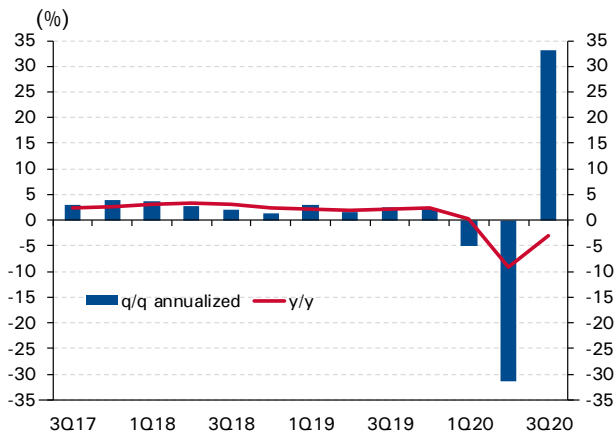


Pace of economic recovery moderates on virus surge and new restrictions

- The unemployment rate edged down to a 7-month low of 6.7% in November mainly on lower participation.
- Non-farm payrolls rose by 245k in November, the slowest pace of hiring since May and well below expectations.
- Core inflation edged up to 1.7% y/y in November from 1.6% in October while headline inflation was stable at 1.2%.
- Retail sales ex autos moderated to 3.6% y/y in November from 4.3% in October likely weighed down by new restrictions.
- The ISM manufacturing index eased to 57.5 in November though remains in expansion on recovering demand.
- The S&P500 reached a record high in December, supported by stimulus optimism and the rollout of virus vaccines.

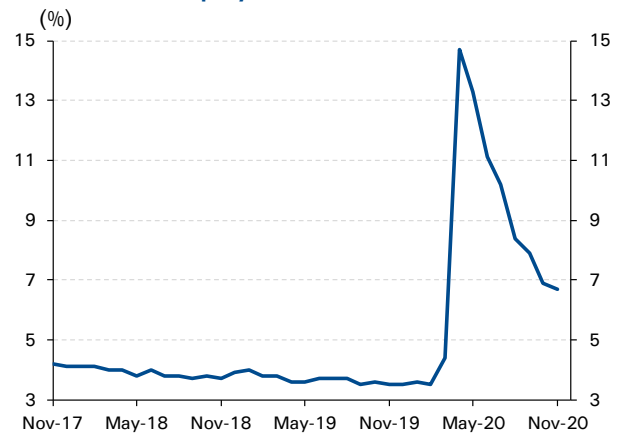
▶ Chart 1: Real GDP growth



Annualized GDP growth rebounded by a record 33.1% in 3Q20, beating expectations, following a record 31.4% plunge in 2Q20.

Source: Refinitiv

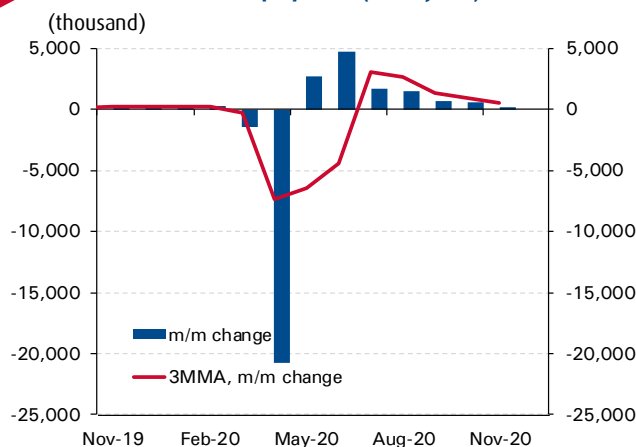
▶ Chart 2: Unemployment rate



The unemployment rate edged down to a 7-month low of 6.7% in Nov from 6.9% in Oct. mainly on lower labor participation.

Source: Refinitiv

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



Non-farm payrolls rose by 245k in November, easing from October's downwardly revised 610k, well below expectations.

