November 20, 2026
Commentary

Weekly Economic Perspectives

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Information Classification: General

Weekly Highlights

Hawkish Fed talk and market turbulence collide in an eventful geopolitical week.

US: Retail Sales (Oct, m/m)

0.2%

Control sales up 0.6%. Solid.

US: Pending Home Sales (Oct, m/m)

-4.7%

Down 17.1% y/y.

US: Philly Fed Index (Nov)

6.3

Six-month low.

CA: CPI (Oct, y/y)

3.1%

Steady.

UK: CPI (Oct, y/y)

3.6%

Trending upward.

UK: Average Weekly Earnings (Sep, 3m y/y)

3.6%

Slowed down.

JP: GDP (Q3, q/q)

0.0%

A touch better than our pick, weaker than consensus.

JP: CPI (Oct, y/y)

2.3%

Below expectations, but passthrough improved.

AU: Unemployment Rate (Oct)

4.9%

Meets our forecast of peak unemployment rate this year.

US: Peak Hawkishness Just as the Tide Turns?

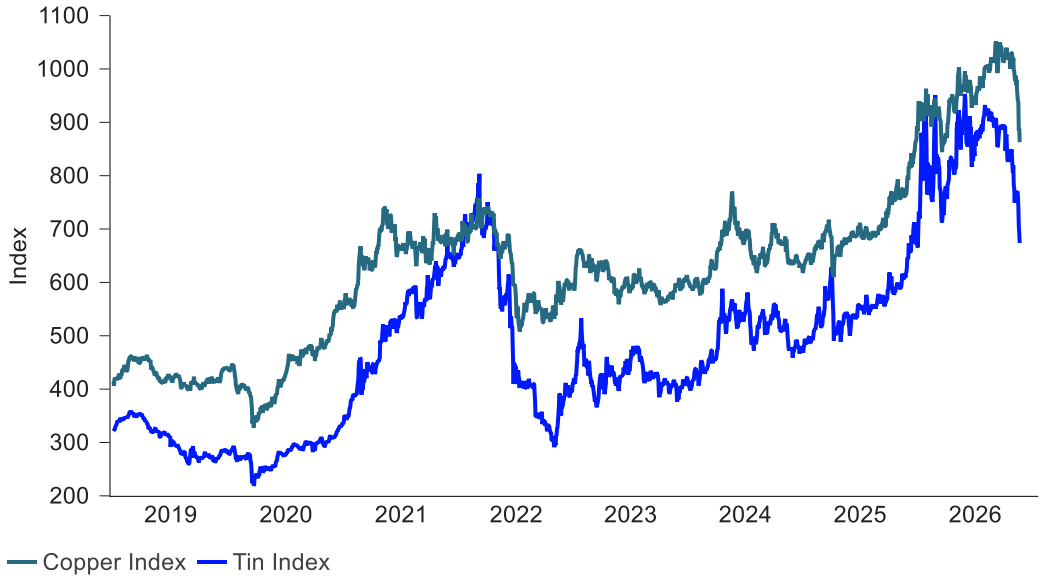
Outside of the housing sector, which is absolutely reeling from poor affordability that's killing demand, the US economy is signaling to the Fed that current policy settings do not constrain growth in any visible way. FOMC members seem to have taken that message to heart, with several now discussing the possibility of a few additional rate hikes following the one in September.

Previously, we had penciled in one more hike in December, but in light of recent hot inflation data and Fed talk, we are inclined to add one more in March.

And yet, there is a risk that "peak hawkishness" occurs just as the tide is turning. More than once this year we have drawn parallels with late 2018, when Chair Powell argued that "we are a long way from neutral", the Fed delivered a December hike and then reversed course by July 2019. Time will tell whether we'll see a repeat of that sequence. For the time being, the sharp pullback in some industrial commodity prices (Figure 1, page 2), the retreat in oil prices, and the sharp pullback in technology/AI stocks look to us as important leading indicators for future inflation, and they all point downward. At the very least, they seem to argue against the idea of accelerating the pace of hikes. Hence, if another hike happens after December, it seems more likely to happen in March than in January.

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Figure 1: Sharp Pullback In Industrial Metal Prices

