

## 3Q18 GDP growth moderates, wage growth reaches nine-year high

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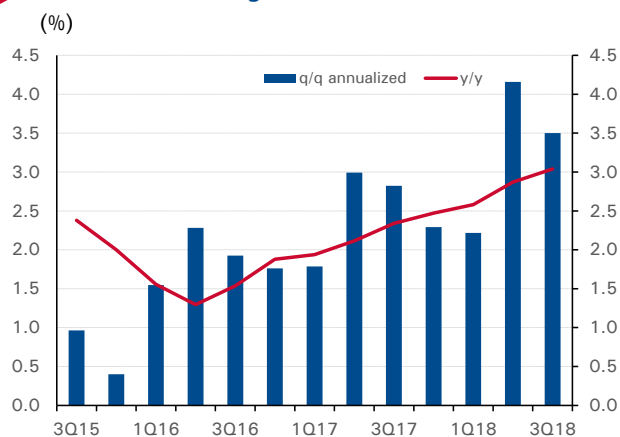
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- 3Q18 annualized GDP growth slowed to 3.5% after reaching a 4-year high of 4.2% in 2Q18.
- Unemployment was unchanged in October at a 49-year low of 3.7%.
- Wage growth rose to 3.1% y/y in October, the highest since 2009, reflecting the strong labor market.
- Despite strength in the economy, core CPI inflation (2.1%) edged lower in October.
- The probability of a fourth rate hike by the Fed in December remains high.
- The S&P 500 recovered slightly in November after a sharp drop in October, but investors remain cautious.
- Strong US growth relative to the rest of the world and trade concerns helped strengthen the dollar recently.

▶ Chart 1: Real GDP growth



In line with expectations, 3Q18 annualized GDP growth slowed to 3.5% after reaching a 4-year high of 4.2% in 2Q18.

Source: U.S. Bureau of Economic Analysis

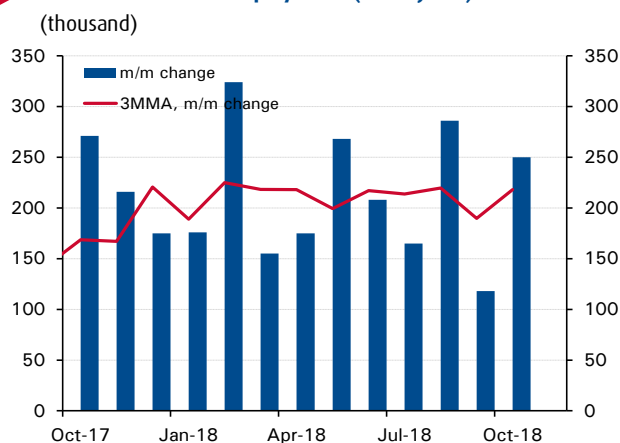
▶ Chart 2: Unemployment rate



Unemployment was unchanged in October at a 49-year low of 3.7% and in line with expectations.

Source: U.S. Bureau of Labor Statistics

▶ Chart 3: Non-farm payrolls (new jobs)



October's non-farm payrolls rose by a robust 250,000. Year-to-date, payroll growth averaged 213,000 jobs per month.

Source: U.S. Bureau of Labor Statistics

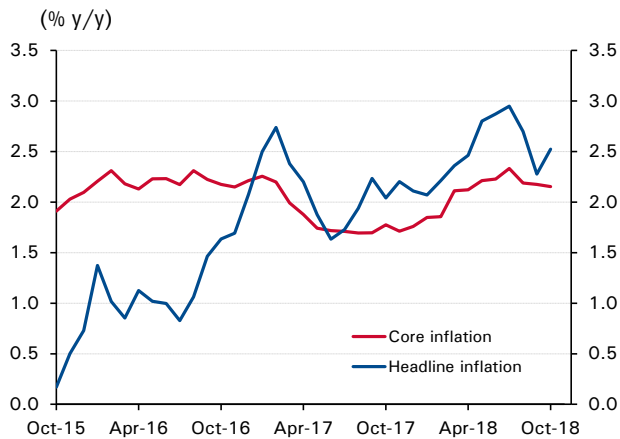
▶ Chart 4: Wage growth



Wage growth rose to 3.1% y/y in October, the highest since 2009, reflecting the strong labor market.

