Market Commentary | December 13, 2019

Weekly Economic Perspectives

Weekly Highlights

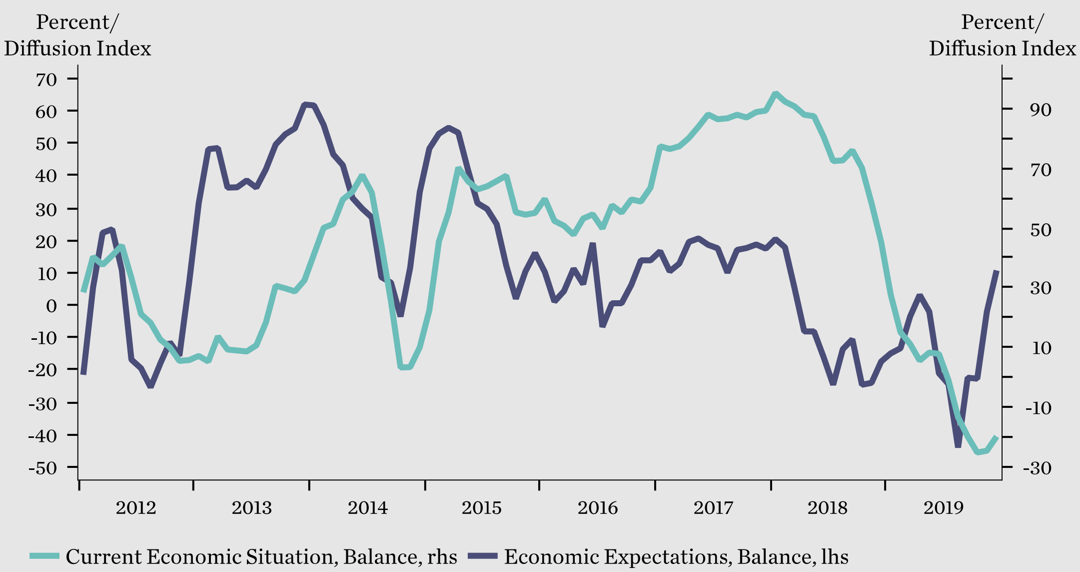
- **Economies:** The Fed signals contentment with prolonged hold stance. Housing permits fall in Canada. The Conservatives win big in UK elections, but industrial production only clocks an incremental gain. The ECB keeps policy unchanged but there is a hint of closer engagement with other policy makers. Japanese firms' capex intentions improve. House prices rebound in Australia. (pages 2 – 7)
- **Markets:** Broad gains in global equities as key geopolitical risks ease. Bond yields jump in Australia where RBA easing expectations are scaled back amid house price rebound. The pound gains on election results. Oil and gold both gain for the week on decent growth and inflation prospects. (page 8)

Upcoming Highlights

- **Spotlight:** The BoE and BoJ meet but neither is expected to make any change to policy settings. Industrial production should rebound in the US. UK unemployment may rise. (page 10)

Tables

Figure 1: German ZEW Index Suggests Improvement Ahead



Sources: ZEW (Centre for European Economic Research)

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Special Comment: New Fiscal Stimulus Announced In Japan

By Kaushik Baidya

After years of accommodative monetary policy, more countries are open to take advantage of ultra-low borrowing rates, introducing fiscal easing into the mix. Japan is one of them. Prime Minister Shinzo Abe announced a stimulus package last week, similar to the one announced in 2016. The spending, which compares to ¥28.1 trillion in the previous stimulus package in 2016, will be spent over the next 15 months, and financed by the supplemental budget for fiscal 2019 as well as the fiscal 2020 budget.

The “fresh water”, as new government spending is known in Japan, comes to ¥13.2tn ($121 billion). Of that, ¥6.2 trillion is from central government, of which ¥4.6 trillion is budgeted for the current fiscal year. However, not the entire amount will be stimulatory, as some portion of it will be for debt-servicing or go towards offsetting the impact of tax hikes. Specific details are lacking at this point and will only be revealed once the government publishes the budget in February. The stimulus package consists of roughly ¥5.8 trillion for reconstruction after Typhoon Hagibis, as well as investment to repair and expand flood defenses; ¥3.1 trillion for addressing the downside risk of the economy and ¥4.3 trillion for preventing a drop in public works spending after the Tokyo Olympics and Paralympics next year. Figures released by the Cabinet Office also suggest that ¥9.4 trillion of the headline figure will take the form of actual government spending with ¥ 7.6 trillion coming from the central government and the rest from prefectures and municipalities.

