Market Commentary | September 13, 2019

Weekly Economic Perspectives

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Weekly Highlights

- **Economies:** Core inflation revisits cycle high in the US. Housing indicators look decent in Canada. The UK labor market remains resilient. The ECB pushes through new stimulus. Private consumption and public demand buoyed Japan's GDP. Business confidence erodes in Australia. (pages 2 – 6)
- **Markets:** Global equity markets advance. Bonds sell off amid receding recession fears. The dollar eased slightly, the pound gained some ground. Commodities retreat, with both oil and gold ending the week lower. (page 7)

Upcoming Highlights

- **Spotlight:** Busy week for policy watchers, as we have rate decisions lined up from Fed, BoE and BoJ. Industrial production may eke out a modest gain in the US. German ZEW investor expectations are unlikely to have bottomed yet, as is the housing correction in Australia. (page 9)

Tables

Figure 1: US Core Inflation Hits Twin Cycle High

Sources: US Bureau of Labor Statistics

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Week in Review

US

After a wobbly start to the year, **retail sales** have rebounded notably in recent months. Retail sales rose 0.4% in August, twice as much as expected, and the July increase was revised up one tenth to 0.8%. More impressively, control sales (which exclude food services, building materials, autos dealers and gas stations) and are used by the Commerce Department to calculate goods consumption in the GDP accounts rose 0.3% for a sixth consecutive gain. Sales of motor vehicles bounced back, rising 1.8%, after four rather quiet months. Sales for building materials (+1.4%) and non-store retailers (+1.6%) also contributed positively. The exceptions were gasoline (-0.9%), restaurants (-1.2%) and apparels (-0.9). Overall sales increased 4.2% y/y, the most since October, while control sales rose 5.3% y/y.

Consumer credit rebounded strongly in July, expanding by $23.3 billion, the most since November 2017. Much of the impetus was from revolving credit (mostly credit cards) which rose 11.2% y/y, reflecting increased purchases during promotional events by leading e-retailers. Non-revolving credit (mostly mortgages and auto loans) increased a modest 5.3%, though given its much larger share in the stock of credit, it added $13 billion to the monthly increase. The total level of consumer credit outstanding increased 6.8% y/y and the growth rate appears to be modestly accelerating.

According to preliminary estimates, the **University of Michigan consumer confidence index** rose 2.2 points to 92.0 in September, although this only recouped a quarter of last month's steep decline. The current economic conditions index rose 1.6 points to 106.9, while the expectations index rose 2.5 points. While near term expectations were solid, concerns about tariffs on the economy rose, with 38% of respondents making references to the negative impact, the most since March 2018. Inflation expectations exhibited diverging trends, with short term expectations up a tenth to 2.8% but long term inflation expectations down three to 2.3%, matching the lowest on record.

While soft headline inflation has garnered a lot of attention from Fed officials and market participants lately, inflationary pressures are actually building under the surface. Core **consumer price inflation** hit a twin cycle high of 2.4% y/y in August (Figure 1, page 1), contributing to a notable sell-off in bonds. Admittedly, headline inflation was soft again, coming in slightly below expectations at 1.7% y/y, on weakness in energy and energy-related services. Indeed, energy prices plunged 1.9% and transportation was down 0.6% during the month. Food prices were flat. Within the core, however, there was notable strength in medical services— where prices jumped 0.7%— and recreation (up 0.5%). Housing, which accounts for a big chunk of the index, was somewhat soft, with prices up just 0.1%, versus 0.3% in each of the prior two months. Given that core inflation has been creeping higher, and given that base effects for energy prices are going to become much more favorable from September onward, we anticipate headline inflation to converge higher towards the core in coming months. This release confirms our view that US inflation is not "dead", simply manageable.