Source: Refinitiv

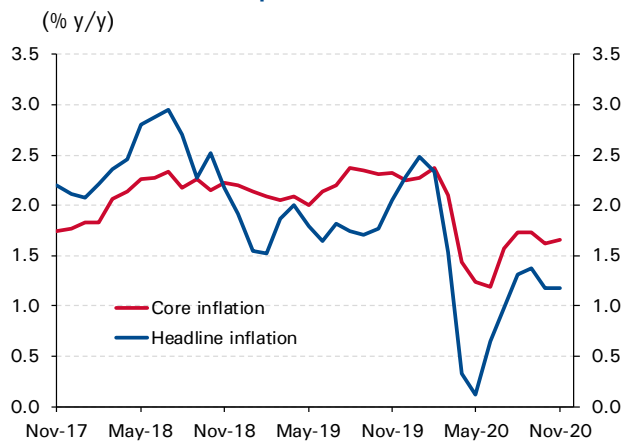
▶ Chart 4: Wage growth



Wage growth was unchanged in November at 4.4% y/y following 5 months of contraction as the pace of hiring slows.

Source: Refinitiv

Chart 5: Consumer price inflation



Core inflation edged up to 1.7% y/y in November from 1.6% in Oct. on higher new vehicle prices, softer deflation in transportation

Source: Refinitiv

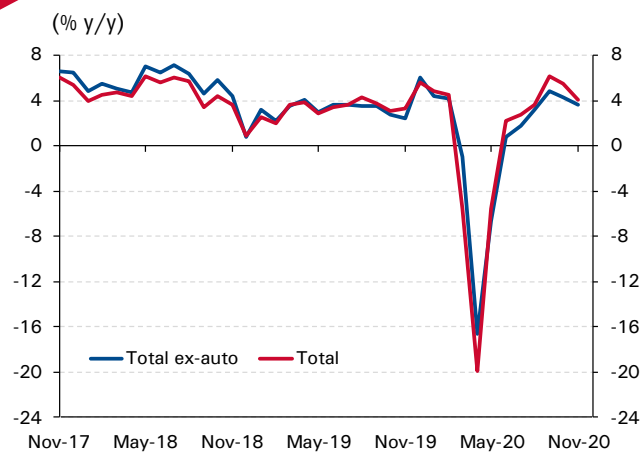
Chart 6: Commercial and industrial loans



C&I loan growth eased for the sixth consecutive month to 11.9% y/y on recovering business activity.

Source: Refinitiv

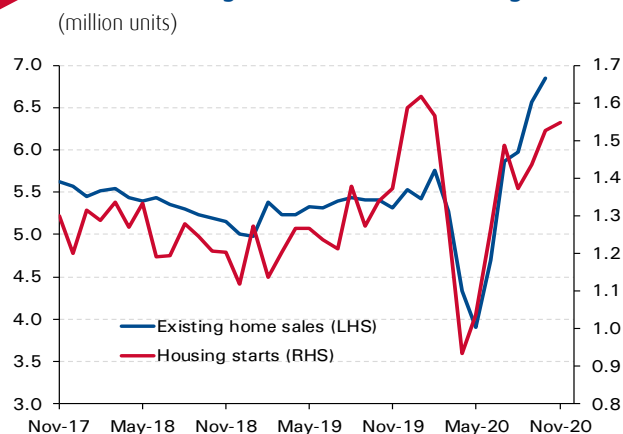
Chart 7: Retail sales



Retail sales ex autos moderated to 3.6% y/y in November as the boost from restriction-lifting faded though new restrictions were imposed in some major states.