Source: U.S. Bureau of Labor Statistics

**Chart 5: Consumer price inflation**



Despite strength in the economy, core CPI inflation (2.1%) edged lower in October, while energy lifted the headline rate (2.5%).

Source: U.S. Bureau of Labor Statistics

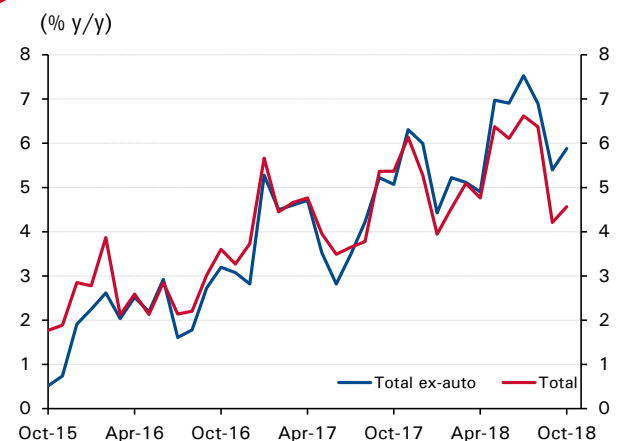
**Chart 6: Commercial and industrial loans**



C&I loans growth increased to 5.8% after two months of easing, as borrowers may be frontloading in light of future Fed hikes.

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

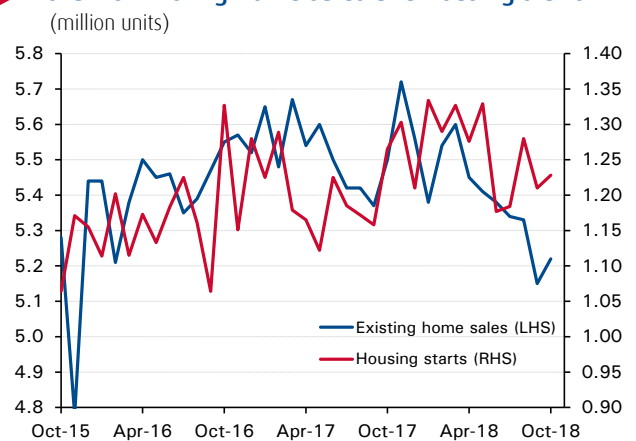
**Chart 7: Retail sales**



Retail sales growth rebounded slightly in October to 4.6% y/y after easing during the previous two months.

Source: U.S. Census Bureau

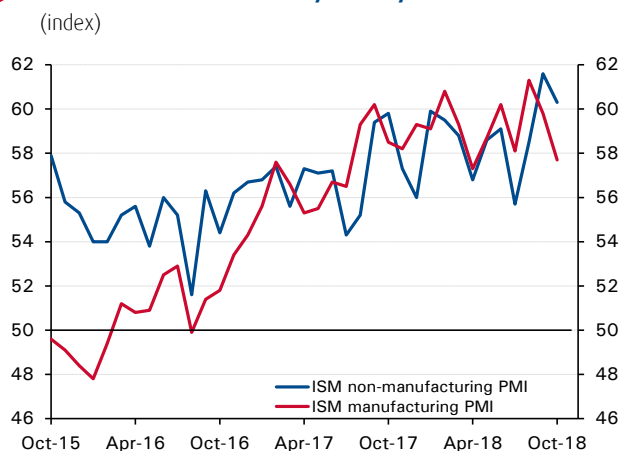
**Chart 8: Existing home sales and housing starts**



Housing starts and home sales rose in October after being hit by hurricane Florence, but by slightly less than expected.