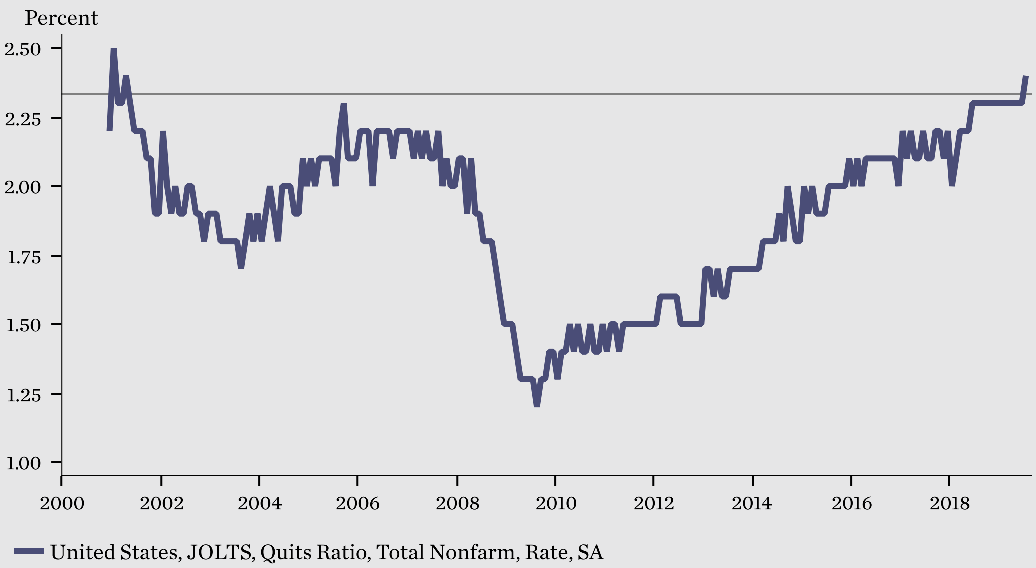
Producer price inflation data conveyed a similar message. Despite softness in energy and food (down 2.5% and 0.6%, respectively, during the month) overall producer prices increased 0.1% in August, ahead of expectations. By contrast, both measures of core prices (traditional core, excluding food and energy) and the alternative core (also excluding the volatile trade services) rebounded 0.3% and 0.4% respectively, beating expectations. Services prices also increased 0.3%. All this pushed the headline PPI inflation rate up a tenth to 1.8% y/y, whereas the traditional and alternative core measures accelerated two tenths to 2.3% y/y and 1.9% y/y respectively.

Import prices declined 0.5% in August, and the July gain was revised down a tenth to a modest 0.1%. Oil prices dropped 4.8%, playing a major role this month. Excluding petroleum, import prices were unchanged from last month. Import prices are now down 2.0% y/y, a big turnaround from mid-2018, when import price inflation was closing in on 5.0%. Import prices from China eased again and are down 1.6% y/y. The weaker yuan is no doubt playing a role here.

US Labor demand remains solid, despite a moderation in employment growth. Admittedly, **JOLTS job openings** declined by 31,000 to 7,248,000 in July—a five month low—and the June data was revised downward by 100,000. However, the details were actually pretty encouraging. For instance, the bulk of the deceleration in openings was concentrated in the public sector (26,000 fewer than in June), whereas openings in the private sector only eased 5,000.

It remains to be seen whether the slowdown in the public sector will not unwind with the start of the school year. Sector-wise, there were solid gains in construction and information sector, offset by a big drop in trade/transportation, professional/business services, and healthcare. Interestingly given the decline in openings, the hires level—a measure of employment—jumped by 237,000 while quits—a measure of worker sentiment—increased by 130,000. Both of these improvements seem to contradict the idea that workers are finding it harder to find employment opportunity. In fact, an alternative interpretation is that given the elevated level of openings, more workers are leaving existing positions for new opportunities. Indeed, the quits rate increased a tenth to 2.4%, the highest since January 2001 (Figure 2, page 3). Given historical trends, the increase in the quits rates also suggests building wage pressures, reinforcing the message from core inflation data. The hires rate edged up by a tenth to 3.9%, one tenth below the cycle high reached in April.

Figure 2: US Quits Ratio Now Highest Since 2001



Sources: SSGA Economics, US Bureau of Labor Statistics (BLS)

Unemployment claims continue to hover at very low levels historically. **Initial unemployment claims**—a measure of job shedding—fell by 1,000 to a low 204,000 in the week ending September 7. Continuing claims—a measure of unemployment—retreated by 4,000 to 1,670,000 in the week ended August 31.

Small business sentiment has been holding up better than equivalent surveys for large firms but trade policy uncertainty, higher tariffs, and slower global growth, are taking a toll. The **National Federation of Independent Business (NFIB) index** has faltered a bit this year. It lost 1.6 points to 103.1 in August, a three month low. But it is notable again that the drop in headline was driven by deteriorating expectations about the economy, with indicators of current activity still on a solid footing. For instance, measures of actual employment, capital spending, and profitability all improved during the month. Credit conditions also improved. The share of respondents saying now is a good time to expand was unchanged at an elevated 26%. Still, it will be difficult for small businesses to sustain current elevated sentiment levels if global trade tensions fail to abate. Indeed, we note the 4-point jump in the uncertainty metric.

The federal government **budget deficit** is widening and August was no exception. Arguably, the $200.3 billion deficit in was little lower than the shortfall recorded a year earlier. But the budget deficit surpassed $1 trillion in the first 11 months of the fiscal year through August. The fiscal year-to-date deficit rose by 19% to $1.07 trillion. FYTD revenues were up by 3.0%, as customs duties surged 74.4% to $64 billion. This likely reflects increased proceeds from tariffs on Chinese imports. Outlays increased by 7% to $4.16 trillion.

