

Macroeconomy

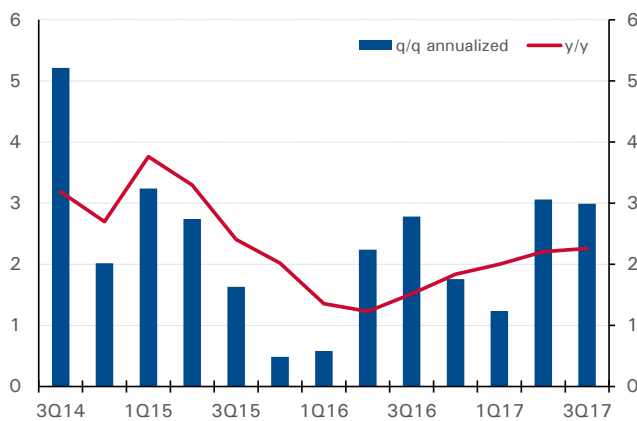
# USA: Oct. data solid across the board; rate hike outlook more aggressive

> Nembr Kanafani  
Head of Research  
+965 2259 5365, nemrkanafani@nbk.com

> Chaker El Mostafa  
Economist  
+965 2259 5356, chakermostafa@nbk.com

- GDP came in at a strong 3.0% q/q annualized, with its year-on-year growth picking up to 2.3% y/y.
- Non-farm payrolls added a strong 261k in October shaking-off last month's weakness.
- Housing starts surprised and hit a one-year high in October, coming in at 1.29 million.
- The Oct. slowdown in retail sales growth after Sep's replacement of goods was not as bad as expected.
- The manufacturing PMI held on to a strong 58.7, while non-manufacturing broke through 60.
- Markets see a more aggressive rate hike path; the likelihood of at least two rate hikes by Mar-18 close to 50%.
- Despite healthy 3Q17 earnings, US tax reform uncertainty capped November's rise in equity prices.
- The fiscal uncertainty also extended to the dollar, which lost some steam over-the-month.

Real GDP growth (%)



GDP came in at a strong 3.0% q/q annualized, with its year-on-year growth picking up to 2.3% y/y.

Source: U.S. Bureau of Economic Analysis

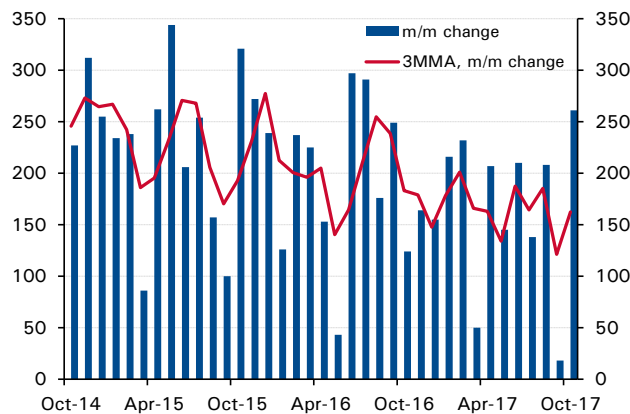
Unemployment rate (%)



Unemployment dropped to 4.1%, beating expectations and recovering from the after-effects of hurricane season.

Source: U.S. Bureau of Labor Statistics

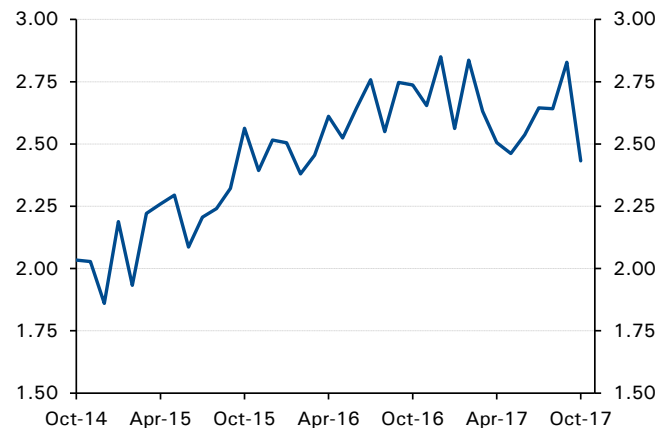
Non-farm payrolls (new jobs) (thousand)



Non-farm payrolls added a strong 261k in October shaking-off last month's weakness, which was revised to a mild +18k.

