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

- 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.

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

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

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

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
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

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

Source: U.S. Census Bureau

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

Source: Institute for Supply Management

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

Source: CME Group

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

Source: Thomson Reuters Eikon

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

Source: Thomson Reuters Eikon

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

Source: Thomson Reuters Eikon