Canada

The six-month and 12-month average indicate a gentle uptrend in Canada's **housing starts**. Given stagnating house prices, we believe this might be based on optimism surrounding decent domestic activity in recent times. Starts increased 1.9% in August to 226,639 units, led by a 13.6% rise in single family starts, while multi-family starts fell by 1.4%. But the six-month average in starts rose 4.8% to 218,998, its highest level since June of last year.

Building permits bounced back after two consecutive monthly falls, but still short off the high recorded in April. Permits rose 3.0% to C$8.3 billion in July, as value of both residential (+2.2%) and nonresidential (+4.3%) permits increased. Multi-family dwellings registered a strong rebound, rising 4.2% to C$2.7 billion.

House prices have remained virtually unchanged after reaching a high in November 2017. The Statistics Canada **national new housing price index** fell for the third consecutive month by 0.1% in July, lowest since August 2017. This was driven by house only prices which fell 0.2%, the fourth decline, while land only prices fell by 0.1%, the first decline since March 2018. The annual pace of inflation fell for the third time this year, by 0.4%, the sharpest fall since the string of losses in 2009.

UK

The UK labor market remains tight and wage inflation is correspondingly rising. Admittedly, employment growth was weaker than expected at 31,000 in May-July, but a two tenth decline in the labor force participation rate helped lower the unemployment rate by a tenth to 3.8%, which is otherwise the lowest since 1974. On the contrary, the claimant count unemployment rate inched another tenth higher to 3.3% in June, the highest since March 2014. Wage inflation as measured by overall average weekly earnings quickened two tenths to 4.0 % y/y in May-July, the highest since June 2008. Regular pay (excluding bonuses) wage inflation decelerated one tenth to 3.8% y/y, but it remains at the second highest level since June 2008. Among the softer details, vacancies eased for the sixth consecutive month, while weekly hours declined incrementally.

Industrial production remains under pressure from Brexit uncertainty and slower global and domestic demand. Production has effectively been stagnant over the following two months, as the 0.1% fall in June was overturned by an increase of similar proportion in July. Strength in manufacturing (+0.3%) and utilities (+1.1%) was offset by declining activities in mining (-1.2%), electricity (-1.4%) and oil and gas (-2.5%) producing sectors. This tepid performance left output 0.9% lower than a year earlier.

Eurozone

The **European Central Bank** (ECB) sprang into action with a new doze of stimulus in the penultimate meeting before President Draghi leaves office. The extent of the dissent regarding portions of the stimulus measures announced was surprising, though. Indeed, it seems to us that the "diversity of views" acknowledged in the post-meeting press conference was a bit of a euphemism...Perhaps it was this very difference of opinion that helped lift the euro even as the ECB announced the following:

- The main refinancing rate was left unchanged at 0.00%. But the lending rate on deposit facility was lowered by 10 basis points to -0.50%. In order to contain the hit to banks' profitability, a two-tier system for reserve remuneration will be introduced, in which part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate. Forward guidance underwent another dovish tweak to indicate that key rates will remain "at current or lower levels" until "the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon". Unlike the prior formulation of "at least through the first half of 2020", the new phrasing seeks to take out any calendar reference, defining the window entirely in data-dependent terms.
- The ECB will resume bond purchases to the tune of €20 billion a month starting November 1, until the Board feels comfortable in raising rates. This was the portion that attracted most opposition from board members, with core representatives from France and Germany preferring to not deploy this tool just yet, but rather keep this as dry powder should a more negative scenario such as a hard Brexit actually transpire.

- Revised modalities were announced for the quarterly targeted longer-term refinancing operations (TLTRO III), with lower interest rates, while the maturity of the operations were extended from two to three years.

The initial announcement of the stimulus package caused eurozone government bonds to rally briefly, but this was short lived. As the market digested the extend of opposition to the QE announcement and as data reinforced the idea that global growth remains resilient and that inflationary pressures may be less subdued than thought, the market underwent a complete turnaround, with eurozone yields moved higher in tandem with global trends.

Still, there will be a limit to this, given the persistent weakness in eurozone macroeconomic performance. Indeed, forecasts for both growth and inflation were revised downward slightly in the accompanying staff projections, with risks tilted to the downside. HICP inflation is expected to rise to just 1.5% by 2021, implying another two years of asset purchases are likely on offer. We do not expect additional stimulus this year, but chances cannot be ruled out if things deteriorate markedly (not our baseline expectations).