Source: U.S. Bureau of Labor Statistics

Wage growth (% y/y)

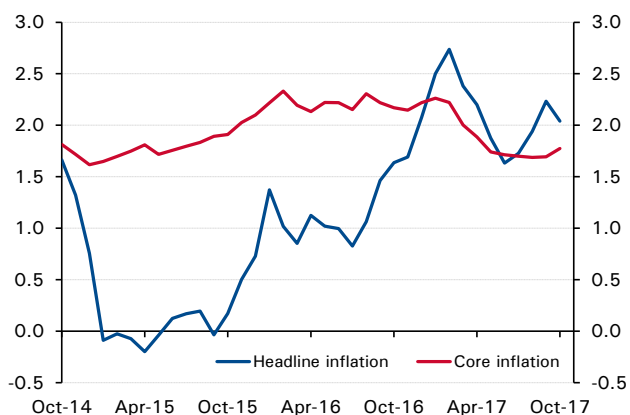


Wage growth disappointed at 2.4%. This may be a result of the return of low paying service job hires post hurricane.

Source: U.S. Bureau of Labor Statistics

### Consumer price inflation

(% y/y)



Inflation dipped to 2.0% in October as energy costs normalized post-hurricane. Core ticked up to an encouraging 1.8%.

Source: U.S. Bureau of Labor Statistics

### Commercial and industrial loans

(% y/y)

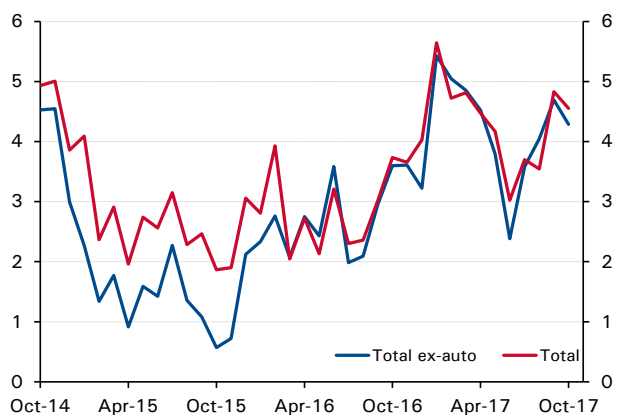


C&I loan growth edged lower to 1.3% in October as companies continued to delay borrowing ahead of potential tax reform.

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

### Retail sales

(% y/y)

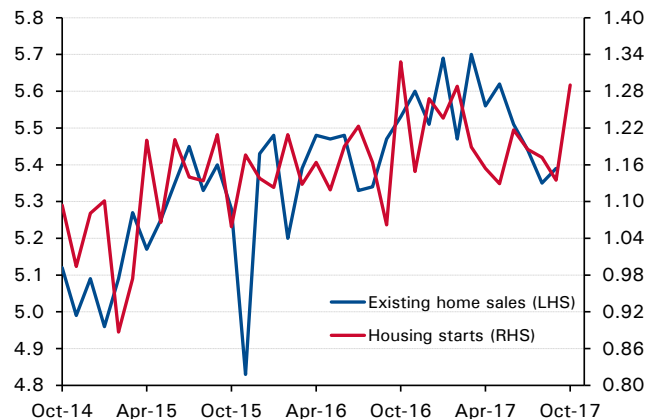


The slowdown in retail sales growth (4.5%) following last month's replacement of goods was not as bad as expected.

Source: U.S. Census Bureau

### Existing home sales and housing starts

(million units)

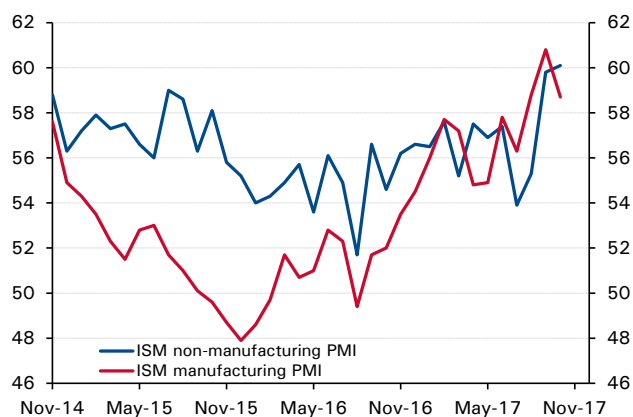


Housing starts surprised and hit a one-year high in October, coming in at 1.29 million, as activity in the south picked-up.

