

Macroeconomy

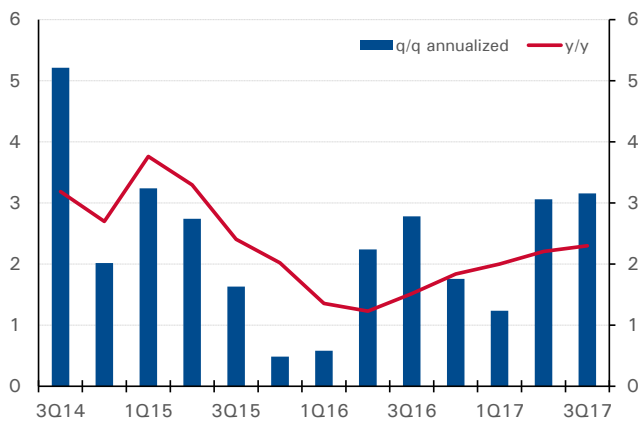
USA: Economy closed 2017 in good shape, as even inflation ended strong

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- At 3.2%, 3Q17 GDP was the strongest in more than two years thanks to increased business spending.
- Unemployment remains at the 17-year low of 4.1% in December.
- Strong retail sales (5.4% y/y) in December and November's revised figures reflected a solid holiday season.
- Core inflation surprised at 1.8% in December on increased housing costs. Headline inflation eased to 2.1%.
- Both home sales and housing starts surprised in November, each expanding at multi-year record paces.
- The stronger data has markets pricing-in a tighter monetary policy for 2018.
- The 10-year yield broke through 2.5% on global speculation of the pace of monetary tightening.
- The S&P 500 continuously recorded new highs, supported by the future impact of the new corporate tax.

Real GDP growth (%)



At 3.2% y/y, 3Q17 GDP growth was the strongest in more than two years thanks to increased business spending.

Source: U.S. Bureau of Economic Analysis

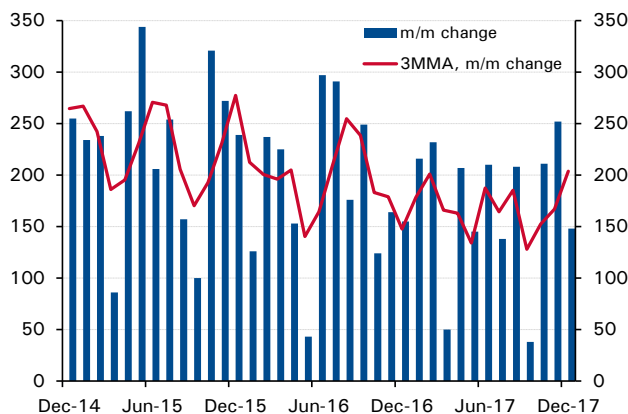
Unemployment rate (%)



December's unemployment, still at the 17-year low of 4.1%.

Source: U.S. Bureau of Labor Statistics

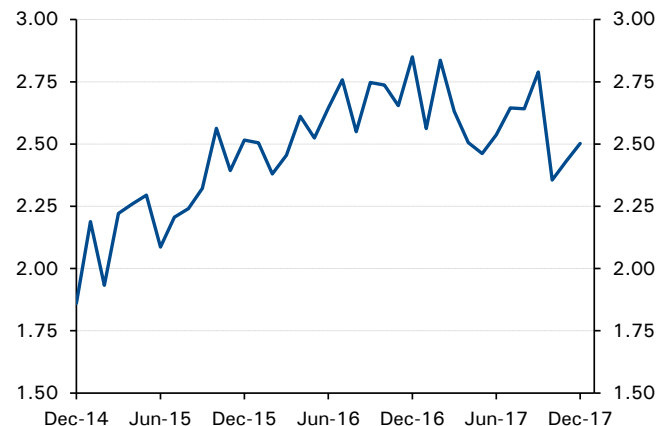
Non-farm payrolls (new jobs) (thousand)



Non-farm payrolls disappointed in December (148k vs. 190k expected); yet 3-month average (204k) best in over a year.