After a dismal—albeit upwardly revised—1.4% loss in July, ***Eurozone*** **industrial production** retreated a further 0.4% in August. Performance has been disappointing all year: with four losses over the last five months. Activity is now 1.1% lower at the start of the third quarter from its Q2 average. Most of the core reported weaker manufacturing activity, Germany being the biggest laggard. Workday adjusted production declined 2.0% y/y.

French **industrial production** edged up slightly in July after a sharp detraction in June. Output rose just 0.3% in July, as automobile production contracted 1.7%, along with mining (-2.3%). These were offset by coke and refinery (+5.5%) and utilities (+3.9%). Overall industrial production was down 0.2% y/y, with manufacturing falling 0.3% y/y. Construction activity, which is not included in the headline index, slumped 4.2%, leaving it 2.4% lower than a year ago.

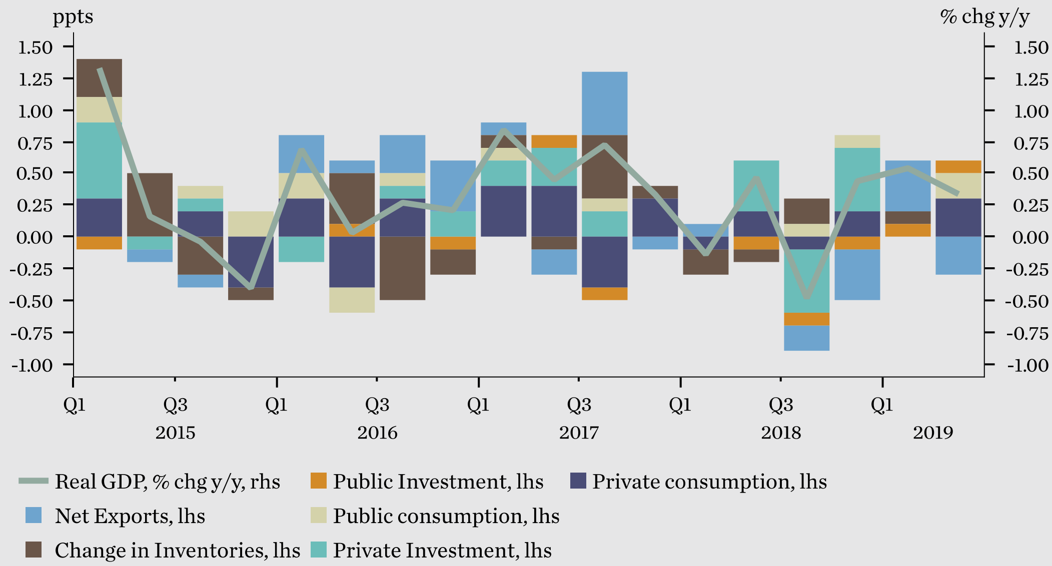
French **business sentiment** turned decidedly lower in the early part of 2018 and has wobbled ever since. However, sentiment has turned bearish over the last two months, with a cumulative increase of 3.9 points. The Bank of France business sentiment index jumped 3.36 points in August alone, the highest in five months.

After a solid gain in May, ***Italian*** **industrial production** has resumed its downward trend. It declined 0.7% in July, after a downwardly revised 0.3% fall in June. Mining activities expanded 4.0%, but failed to buoy headline production as manufacturing contracted 0.7%. Workday-adjusted industrial production was also down 0.7% y/y, the fifth consecutive annual decline.

Japan

The final read on Japan’s second quarter **GDP** was at par with expectations, having been revised down 0.1 percentage points (ppts) from the prelim figure to 0.3% q/q (+1.3% annualized). The drivers of growth were reversed from the previous quarter. Domestic demand expanded 0.6% driven by a similar increase in household spending, and added 0.6 ppts to headline growth, having contributed just 0.1 ppts in the first quarter. This was offset by a weakness in residential investment, which rose by just 0.1% after a 0.8% increase in the first quarter. Non-residential investment however, rebounded 0.2% after falling 0.2% in Q1. The net contribution of private investment was neutral. Public demand remained strong, adding 0.3 ppts based on gains in both consumption (+1.2%) and investment (+1.8%). Net exports detracted 0.3 ppts from growth, as imports increased 1.7%, while exports remained unchanged. We have not seen much of the expected front-loading of purchases by consumers ahead of the anticipated tax hike in October. But along with the uncertain trade environment, it will only add to the headwinds facing the economy.

Figure 3. Public Demand Lifts Japan's Q2 GDP



Sources: Japanese Cabinet Office (CaO)

Core machinery orders (private sector orders other than for ships and electricity generating equipment) slumped in July, and together with the fall in May forfeited almost all of the gain in June. Admittedly, the monthly volatility makes it difficult to discern a clear trend, but June orders fell 6.6%, amidst concerns that trade tensions are taking a heavy toll on the economy. Non-manufacturing orders, which buoyed the headline figure the previous month, dropped 15.6%. Services are expected to stay weak in Q3, with orders expected to fall 6.1% over the quarter. Orders from manufacturers rebounded 5.4%. The weakness was concentrated in foreign orders, which fell 6.0%. Core orders were down 3.3% y/y.

