks and treasury yields trended downwards in January on heightened risk and uncertainty amid the Chinese coronavirus threat.

Q3 annualized GDP growth was revised up to 2.1% (from an initial estimate of 1.9%), following a 2.0% expansion in Q2.

The unemployment rate was steady at 3.5% in December, a historical low and in line with market expectations.

Non-farm payrolls rose by 145,000 in December, below expectations, from a downwardly revised 256,000 in Nov.

Wage growth fell to 2.9% in December, the lowest since 2018, from 3.1% in November on weaker but still decent job creation.
Core inflation held steady at 2.3% in December, headline inflation rose to 2.3% on higher energy, shelter & medical costs.

Source: Refinitiv

Retail sales surged by 5.8% y/y in Dec. from 3.3% in Nov, the highest since August 2018 on solid consumer sentiment.

Source: Refinitiv

The ISM manufacturing activity index fell to the lowest level since 2009, well below expectations, in the fifth month of contraction.

Source: Refinitiv

The Fed left its policy rate on hold in the 1.50%-1.75% range, amid stable employment and inflation near the 2% target.

Source: Refinitiv

C&I loans growth fell for the fourth consecutive month to a 22-month low of 2.2% on continued softness in business activity.

Source: Refinitiv
Futures markets probabilities, previously neutral, are now skewed towards one or more rate cuts this year.

Source: CME Group

US treasury yields trended downwards in January on heightened risk and uncertainty amid the Chinese coronavirus threat.

Source: Refinitiv

Stock indices reached record highs in January on trade optimism but were later weighed down by coronavirus fears.

Source: Refinitiv

The USD gained in January, supported by the interest rate outlook relative to abroad and coronavirus-related safe haven flows.

Source: Refinitiv