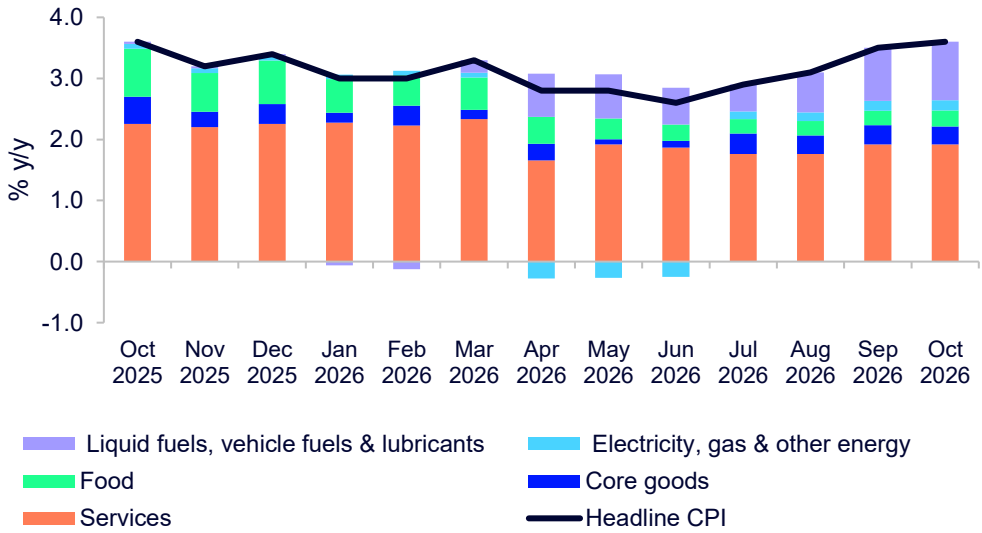


Source: Macrobond, State Street Investment Management, S&P Global

UK: December Hike Is a Close Call

Should the MPC hike again? The case is thin, as second-round effects are nowhere to be seen. But with labor market holding up better than expected, another insurance hike is a low-cost option. December is a close call, and oil and gas prices will break the tie.

Figure 2: Contributors to UK's CPI Inflation



Source: ONS, State Street Investment Management for calculations.

Energy is lifting inflation. Headline CPI hit 3.6% in October, with core steady at 2.8%, services at 3.7%, and food inflation still subdued. Pressures will keep mounting. We expect January's higher energy price cap to take inflation above 4% in early 2027.

Wages, however, are not part of the problem. Regular pay growth slowed to 3.5%, and private sector regular pay growth held at 3.1%, both close to what inflation settling near the 2% target requires.

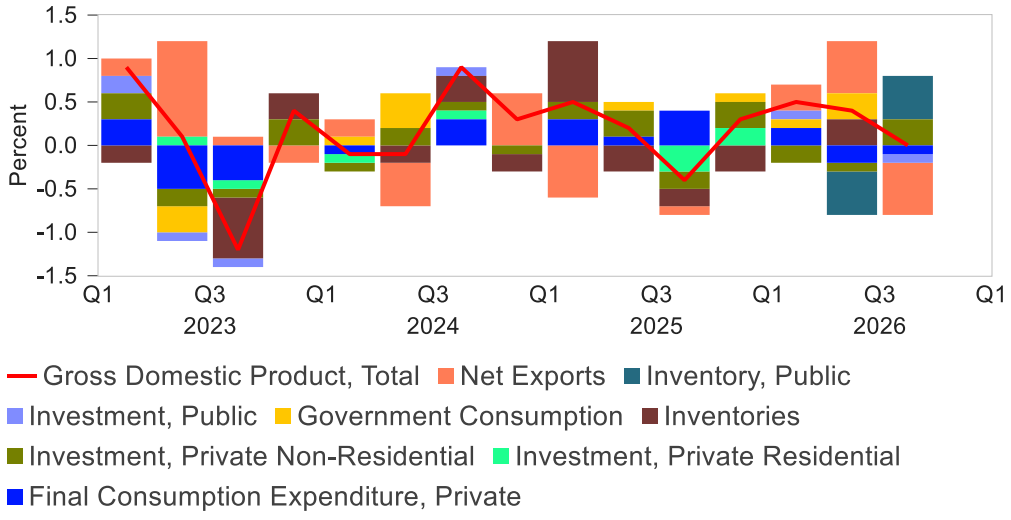
The labor market remains weak by historical standards, and it is too early to say it has bottomed out. Unemployment dipped to 4.6% from 4.7%, but the data is volatile. Payrolls dropped 34k in October after a 20k gain in September, and vacancies continued to fall, indicating firms are still hiring and firing little.

Steady core and services inflation and moderate pay growth suggest few second-round effects, so the October release does not sway the MPC either way. Still, given the bank's hawkish reaction, another hike looks likely to be needed, with energy futures prices strongly influencing its timing. December will thus hinge on how oil and gas prices move from here.

Japan: December In Sight

Japan's latest data sharpen the tension between persistent inflation and still-fragile domestic demand. Q3 GDP was flat at 0.0% q/q, marginally better than our -0.1% forecast, but the composition was considerably softer. Household consumption contracted for a second consecutive quarter, while final sales to domestic purchasers fell 2.1% annualized, one of the weakest readings of the past decade outside the pandemic and Q1 2022. Net exports detracted 0.6 pp off growth, while public inventories added 0.5 pp followed by 0.2 pp from capex (figure 3). Nominal activity continued to look considerably healthier, reinforcing the disconnect between resilient spending in yen terms and what households are actually consuming.