The steady uptrend in the **tertiary industry activity** seems to have hit a snag, with the index inching up marginally in June. The index rose 0.1%, mainly due to increased activity in wholesale trade (+1.5%) and finance/insurance services (-1.1%). This was partially offset by retail trade (-1.5%) and medical (-1.0%) services. **Producer prices** fell 0.3% in August, for the third time in last four months. The main detractors were petroleum and coal products which retreated 2.0%, and utilities which were down 0.5%. Annual inflation also contracted 0.9% y/y, the sharpest since December 2016. Again inflation was held back by prices for petroleum and coal (-8.5%) and chemical (-3.9%) products.

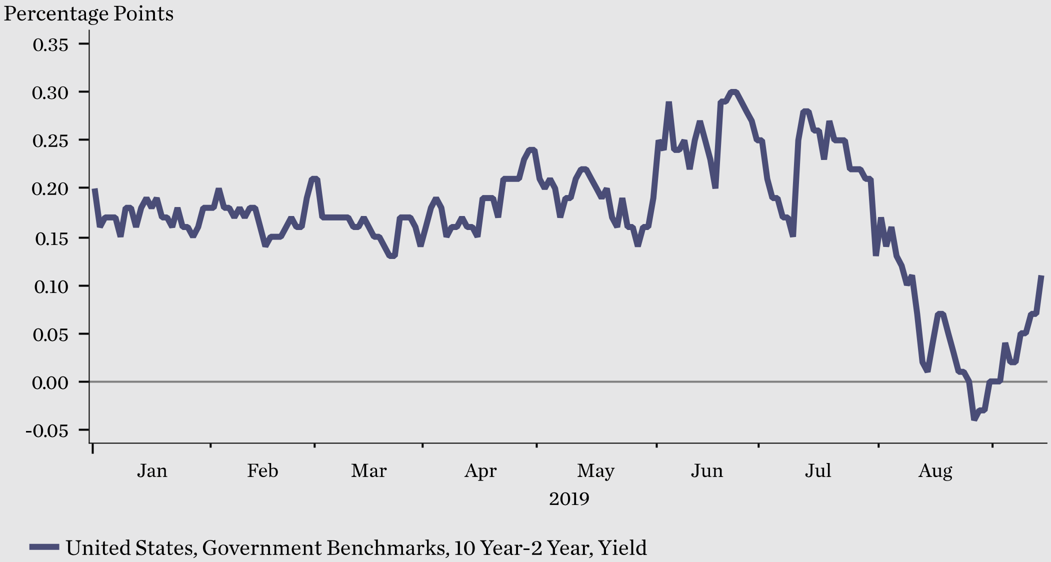
Australia

The **NAB index of business confidence** has been pretty volatile off late, but the six-month moving average suggests a gently downward trend. The index dropped 2.4 points to 1.4 in August, the lowest in four months. Business conditions also fell 2.1 points to 0.5, the lowest since September 2014. The weakness was broad-based, with only the employment index clocking a 2 point rise. The trading index retreated 4 points to 3, while the profitability index went to -3 from 0 in July. The capacity utilization rate however, gained a full percentage point to 82.0% in August. Combined with the weak capex data released earlier, this strengthens the case for further action by the Reserve Bank of Australia.

Financial Markets Review

Treasuries sold off this week as positive comments on the US-China trade war and an upside surprise on inflation eased acute worries about an impending recession. China stated it would exempt a new list of products from the 25% import tariffs put in place last year. Secretary Mnuchin stated that "we've made a lot of progress" in the trade talks, ahead of the planned meeting between China and the US in Washington next month. The yield curve steepened notably.

Figure 4: US Yield Curve Inversion Corrects Amid Rising Yields



Sources: Macrobond Financial AB, U.S. Department of Treasury, Federal Reserve

Equities: Risk on mood prevailed this week amid plans for resumed US-China trade negotiations.

Bonds: Treasuries also sold off this week on positive comments on the US-China trade war.

Currencies: The euro weakness post ECB announcement was quickly reversed.

Commodities: Both oil and gold end the week lower.

