

Macroeconomy

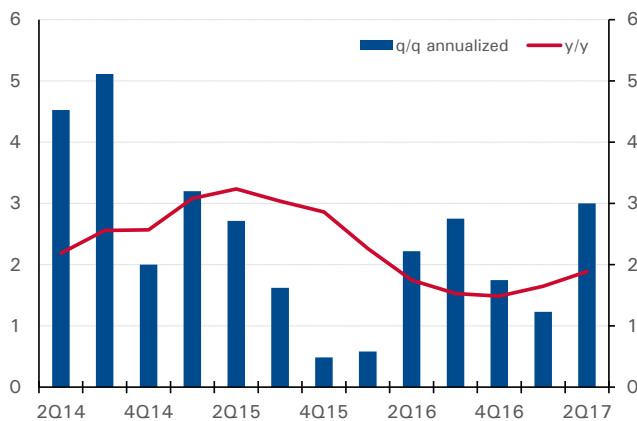
USA: August inflation was up, though activity was hit by hurricanes

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- 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

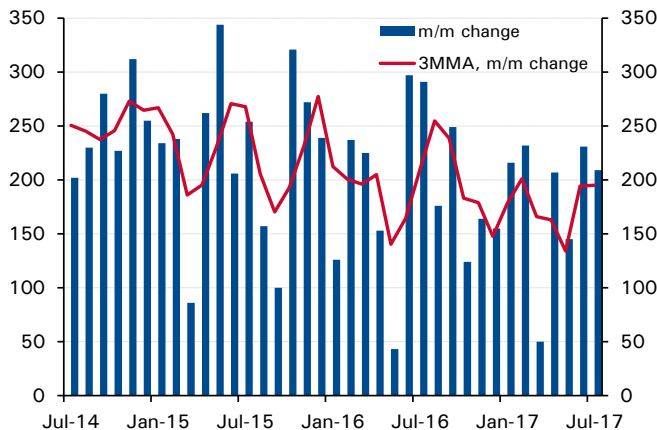
Unemployment rate (%)



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

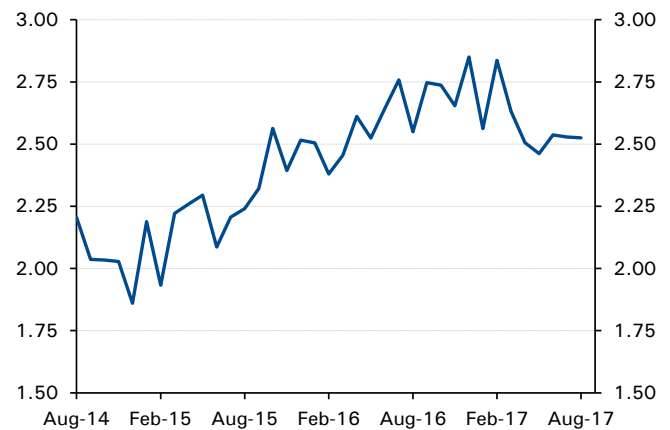
Non-farm payrolls (new jobs) (thousand)



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 (% y/y)

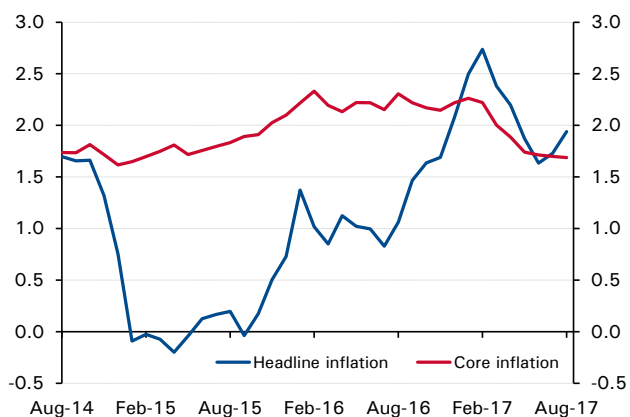


Wage growth held steady, close to 2.5% y/y in August, seemingly unaffected by the tighter labor market.

