

Macroeconomy

# USA: Solid data keeps Fed on track for at least two more hikes in 2018

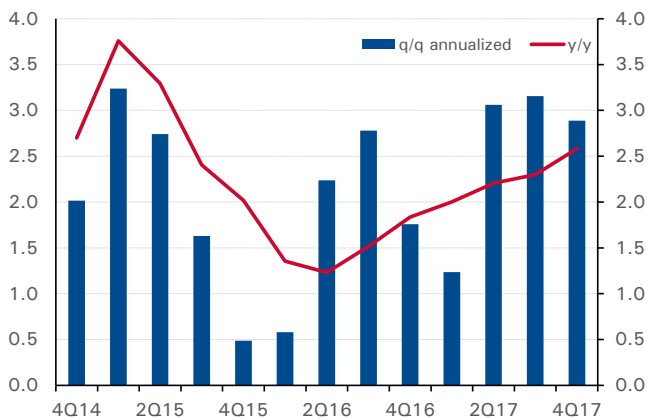
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- Non-farm payrolls disappointed in March (103000), though the 3-month average remains strong at 202000.
- Wage growth inched higher to 2.7% y/y, signaling a tightening labor market.
- Business loan growth jumped to 2.6% in March, helped by firmer optimism.
- Core inflation picked up as expected to 2.1% y/y, while the headline rate rose to 2.4%.
- Retail sales rebounded a solid 0.6% m/m, with annual growth edging higher to 4.5% y/y.
- Manufacturing and non-manufacturing sentiment eased in March, but maintained strong levels nonetheless.
- Markets are expecting at least two more hikes in 2018 with 90% certainty.
- The 10-year yield came close to 3% helped by higher commodity prices and easing geopolitical concerns.
- Diminishing trade war fears and strong Q1 earnings helped the S&P 500 climb higher in April.

Real GDP growth

(%)



4Q17 growth was revised up to an annualized 2.9% q/q, reflecting solid fundamentals.

Source: U.S. Bureau of Economic Analysis

Unemployment rate

(%)

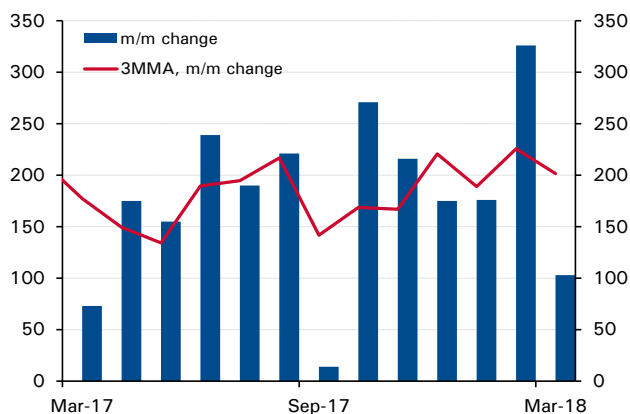


March's unemployment rate still at the 17-year low of 4.1%.

Source: U.S. Bureau of Labor Statistics

Non-farm payrolls (new jobs)

(thousand)



Non-farm payrolls disappointed in March (103000), with the 3-month average easing to a still strong 202000.

Source: U.S. Bureau of Labor Statistics

Wage growth

(% y/y)

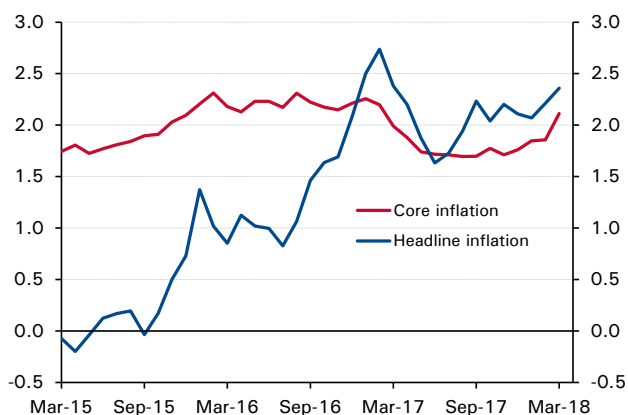


Wage growth inched higher to 2.7% y/y in March, signaling a tightening labor market.

Source: U.S. Bureau of Labor Statistics

### Consumer price inflation

(% y/y)



March's inflation came in as expected, with core picking up to 2.1% y/y; the headline rate rose to 2.4%.

Source: U.S. Bureau of Labor Statistics

### Commercial and industrial loans

(% y/y)

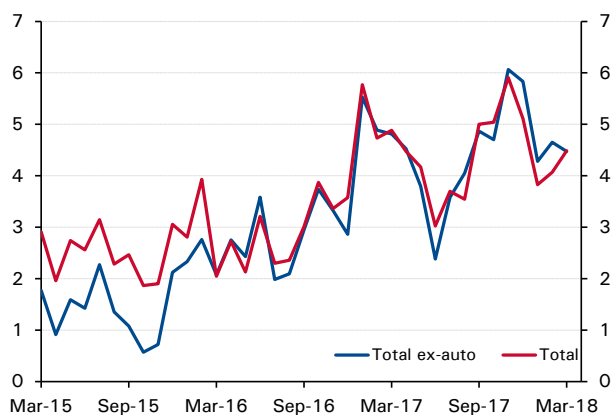


Commercial and industrial loan growth jumped to 2.6% in March on firmer optimism.