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Stock Markets					10 Year Bond Yields			Currencies		
Country	Exchange	Last	% Ch Week	% Ch YTD	Last	BP Ch Week	BP Ch YTD	Last	% Ch Week	% Ch YTD
US	S&P 500®	3013.11	1.2%	20.2%	1.87	31	-81	98.242	-0.2%	2.2%
Canada	TSE 300	16736.94	1.2%	16.9%	1.51	22	-46	1.3269	0.7%	-2.7%
UK	FTSE®	7367.46	1.2%	9.5%	0.76	26	-52	1.246	1.4%	-2.3%
Germany	DAX	12468.53	2.3%	18.1%	-0.45	19	-69			
France	CAC-40	5655.46	0.9%	19.5%	-0.17	17	-88	1.1069	0.4%	-3.5%
Italy	FTSE® MIB	22181.41	1.1%	21.1%	0.88	0	-186			
Japan	Nikkei 225	21988.29	3.7%	9.9%	-0.15	8	-16	108.14	1.1%	-1.4%
Australia	ASX 200	6669.178	0.3%	18.1%	1.16	7	-116	0.6885	0.6%	-2.3%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	60.8	-2.2%	14.4%	-22.5%
Gold	US $/troy oz	Bloomberg	1491.13	-1.0%	16.3%	24.1%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (September 9–September 13)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, September 9					
US	Consumer Credit (Jul, $ bil.)	16.0	**23.3**	13.8(↓r)	Increased credit card spending.
UK	Industrial Production (Jul, m/m)	-0.3%	**0.1%**	-0.1%	Industrial activity lukewarm.
FR	Bank of France Ind. Sentiment (Aug)	96	**99**	96(↑r)	Second consecutive expansion.
JN	GDP (Q2, final, q/q)	0.4%(p)	**0.3%**	0.5%	Partials ex investments were encouraging.
Tuesday, September 10					
US	NFIB Small Business Optimism (Aug)	103.5	**103.1**	104.7	Current activity indicators are still positive.
US	JOLTS Job Openings (Jul, thous)	7,311	**7,217**	7,348	Labor demand appears to be resilient.
CA	Housing Starts (Aug, thous)	212.5	**226.6**	222.5(↑r)	Trend starts at highest since June 2018.
CA	Building Permits (Jul, m/m)	2.0%	**3.0%**	-3.1%(↑r)	Strength in residential permits.
UK	ILO Unemployment Rate (Jul)	3.9%	**3.8%**	3.9%	Solid, still no signs of Brexit here.
UK	Average Weekly Earnings (Jul, 3m y/y)	3.7%	**4.0%**	3.8%(↑r)	Solid, still no signs of Brexit here.
FR	Industrial Production (Jul, m/m)	0.5%	**0.3%**	-2.3%	Little weak on autos.
IT	Industrial Production (Jul, m/m)	-0.1%	**-0.7%**	-0.3%(↓r)	Remains under pressure.
AU	NAB Business Confidence (Aug)	na	**1**	4	Does not bode well for Q3 GDP.
Wednesday, September 11					
US	PPI Final Demand (Aug, y/y)	1.7%	**1.8%**	1.7%	Even more impressive ex food and energy.
CA	Capacity Utilization Rate (Q2)	82.0%	**83.3%**	81.1%(↑r)	Gains in the manufacturing sector.
Thursday, September 12					
US	Initial Jobless claims (Sep 7, thous)	215	**204**	219(↑r)	At historically low levels.
US	CPI (Aug, y/y)	1.8%	**1.7%**	1.8%	Core inflation quickens.
US	Monthly Budget Statement (Aug, $ bil.)	-200.0	**-200.3**	-214.1	YTD deficit crosses $1 trillion mark.
CA	New Housing Price Index (Jul, m/m)	0.0%	**-0.1%**	-0.1%	Minor shift downward.
EC	ECB Monetary Policy Decision	0.00%	**0.00%**	0.00%	Aggressive stimulus package announced.
EC	Industrial Production (Jul, m/m)	-0.1%	**-0.4%**	-1.4%(↑r)	Activity in core is weak.
GE	CPI (Aug, final, y/y)	1.4%(p)	**1.4%**	1.7%	Will it reaccelerate or falter?
FR	CPI (Aug, final, y/y)	1.1%(p)	**1.0%**	1.2%	Hovering around 1.0%.
JN	PPI (Aug, y/y)	-0.8%	**-0.9%**	-0.6%	On a clear downtrend.
JN	Core Machine Orders (Jul, m/m)	-8.0%	**-6.6%**	13.9%	Drivers of growth were reversed from June.
JN	Tertiary Industry Index (Jul, m/m)	-0.3%	**0.1%**	-0.1%	Trend is horizontal.
Friday, September 13					
US	Import Price Index (Aug, y/y)	-1.9%	**-2.0%**	-1.9%(↓r)	Import prices from China eased again.
US	Retail Sales Advance (Aug, m/m)	0.2%	**0.4%**	0.8%(↑r)	On a clear uptrend.
US	U of M Cons. Sentiment (Sep, prelim)	90.8	**92.0**	89.8	Near term expectations are solid.
US	Business Inventories (Jul, m/m)	0.3%	**0.4%**	0.0%	Higher build-up of auto parts.
JN	Industrial Production (Jul, final, m/m)	1.3%(p)	**1.3%**	-3.3%	An anemic rebound.

