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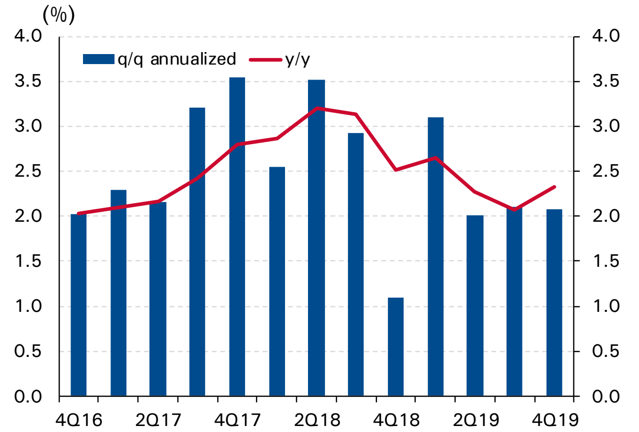
GDP growth steady in 4Q19, but coronavirus concerns weigh down on outlook

- Annualized GDP growth held steady at a provisional 2.1% in 4Q19, matching expectations.
- The unemployment rate rose to 3.6% in Jan., above expectations, from a 50-year low of 3.5% in December.
- Non-farm payrolls rose by 225,000 in January from an upwardly-revised 147,000 in December.
- Core inflation was steady at 2.3% in January, headline inflation rose to 2.5% on higher energy, shelter costs.
- The ISM manufacturing PMI saw the first expansion in 6 months, on a pickup in new orders and production.
- Futures markets probabilities are now skewed towards one or more rate cuts in 2020.
- Equities rebounded in February, reaching new highs on easing coronavirus fears and positive US economic data.

Chart 1: Real GDP growth



Annualized GDP growth held steady at a provisional 2.1% in 4Q19, unchanged from Q3 and matching expectations.

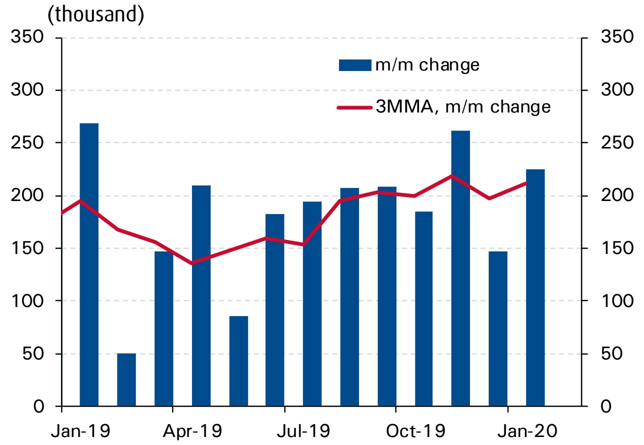
Source: Refinitiv

Chart 2: Unemployment rate

The unemployment rate rose to 3.6% in January from a 50-year low of 3.5% in December on higher participation (63.4%).

Source: Refinitiv

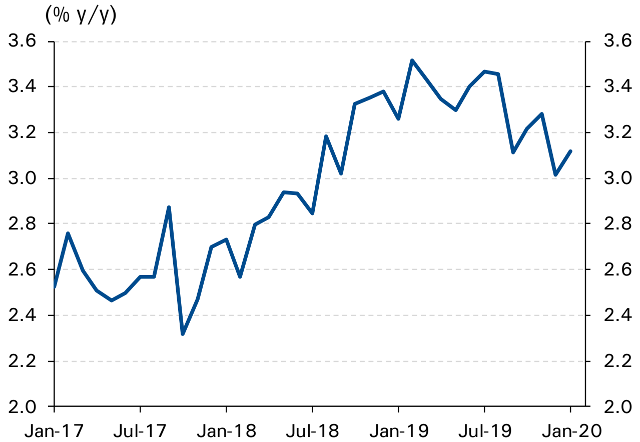
Chart 3: Non-farm payrolls (new jobs)



Non-farm payrolls rose by 225,000 in January, above expectations, from a upwardly-revised 147,000 in December.