Source: U.S. Bureau of Labor Statistics

Consumer price inflation

(% y/y)



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

Commercial and industrial loans

(% y/y)

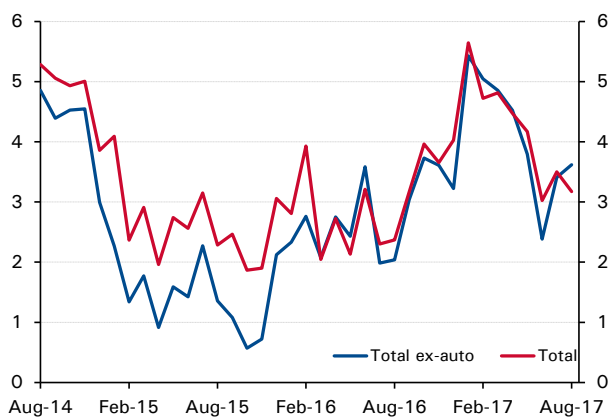


C&I loan growth ticked up to 2.2% y/y on some strength during the month.

Source: Federal Reserve

Retail sales

(% y/y)

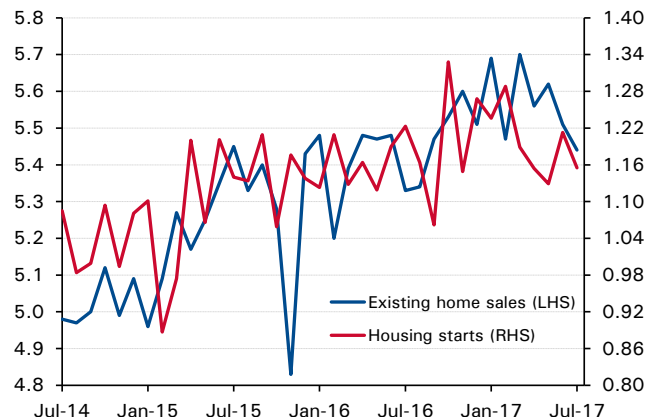


Retail sales growth disappointed in August, dropping to 3.2% y/y. July's pace was also revised lower to 3.5% from 4.2%.

Source: U.S. Census Bureau

Existing home sales and housing starts

(million units)

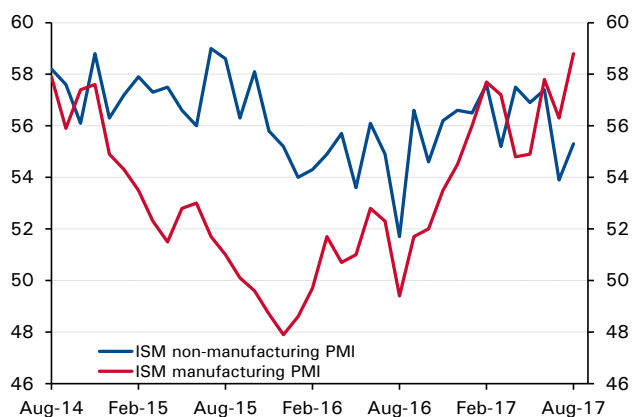


Housing starts dipped more than expected as housing prices increased, with the monthly pace slowing to 1.16 million units.

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

Business surveys

(index)

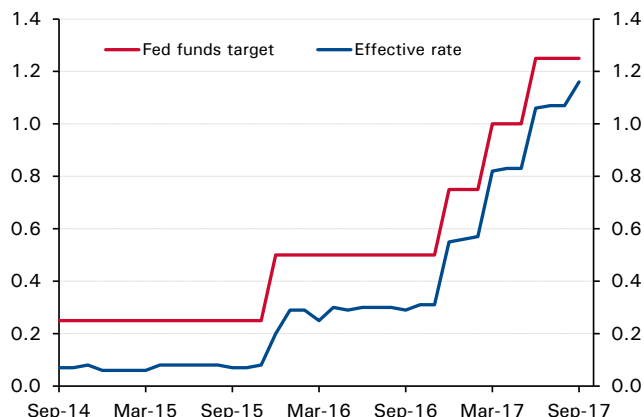


The ISM manufacturing activity index hit a recent high 58.8 in August; non-manufacturing also picked up to 55.3.