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

Week in Preview: Releases and Major Events (September 16–September 20)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, September 16				
US	Empire Manufacturing (Sep)	4	4.8	Underlying details are still positive.
CA	Existing Home Sales (Aug, m/m)	1.3%	3.5%	
Tuesday, September 17				
US	Industrial Production (Aug, m/m)	0.2%	-0.2%	Hoping for a rebound.
US	NAHB Housing Market Index (Sep)	66	66	
CA	Manufacturing Sales (Jul, m/m)	-0.2%	-1.2%	
GE	ZEW Investor Expectations (Sep)	-37.8	-44.1	Unlikely to have bottomed out.
AU	RBA Meeting Minutes			
AU	House Price Index (Q2, q/q)	-1.0%	-3.0%	We have to be patient.
Wednesday, September 18				
US	FOMC Monetary Policy Decision	2.00%	2.25%	Further cuts on the card.
US	Building Permits (Aug, thous)	1307	1317(↓r)	
US	Housing Starts (Aug, thous)	1250	1191	Tends to rebound following large declines.
CA	CPI (Aug, y/y)	2.0%	2.0%	Fuel prices to support headline inflation.
UK	CPI (Aug, y/y)	1.9%	2.1%	
UK	PPI Output (Aug, y/y)	1.7%	1.8%	
EC	CPI (Aug, final, y/y)	1.0%(p)	1.0%	
IT	Industrial Orders (Jul, m/m)	na	-0.9%	
JN	Trade Balance Adjusted (Aug, ¥ bil.)	-156.2	-126.8	Keep an eye out for export performance.
Thursday, September 19				
US	Initial Jobless claims (Sep 14, thous)	215	204	Historically very low.
US	Leading Index (Aug, m/m)	0.1%	0.5%	
US	Existing Home Sales (Aug, m/m)	-0.9%	2.5%	Recent trend in sales seem to be up.
US	Philadelphia Fed Business Outlook (Sep)	11.0	16.8	Trade spat taking a toll on business sentiment.
US	Current Account Balance (Q2, $ bil.)	-125.7	-130.4	
CA	Teranet/National Bank HPI (Aug, y/y)	na	0.4%	
UK	BOE Monetary Policy Decision	0.75%	0.75%	Likely to hold amidst Brexit related uncertainty.
UK	Retail Sales (Aug, m/m)	-0.1%	0.2%	Q3 shaping up little better.
JN	BOJ Monetary Policy Decision	-0.10%	-0.10%	Assessing its options.
JN	All Industry Activity Index (Jul, m/m)	na	-0.8%	
AU	Unemployment Rate (Aug)	5.2%	5.2%	Should fall only slightly from current level by year-end.
Friday, September 20				
CA	Retail Sales (Jul, m/m)	0.6%	0.0%	Expected to recover.
GE	PPI (Aug, y/y)	0.6%	1.1%	
FR	Wages (Q2, final, q/q)	0.5%(p)	0.8%	
JN	CPI (Aug, y/y)	0.3%	0.5%	No signs of inflation in Japan.

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Mar	Apr	May	Jun	Jul
US	Target: PCE price index 2.0% y/y	1.4	1.5	1.4	1.3	1.4
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.9	2.0	2.4	2.0	2.0
UK	Target: CPI 2.0% y/y	1.9	2.1	2.0	2.0	2.1
Eurozone	Target: CPI below but close to 2.0% y/y	1.4	1.7	1.2	1.3	1.0
Japan	Target: CPI 2.0% y/y	0.5	0.9	0.7	0.7	0.5
Australia	Target Range: CPI 2.0%-3.0% y/y	1.3	1.6	1.6	1.6	

Source: Macrobond

Key Interest Rates

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	######	#####	Jul-19	######
US (top of target range)	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	-9.3	-7.9	-6.1	-4.0	-3.4	-3.2	-3.9	-4.0	-4.7	-5.2
Canada	-3.8	-3.1	-1.9	-0.9	0.3	0.9	0.8	0.1	-0.2	-0.4
UK	-7.2	-5.9	-5.9	-3.9	-4.6	-3.9	-2.8	-1.9	-1.4	-1.2
Eurozone	-4.8	-3.9	-2.2	-1.3	-1.0	-0.9	-0.8	-0.7	-0.7	-0.9
Germany	-2.4	-1.4	-0.1	0.2	0.9	0.8	1.0	0.9	1.3	0.7
France	-6.2	-5.2	-4.5	-3.5	-3.3	-3.0	-2.8	-2.6	-2.5	-2.5
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.6	-1.7	-2.1
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.8
Australia	-4.9	-4.2	-3.3	-2.6	-2.5	-2.4	-2.2	-1.2	-1.0	-1.2

