Macroeconomy

USA: August inflation was up, though activity was hit by hurricanes

- 2Q17 was revised up to 3.0% q/q annualized, on stronger consumption and investment dynamics.
- Inflation picked up to 1.9% y/y in August on higher energy prices and core price pressures.
- ISM manufacturing activity increased to its highest in a year, reaching 58.8 in August.
- Non-farm payrolls missed estimates at 156,000 in August; June and July numbers were revised down.
- Retail sales growth disappointed in August, as it slipped to 3.2% y/y; July’s pace was also revised lower.
- Markets focused on the stronger data, pushing the S&P above 2500 and DJI to a new high.
- Firmer economic data increased the likelihood of one more Fed hike before the end of 2017.
- Europe’s cyclical upswing and more hawkish global central bank rhetoric weighed on the dollar.

Real GDP growth

2Q17 was revised upwards to 3.0% q/q annualized from 2.6%, on stronger consumption and investment dynamics.

Source: U.S. Bureau of Economic Analysis

Unemployment rate

Unemployment, still at record lows, edged higher to 4.4% in August. The rate has been below 4.5% since March 2017.

Source: U.S. Bureau of Labor Statistics

Non-farm payrolls (new jobs)

Though still healthy, non-farm payrolls missed estimates at 156,000 in August; June and July figures were revised down.

Source: U.S. Bureau of Labor Statistics

Wage growth

Wage growth held steady, close to 2.5% y/y in August, seemingly unaffected by the tighter labor market.

Source: U.S. Bureau of Labor Statistics
Inflation picked up to 1.9% y/y in August on higher energy prices and core price pressures.

Source: U.S. Bureau of Labor Statistics

Retail sales growth disappointed in August, dropping to 3.2% y/y. July’s pace was also revised lower to 3.5% from 4.2%.

Source: U.S. Census Bureau

The ISM manufacturing activity index hit a recent high 58.8 in August; non-manufacturing also picked up to 55.3.

Source: Institute for Supply Management, Federal Reserve

Housing starts dipped more than expected as housing prices increased, with the monthly pace slowing to 1.16 million units.

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

The Fed hiked its target policy rate in June to 1.00-1.25%. Next hike expected with around 50% certainty in December.

Source: Thomson Reuters Eikon
Firmer inflation and more hawkish global central bank rhetoric have seen the expectations of further rate hikes rise.

Source: CME Group

The $S&P breached 2500 as risks from North Korea crisis and the severe weather in the US receded.

Source: Thomson Reuters Eikon

The 10-year yield picked in early September, after a period of retreat, on expectations of tighter monetary policy.

Source: Thomson Reuters Eikon

The dollar continued to weaken on expectations of tighter monetary policy in the eurozone and the UK.

Source: Thomson Reuters Eikon
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