Source: Refinitiv

Chart 4: Wage growth

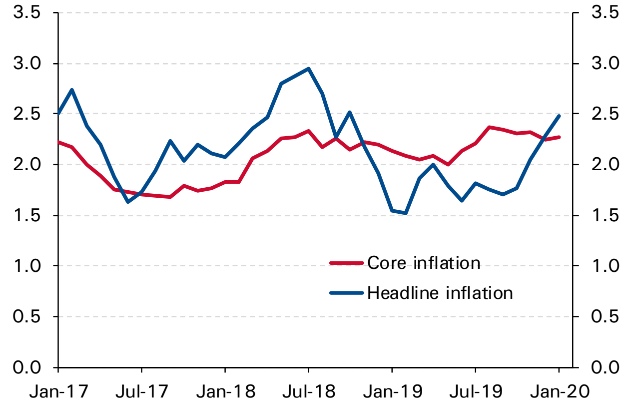


Wage growth edged up to a higher than expected 3.1% in January, from a upwardly revised 3.0% in December.

Source: Refinitiv

Chart 5: Consumer price inflation

(% y/y)



Core inflation was steady at 2.3% in January, headline inflation rose to 2.5% from 2.3% in Dec. on higher energy, shelter costs.

Source: Refinitiv

Chart 6: Commercial and industrial loans

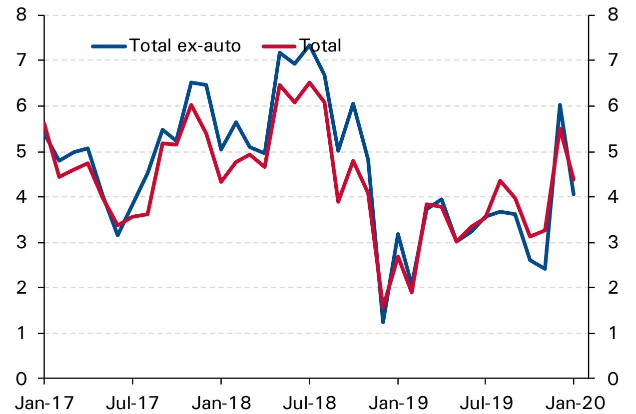
(% y/y)

C&I loan growth growth fell for the fifth consecutive month to a 2-year low of 2.1%.

Source: Refinitiv

Chart 7: Retail sales

(% y/y)

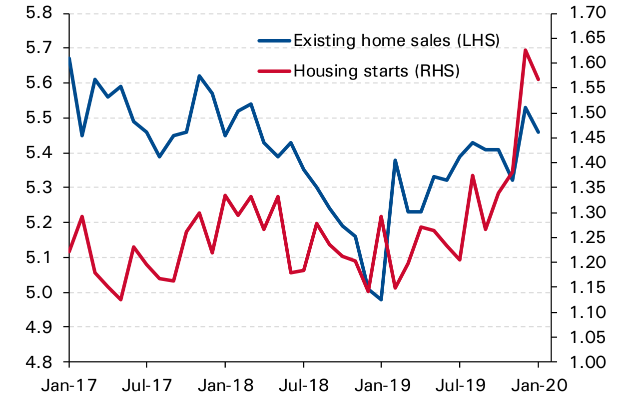


Retail sales growth moderated to 4.4% y/y in January from a strong 5.5% in Dec. on continued strength in the consumer sector.

Source: Refinitiv

Chart 8: Existing home sales and housing starts

(million units)

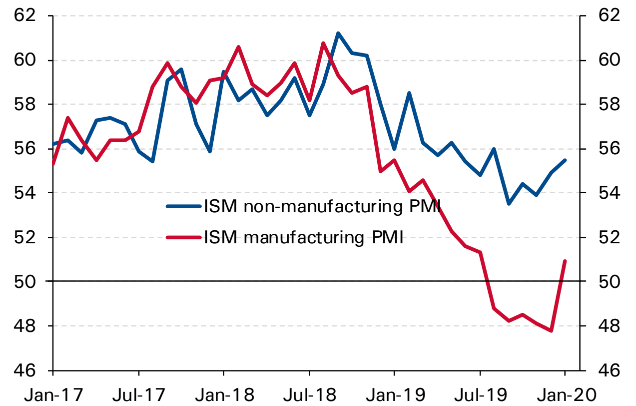


Existing home sales edged back down in January to 5.46 million, but are still up 10% y/y following a strong December.