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

### Business surveys

(index)

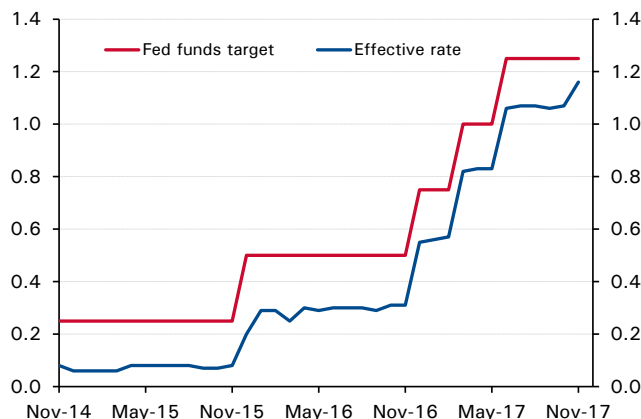


Non-manufacturing broke through 60 for the first time in 12 years, while manufacturing dipped to a still strong 58.7.

Source: Institute for Supply Management

### Interest rates

(%)

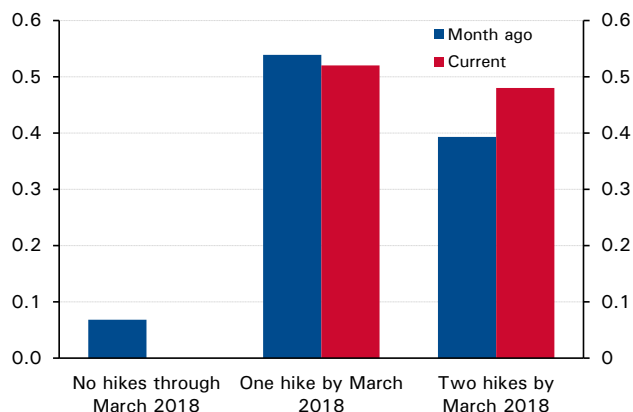


The next rate hike is expected before year-end, with market's giving a December hike more than 97% probability.

Source: Thomson Reuters Eikon

### Fed rate hike outlook

(probability, as of 16 November 2017)



Markets now see a more aggressive rate hike path, with the likelihood of at least two rate hikes by Mar-18 close to 50%.

Source: CME Group

### Government bond yields

(%)



The 10-year yield was range bound in November on ongoing uncertainty over US tax reform and stubborn inflation.

Source: Thomson Reuters Eikon

### Stock markets

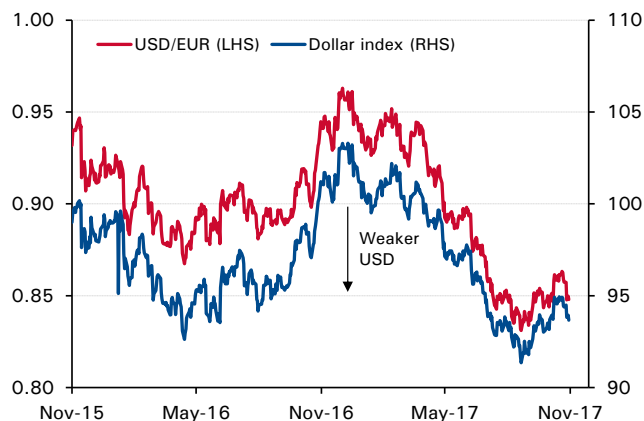
(S&P 500)



Despite healthy 3Q17 earnings, US tax reform uncertainty capped November's rise in equity prices.

Source: Thomson Reuters Eikon

### Exchange rates



The fiscal uncertainty also extended to the dollar, which lost some steam. A pick-up in the euro also added to weakness.

