Macroeconomy

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

- 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.

Non-farm payrolls (new jobs)

Source: U.S. Bureau of Labor Statistics

Wage growth

Source: U.S. Bureau of Labor Statistics
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

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

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

Source: Institute for Supply Management

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

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

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