Source: U.S. Bureau of Labor Statistics

Wage growth (% y/y)

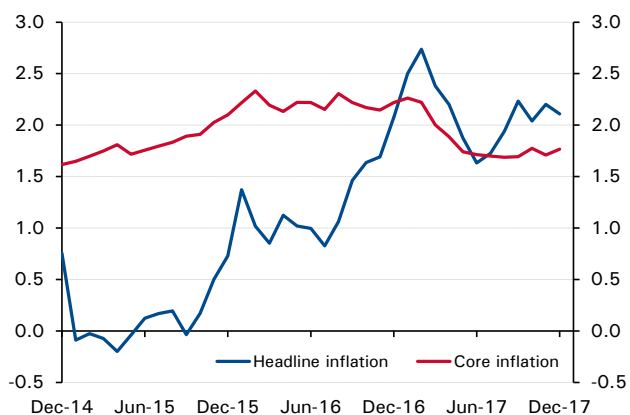


Wage growth surprised at 2.5%, possibly signaling the awaited pick-up in wage pressures due to labor market tightening.

Source: U.S. Bureau of Labor Statistics

Consumer price inflation

(% y/y)



December's core inflation surprised at 1.8% on increased housing costs. Headline inflation eased to 2.1%.

Source: U.S. Bureau of Labor Statistics

Commercial and industrial loans

(% y/y)

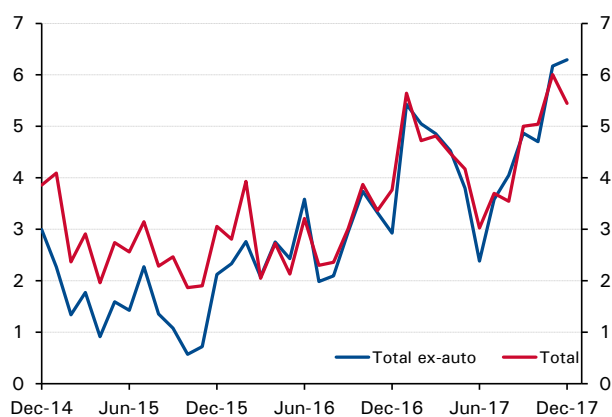


C&I loan growth jumped up to 1.1% in December on tax reform optimism after dipping below 1% the month prior.

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

Retail sales

(% y/y)

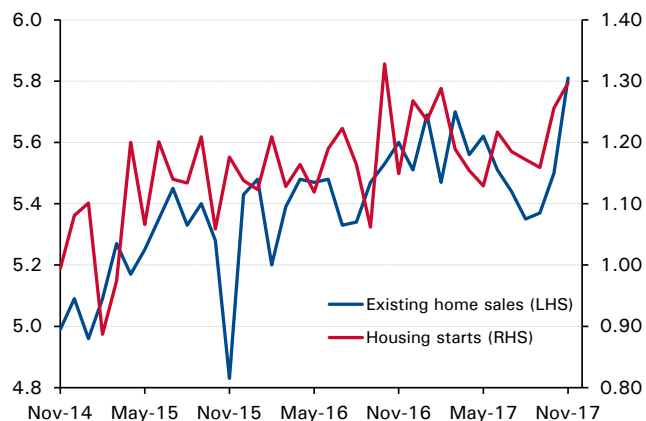


December's strong retail sales (5.4% y/y) and November's upwardly revised figures reflected a solid holiday season.

Source: U.S. Census Bureau

Existing home sales and housing starts

(million units)

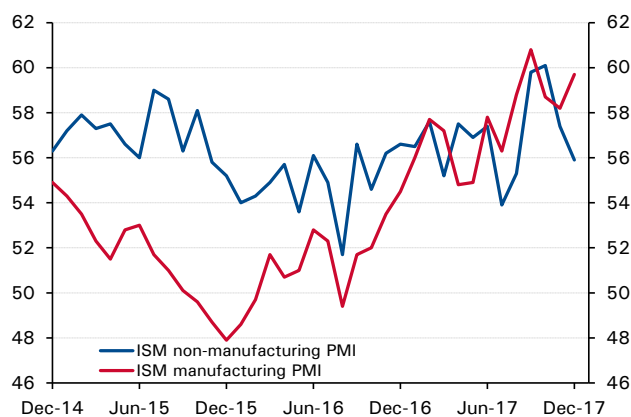


Both home sales and housing starts surprised in November, each expanding at multi-year record paces.