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change					PPI Year/Year % Change				
	Apr	May	Jun	Jul	Aug	Apr	May	Jun	Jul	Aug
US	2.0	1.8	1.6	1.8	1.7	2.4	1.8	1.7	1.7	1.8
Canada	2.0	2.4	2.0	2.0		1.7	0.4	-1.7	-1.7	
UK	2.1	2.0	2.0	2.1		2.1	1.9	1.6	1.8	
Eurozone	1.7	1.2	1.3	1.0		2.6	1.6	0.7	0.2	
Germany	2.0	1.4	1.6	1.7	1.4	2.5	1.9	1.2	1.1	
France	1.3	0.9	1.2	1.1	1.0	1.9	0.9	0.0	0.0	
Italy	1.1	0.8	0.7	0.4	0.5	2.1	1.5	0.9	-0.5	
Japan	0.9	0.7	0.7	0.5		1.3	0.7	-0.2	-0.6	-0.9
Australia	1.6	1.6	1.6			2.0	2.0	2.0		

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	0.9	0.7	0.3	0.8	0.5	3.2	3.1	2.5	2.7	2.3
Canada	0.6	0.5	0.1	0.1	0.9	1.8	2.0	1.6	1.4	1.6
UK	0.4	0.7	0.2	0.5	-0.2	1.4	1.6	1.4	1.8	1.2
Eurozone	0.4	0.2	0.3	0.4	0.2	2.3	1.7	1.2	1.3	1.2
Germany	0.4	-0.1	0.2	0.4	-0.1	2.1	1.1	0.6	0.9	0.4
France	0.2	0.3	0.4	0.3	0.3	1.9	1.5	1.2	1.3	1.4
Italy	0.0	-0.1	-0.1	0.1	0.0	1.0	0.5	0.0	-0.1	-0.1
Japan	0.5	-0.5	0.4	0.5	0.3	1.4	0.2	0.3	1.0	0.8
Australia	0.7	0.3	0.1	0.5	0.5	3.1	2.6	2.2	1.7	1.4

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Mar	Apr	May	Jun	Jul	Mar	Apr	May	Jun	Jul
US	0.1	-0.6	0.2	0.2	-0.2	2.3	0.7	1.7	1.1	0.5
Canada	1.9	1.1	0.4	-0.5		0.3	2.1	2.2	1.1	
UK	1.4	-3.1	1.2	-0.1	0.1	1.4	-1.4	0.5	-0.6	-0.9
Germany	0.5	-2.0	0.1	-1.1	-0.6	-1.3	-2.8	-4.5	-4.8	-4.2
France	-1.3	0.5	2.0	-2.3	0.3	-0.8	1.0	3.9	-0.1	-0.2
Italy	-1.0	-0.8	1.0	-0.3	-0.7	-1.8	-1.4	-0.7	-1.3	-0.5
Japan	-0.6	0.6	2.0	-3.3	1.3	-2.8	-1.6	0.1	-2.2	-1.1

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	######	#####	Jul-19	######
US	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7
Canada	5.7	5.6	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7
UK	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.9	3.8		
Eurozone	8.0	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.5	
Germany	5.1	5.0	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0
France	9.0	8.9	8.9	8.8	8.6	8.6	8.5	8.5	8.5	8.5	
Italy	10.7	10.5	10.4	10.4	10.5	10.1	10.1	9.9	9.8	9.9	
Japan	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	
Australia	5.0	5.1	5.0	5.1	4.9	5.1	5.2	5.2	5.2	5.2	

Source: Macrobond

Current Account Balance as a % of GDP (Seasonally Adjusted)

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	-2.2	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.5	
Canada	-1.9	-2.5	-2.6	-3.1	-3.0	-3.0	-2.8	-1.8	-3.0	-3.0	-1.1
UK	-4.0	-3.0	-4.1	-3.1	-3.0	-3.4	-3.3	-4.3	-4.4	-5.6	
Eurozone	2.8	3.0	2.5	3.9	3.5	3.3	3.0	2.6	2.8	3.1	2.4
Germany	8.0	8.3	6.9	8.6	8.6	8.4	7.6	6.5	7.4	7.8	7.5
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.4	-0.4	-0.7	-0.4
Japan	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5
Australia	-1.5	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2

Source: Macrobond

Important Risk Discussion

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