Source: Refinitiv

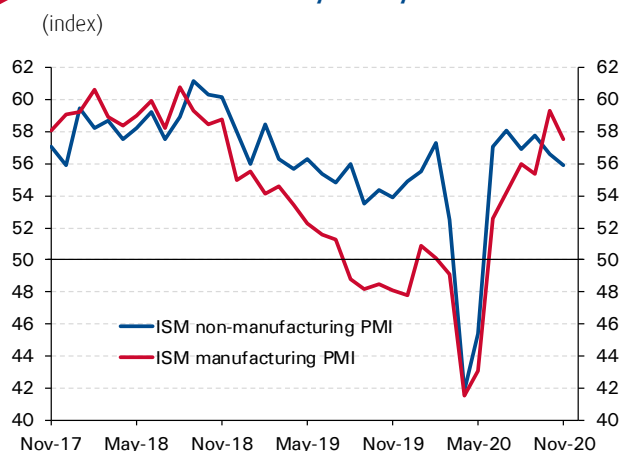
Chart 8: Existing home sales and housing starts



Existing home sales rose by 4.3 % m/m to a 15-year high of 6.9 million units in October, helped by record low interest rates.

Source: Refinitiv

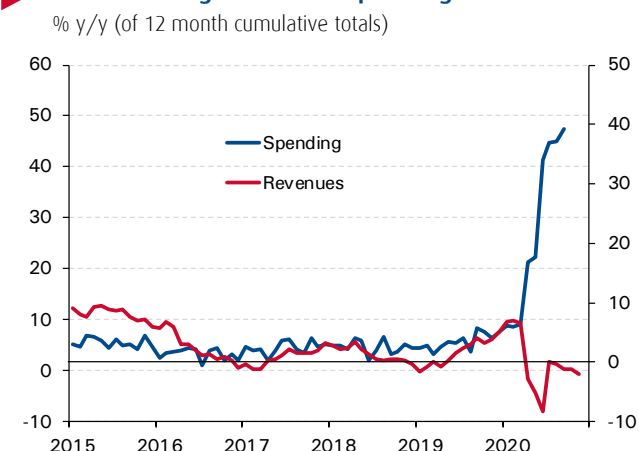
Chart 9: Business activity surveys



The ISM manufacturing index eased to 57.5 in November from a 2-year high of 59.3 in October, though remains strong as the economy continues to recover.

Source: Refinitiv

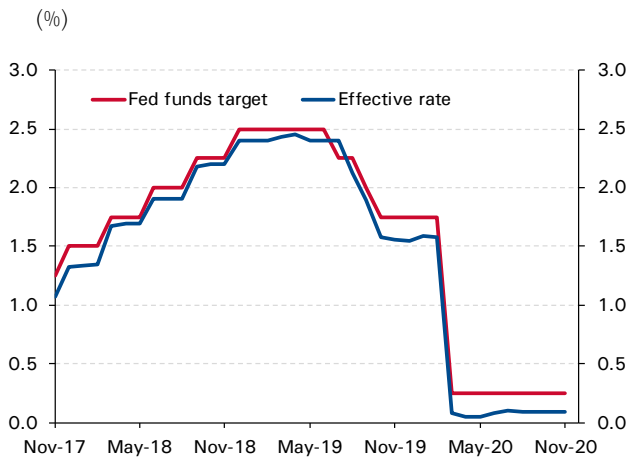
Chart 10: US government spending and revenues



The fiscal deficit reached \$3.2 trillion as of November, and is expected to widen to \$3.8 trillion (about 16% of GDP) in the fiscal year ending 2021.

Source: Refinitiv

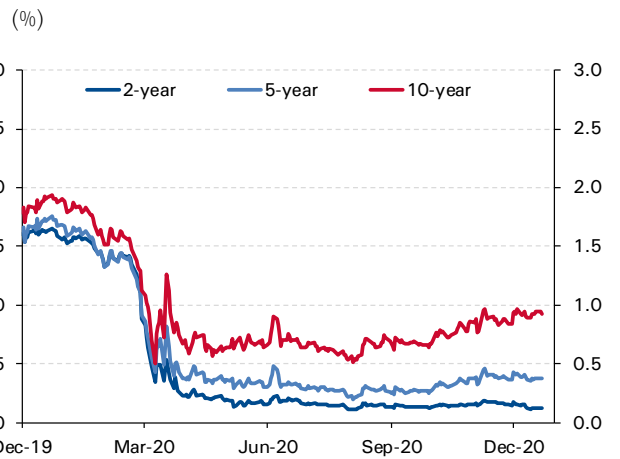
▶ **Chart 11: Policy interest rates**



The policy rate remained unchanged at a range of 0-0.25% as the Fed maintains a loose policy to lessen pandemic effects.