Figure 3: Japan's Growth Momentum Remained Strong In Q1



Source: Macrobond, State Street Investment Management, Japanese Cabinet Office (CAO)

Inflation is sending almost the opposite signal. Headline CPI rose 2.3% y/y in October, below our 2.5% forecast but up from 2.1% in September, while prices jumped 0.8% m/m. Utilities rebounded sharply and food prices continued to rise despite rice inflation reversing dramatically. Eating-out prices remained nearly 5% higher than a year ago, while around 63% of available CPI items increased on the month. The breadth suggests the inflation impulse extends beyond a handful of volatile components.

That divergence increasingly makes a December Bank of Japan hike our base case. Our models suggest headline inflation could approach 3% by year-end, before renewed electricity and gas subsidies provide some relief early next year. But the nature of the inflation matters. Much of the pressure still looks like cost pass-through rather than demand overheating, with households absorbing higher prices through weaker real purchasing power. December may therefore be the right time to normalize further, but we would still like to see a convincing rebound in consumption before becoming comfortable with a sustained hiking cycle.

Recent market corrections add another consideration. The Bank of Japan has made clear that market volatility alone should not dictate monetary policy, but a deeper correction that materially tightens financial conditions or weighs on confidence could still influence the calculus. For now, December looks likely, but what comes next is less certain. Japan is not the US: inflation gives the Bank of Japan room to normalize, but weak domestic demand leaves it with considerably less room for error.

Information Classification: General

Week in Review

A summary of key macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Nov 16					
US	Empire Manufacturing (Nov)	18.0	7.8	25.5	Price measures eased, employment strong.
CA	CPI (Oct, y/y)	3.2%	3.1%	3.1%	Steady
JN	Tertiary Industry Index (Sep, m/m)	0.1%	-0.5%	-0.7% (↓)	Weak for a second month, likely to rebound.
Tuesday, Nov 17					
US	Retail Sales Advance (Oct, m/m)	0.1%	0.2%	0.8%	Control sales up 0.6% m/m.
US	Industrial Production (Oct, m/m)	0.1%	-0.4%	0.7%	Utilities contracted.
US	NAHB Housing Market Index (Nov)	29.0	25.0	29.0	Just dead…
CA	Existing Home Sales (Oct, m/m)	n/a	0.3%	-2.3%	Slight rebound.
CA	Housing Starts (Oct, thous)	240.0	244.6	250.1	Better than expected.
UK	Average Weekly Earnings (Sep, 3m y/y)	3.5%	3.6%	3.8%	Slowed down.
UK	ILO Unemployment Rate (Sep, 3mths)	4.7%	4.6%	4.7%	Data remains volatile.
GE	ZEW Survey Expectations (Nov)	28.8	35.6	28.1	Welcome rebound.
IT	CPI NIC incl. tobacco (Oct, y/y, final)	5.4%	5.5%	4.2%	Energy impact.
Wednesday, Nov 18					
US	Housing Starts (Oct, thous)	1,250	1,309	1,191	Broad-based gains.
US	Building Permits (Oct, thous, prelim)	1,375	1,295	1,398	Lowest since May 2020!
US	Pending Home Sales (Oct, m/m)	-1.9%	-4.7%	-7.2%	Down 17.1% y/y!
UK	CPI (Oct, y/y)	3.6%	3.6%	3.5%	In line with expectation.
JN	Core Machine Orders (Sep, m/m)	1.5%	-0.3%	5.2%	Eased off recent highs in June.
AU	Unemployment Rate (Oct)	4.7%	4.9%	4.7%	Turning point for Australia this cycle.
Thursday, Nov 19					
US	Philadelphia Fed Business Outlook (Nov)	21.0	6.3	20.9	Six-month low.
US	Initial Jobless Claims (14 Nov, thous)	198	203	200	Low.
US	Continuing Claims (7 Nov, thous)	1,700	1,763	1,697	Notable jump; is it a one-off?
US	Kansas City Fed Manf. Activity (Nov)	11	18	11	Highest since May 2022!
UK	GfK Consumer Confidence (Nov)	-22	-22	-24	Improved slightly.
JN	Natl CPI (Oct, y/y)	2.5%	2.3%	2.1%	Surprise in energy.
Friday, Nov 20					
US	U. of Mich. Sentiment (Nov, final)	51.5	51.5	51.0	Still very weak.
CA	Retail Sales (Sep, m/m)	0.7%	0.8%	1.4% (↑)	OK.
UK	Retail Sales Inc Auto Fuel (Oct, m/m)	0.0%	0.9%	-0.9% (↓)	Above expectations.

Source: data, Bloomberg®; for commentary, SSGA Economics.

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