Source: Refinitiv

Chart 9: Business activity surveys

(index)

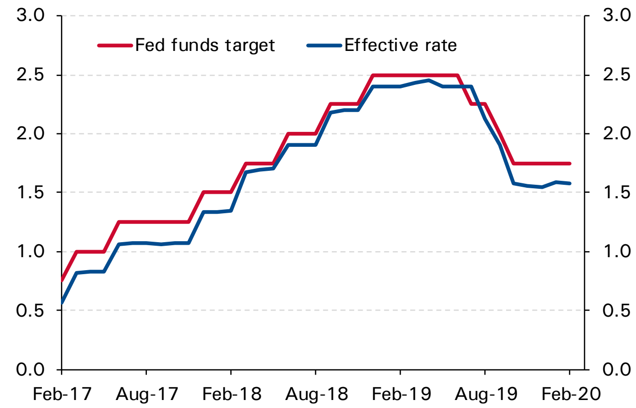


The ISM manufacturing PMI saw the first expansion in 6 months, beating expectations, on a pickup in new orders and production.

Source: Refinitiv

Chart 10: Policy interest rates

(%)

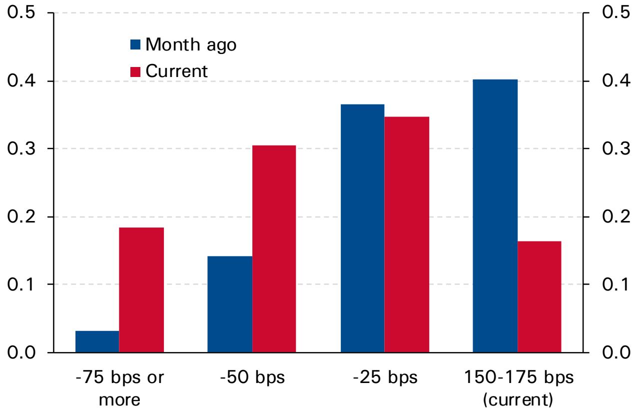


The Fed left its policy rate on hold in the 1.50%-1.75% range, amid positive economic data and a pick-up in headline inflation.

Source: Refinitiv

Chart 11: Fed policy action outlook for 2020

(futures market probability, as of 19 February 2020)



Futures markets probabilities are skewed towards one or more rate cuts in 2020 on coronavirus-related growth concerns.

Source: CME Group

Chart 12: Government bond yields

(%)

US treasury yields remained subdued in February on virus related risks, with the US 10-year treasury yield currently at 1.56%.

Source: Refinitiv

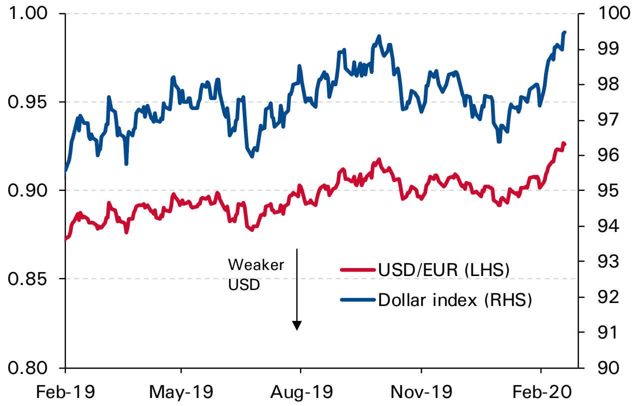
Chart 13: Stock market

(S&P 500)

Stock indices rebounded in February, reaching new highs on easing coronavirus fears and positive US economic data.

Source: Refinitiv

Chart 14: Exchange rates



The USD gained strongly in February, supported by a weaker Euro and coronavirus-related safe haven flows.

Source: Refinitiv

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