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

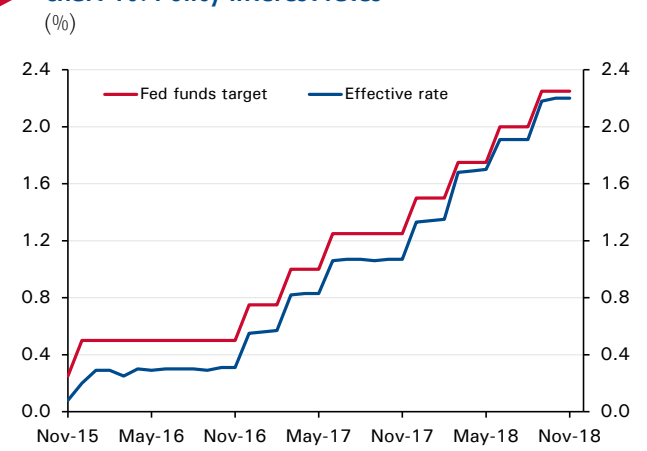
**Chart 9: Business activity surveys**



Manufacturing and non-manufacturing activity eased in October as trade pressures weighed, but are still relatively strong.

Source: Institute for Supply Management

**Chart 10: Policy interest rates**

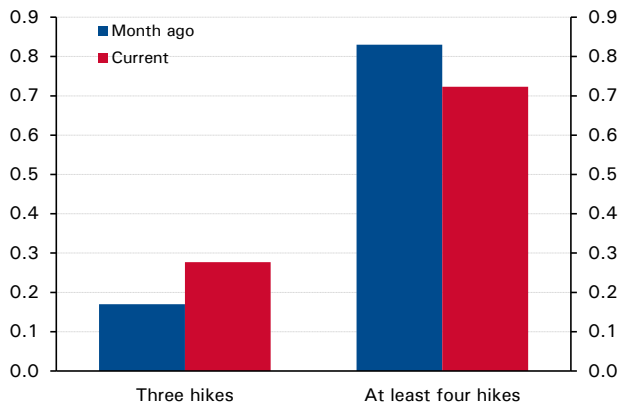


Federal Reserve policy rate very likely to rise by 25 bps in Dec, though the Fed is wary of softer market conditions.

Source: Thomson Reuters Eikon

### Chart 11: Fed rate hike outlook for 2018

(probability, as of 27 November 2018)



The probability of a fourth rate hike in December remains high despite bearish equity markets and trade war concerns.

Source: CME Group

### Chart 12: Government bond yields

(%)



Bond yields tightened as investors sought safer assets in light of increased global uncertainty.

Source: Thomson Reuters Eikon

### Chart 13: Stock market

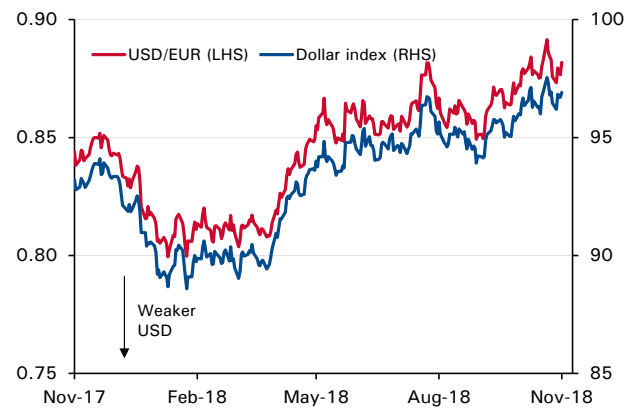
(S&P 500)



Equities rose slightly in November after plunging in October on worries over future growth, higher yields, and high valuations.

Source: Thomson Reuters Eikon

### Chart 14: Exchange rates



Strong US growth compared to the rest of the world and trade concerns helped the dollar appreciate recently.

Source: Thomson Reuters Eikon

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