Source: Thomson Reuters Eikon

## Head Office

### Kuwait

National Bank of Kuwait SAKP  
Abdullah Al-Ahmed Street  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
Tel: +965 2242 2011  
Fax: +965 2259 5804  
Telex: 22043-22451 NATBANK  
[www.nbk.com](http://www.nbk.com)

## International Network

### Bahrain

National Bank of Kuwait SAKP  
Zain Branch  
Zain Tower, Building 401, Road 2806  
Seef Area 428, P. O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

National Bank of Kuwait SAKP  
Bahrain Head Office  
GB Corp Tower  
Block 346, Road 4626  
Building 1411  
P.O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

### United Arab Emirates

National Bank of Kuwait SAKP  
Dubai Branch  
Latifa Tower, Sheikh Zayed Road  
Next to Crown Plaza  
P.O.Box 9293, Dubai, U.A.E  
Tel: +971 4 3161600  
Fax: +971 4 3888588

National Bank of Kuwait SAKP  
Abu Dhabi Branch  
Sheikh Rashed Bin Saeed  
Al Maktoom, (Old Airport Road)  
P.O.Box 113567, Abu Dhabi, U.A.E  
Tel: +971 2 4199 555  
Fax: +971 2 2222 477

### Saudi Arabia

National Bank of Kuwait SAKP  
Jeddah Branch  
Al Khalidiah District,  
Al Mukmal Tower, Jeddah  
P.O Box: 15385 Jeddah 21444  
Kingdom of Saudi Arabia  
Tel: +966 2 603 6300  
Fax: +966 2 603 6318

### Jordan

National Bank of Kuwait SAKP  
Amman Branch  
Shareef Abdul Hamid Sharaf St  
P.O. Box 941297, Shmeisani,  
Amman 11194, Jordan  
Tel: +962 6 580 0400  
Fax: +962 6 580 0441

### Lebanon

National Bank of Kuwait  
(Lebanon) SAL  
BAC Building, Justinien Street, Sanayeh  
P.O. Box 11-5727, Riad El-Solh  
Beirut 1107 2200, Lebanon  
Tel: +961 1 759700  
Fax: +961 1 747866

### Iraq

Credit Bank of Iraq  
Street 9, Building 187  
Sadoon Street, District 102  
P.O. Box 3420, Baghdad, Iraq  
Tel: +964 1 7182198/7191944  
+964 1 7188406/7171673  
Fax: +964 1 7170156

### Egypt

National Bank of Kuwait - Egypt  
Plot 155, City Center, First Sector  
5th Settlement, New Cairo  
Egypt  
Tel: +20 2 26149300  
Fax: +20 2 26133978

### United States of America

National Bank of Kuwait SAKP  
New York Branch  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269

### United Kingdom

National Bank of Kuwait  
(International) Plc  
Head Office  
13 George Street  
London W1U 3QJ  
UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

National Bank of Kuwait  
(International) Plc  
Portman Square Branch  
7 Portman Square  
London W1H 6NA, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7486 3877

### France

National Bank of Kuwait  
(International) Plc  
Paris Branch  
90 Avenue des Champs-Elysees  
75008 Paris  
France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

### Singapore

National Bank of Kuwait SAKP  
Singapore Branch  
9 Raffles Place # 44-01  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

### China

National Bank of Kuwait SAKP  
Shanghai Representative Office  
Suite 1003, 10th Floor, Azia Center  
1233 Lujiazui Ring Road  
Shanghai 200120, China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

## NBK Capital

### Kuwait

NBK Capital  
38th Floor, Arraya II Building, Block 6  
Shuhada'a street, Sharq  
PO Box 4950, Safat, 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904 / 5

### United Arab Emirates

NBK Capital Limited - UAE  
Precinct Building 3, Office 404  
Dubai International Financial Center  
Sheikh Zayed Road  
P.O. Box 506506, Dubai  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

## Associates

### Turkey

Turkish Bank  
Valikonagl CAD. 7  
Nisantasi, P.O. Box. 34371  
Istanbul, Turkey  
Tel: +90 212 373 6373  
Fax: +90 212 225 0353

© Copyright Notice. The Economic Brief is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.

While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. GCC Research Note is distributed on a complimentary and discretionary basis to NBK clients and associates. This report and other NBK research can be found in the "Reports" section of the National Bank of Kuwait's web site. Please visit our web site, [www.nbk.com](http://www.nbk.com), for other bank publications. For further information please contact: NBK Economic Research, Tel: (965) 2259 5500, Fax: (965) 2224 6973, Email: [econ@nbk.com](mailto:econ@nbk.com)