Source: Institute for Supply Management, Federal Reserve

Interest rates

(%)

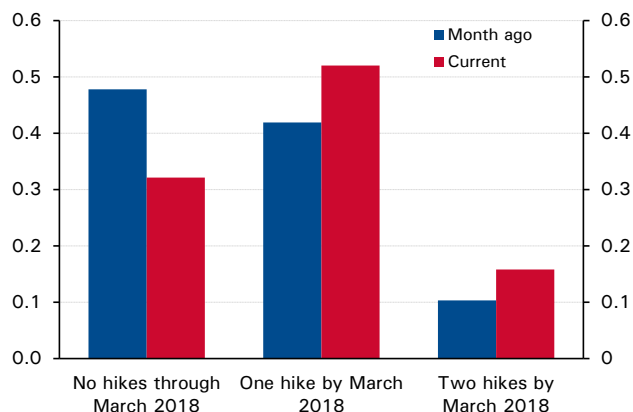


The Fed hiked its target policy rate in June to 1.00-1.25%. Next hike expected with around 50% certainty in December.

Source: Thomson Reuters Eikon

Fed rate hike outlook

(probability, as of 17 September 2017)

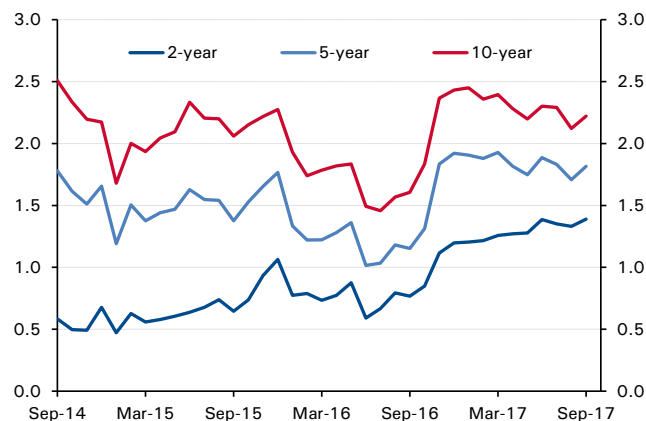


Firmer inflation and more hawkish global central bank rhetoric have seen the expectations of further rate hikes rise.

Source: CME Group

Government bond yields

(%)



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

Source: Thomson Reuters Eikon

Stock markets

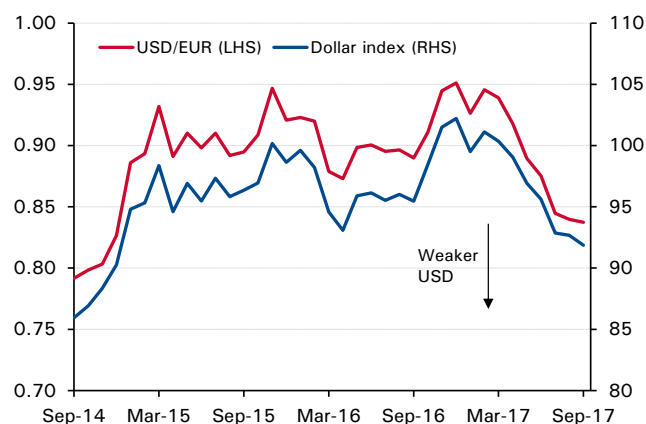
(S&P 500)



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

Source: Thomson Reuters Eikon

Exchange rates



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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