Source: U.S. Board of Governors of the Federal Reserve System

### Retail sales

(% y/y)

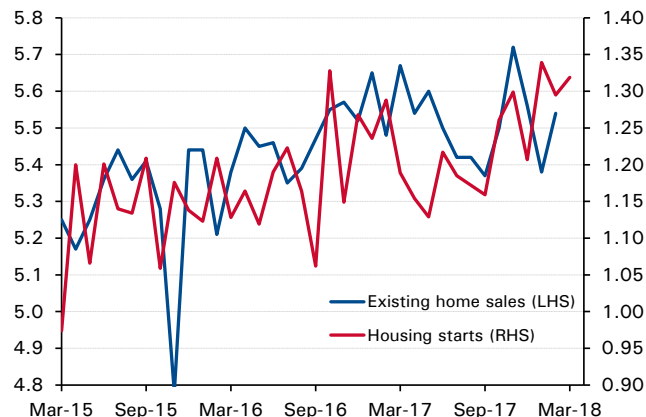


Retail sales rebounded in March, up a good 0.6% m/m, with annual growth edging higher to 4.5% y/y.

Source: U.S. Census Bureau

### Existing home sales and housing starts

(million units)

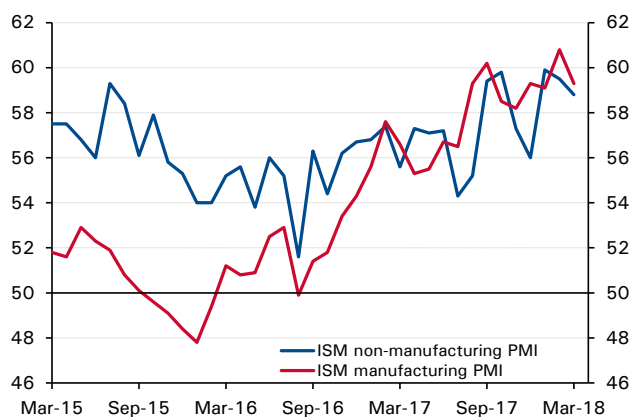


Total housing starts surprised in March, rising 1.32 million units, although single-family housing starts slowed.

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

### Business activity surveys

(index)

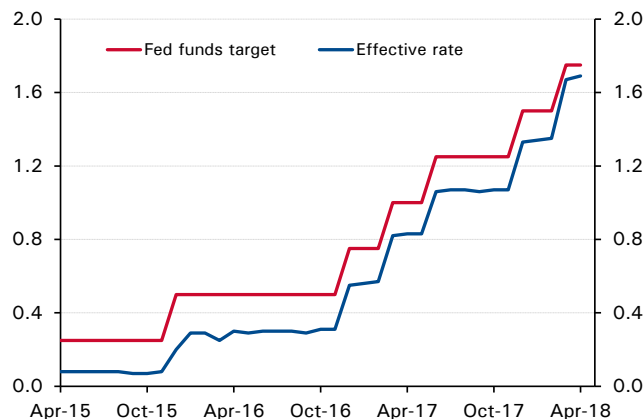


Both manufacturing and non-manufacturing eased in March to 59.3 and 58.8, respectively, but still strong nonetheless.

Source: Institute for Supply Management

### Policy interest rates

(%)

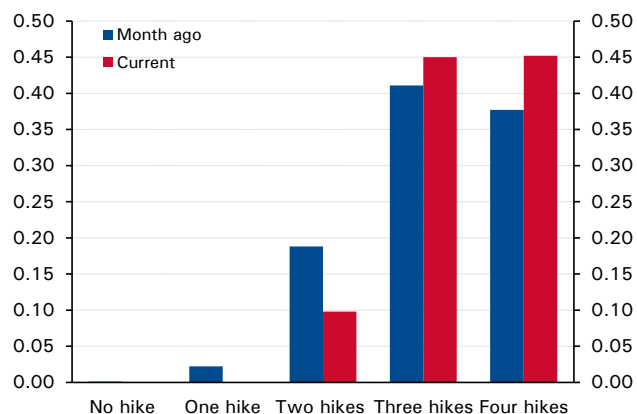


The Fed hiked its benchmark rate in March, while adopting a relatively more hawkish stance.

Source: Thomson Reuters Eikon

### Fed rate hike outlook for 2018

(probability, as of 20 April 2018)



Markets are expecting at least two more hikes in 2018 with 90% certainty.

Source: CME Group

### Government bond yields

(%)



The 10-year yield came close to 3%, on higher commodity prices and easing geopolitical concerns.

Source: Thomson Reuters Eikon

### Stock market

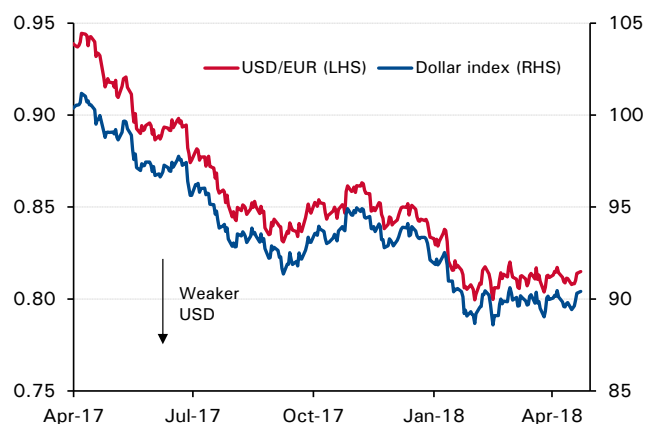
(S&P 500)



Diminishing trade war fears and strong Q1 earnings helped the S&P 500 climb higher in April.

Source: Thomson Reuters Eikon

### Exchange rates



Dollar remained weak despite the prospect of higher interest rates in the US.

Source: Thomson Reuters Eikon

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