Source: Refinitiv

▶ **Chart 12: Government bond yields**

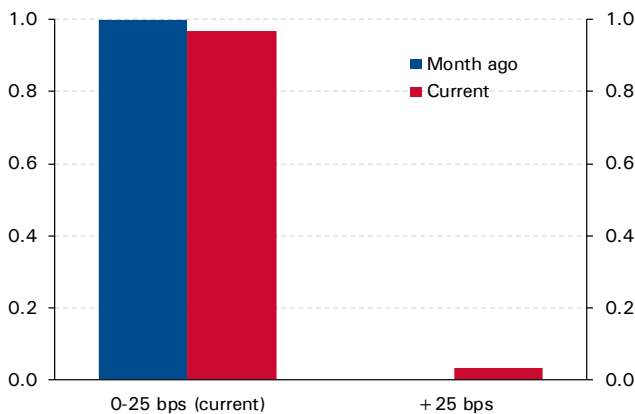


The US 10-year treasury yield rose by 6 bps m/m as of Dec. 22 to 0.92 % on positive vaccine news and stimulus optimism.

Source: Refinitiv

▶ **Chart 13: Fed policy action outlook for 2021**

(futures market probability, as of 22 December 2020)

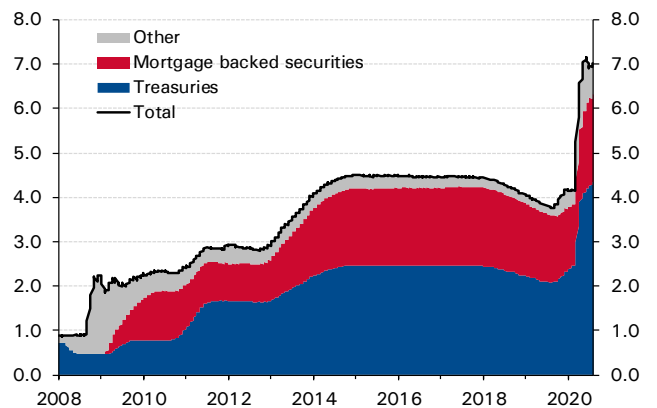


Futures markets probabilities have shifted towards a slight chance of a rate hike in 2021 from no chance one month prior.

Source: Refinitiv

▶ **Chart 14: Fed balance sheet size and composition**

(total assets, \$trn)



Federal reserve assets continued to expand, reaching \$7.24 trillion in mid-December on continued treasuries purchasing.

Source: Refinitiv

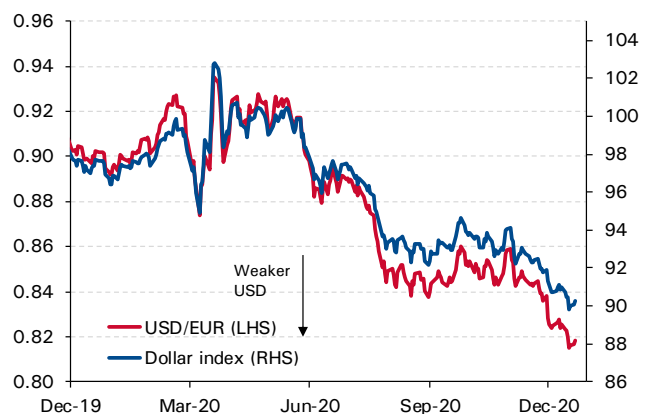
▶ **Chart 15: Stock market**

(S&P 500)



The S&P500 reached an all-time high in December, supported by stimulus optimism and the rollout of virus vaccines.

▶ **Chart 16: Exchange rates**



The USD continued to depreciate in Dec. on softer safe haven demand due to fiscal stimulus, vaccine rollout, improved outlook

Source: Refinitiv

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