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

Business surveys

(index)

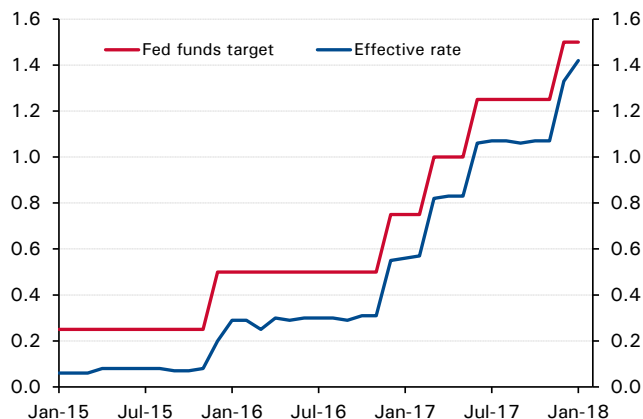


Manufacturing rose to a strong 59, on a surge in new orders, while non-manufacturing registered a still healthy 55.9

Source: Institute for Supply Management

Interest rates

(%)

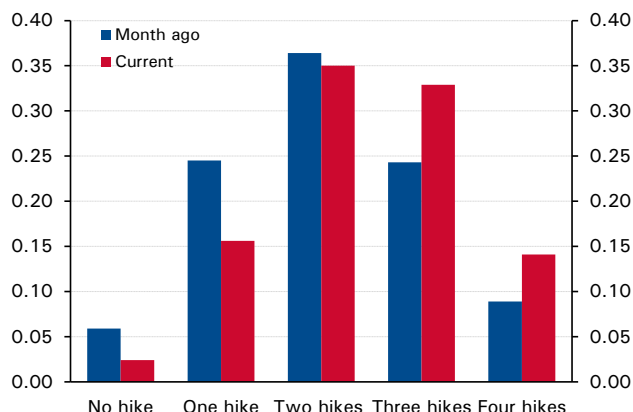


The Fed hiked its benchmark rate three time in 2017. Markets are expecting 2-3 hikes in 2018.

Source: Thomson Reuters Eikon

Fed rate hike outlook for 2018

(probability, as of 16 January 2018)

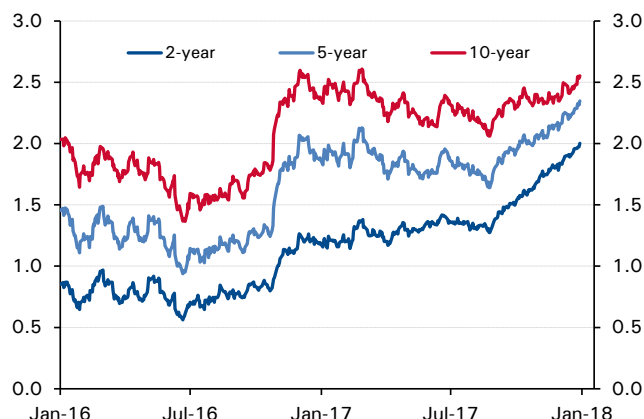


The stronger data has markets pricing-in a tighter monetary policy for 2018.

Source: CME Group

Government bond yields

(%)



The 10-year yield broke through 2.5% on global speculation of the pace of monetary tightening.

Source: Thomson Reuters Eikon

Stock markets

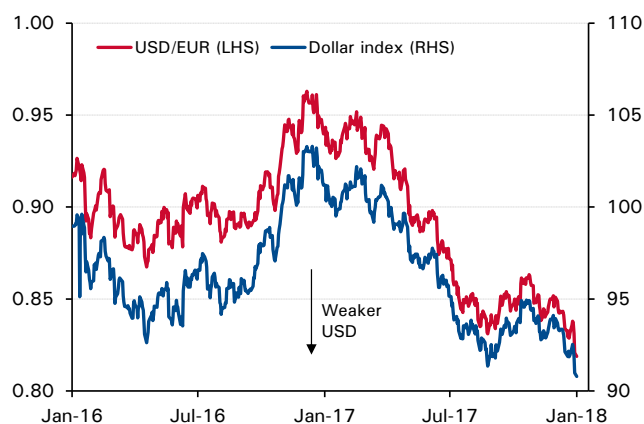
(S&P 500)



The S&P 500 continuously recorded new highs, supported by the future impact of the new corporate tax.

Source: Thomson Reuters Eikon

Exchange rates



Recently positive global growth is seeing investors leave the dollar for other major and emerging currencies.

Source: Thomson Reuters Eikon

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