The remaining ¥3.8 trillion will take be raised by issuing “zaito” bonds, similar to government bonds. The money raised from “zaito” bonds is lent towards private sector capex spending and returns sourced from the same. A similar approach was used by the government in 2016, when they raised around ¥3 trillion for JR Tokai’s maglev train project. The stimulus will also include significant funds for R&D, for example ¥220 billion has been earmarked for research and development into mobile communication technologies beyond the fifth generation (5G) equipment. Media reports also suggest funding to support young scientific researchers and so-called “moonshot” projects, especially in biomedical research. These measures likely have a multiplier of at least 1 in the immediate future, with some repercussions for lifting potential growth.

The government estimates that the impact will likely be somewhere around 1.4% of GDP. Though we will prefer to err on the side of caution, the stimulus implies substantial boost to an economy for whom our projected growth rate was just 0.3% for full year 2020. However, given that potential growth estimate still ranges from 0.5-0.8%, it is unlikely for the impetus to be be sustained without further structural reforms.

The fiscal outlook is straightforwardly positive for the Nikkei. But the package’s implication for JGBs and the Yen is a bit more complex. In abstract, better growth prospects and additional bond issuances should be JGB bearish and Yen bullish. But we suspect the BoJ will take some actions to counter/prevent a sharp Yen appreciation. The BoJ would likely want to see the yield curve steepen further and that may imply some more JGB buying. Since the current pace of the BoJ’s JGB purchases is so slow — roughly at ¥10 tn or even less a year —this could presumably be scaled up. Recall it used to buy at a whopping pace of ¥80 tn a year.

Week in Review

US

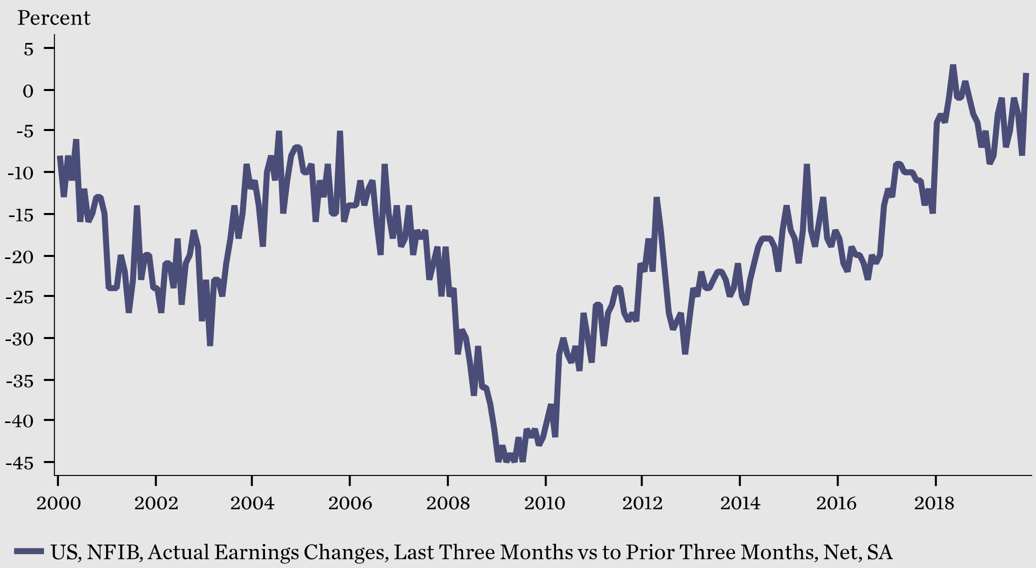
With the specter of December 2018 still lingering on the back of their minds, FOMC members undoubtedly wanted this December's policy meeting to be as close to a non-event as possible. They succeeded. As widely anticipated, the **Fed Funds rate** was left unchanged at 1.5-1.75%. The forecasts were essentially marked to market, with GDP growth unchanged but the unemployment rate brought down throughout the forecast horizon, including the long run. Inflation projections were downgraded for 2019, which reflects incoming data, but 2020 and the outer years were unchanged.

The median dots imply no rate move in 2020, one hike in 2021 and another in 2022. They validate our view that the mid-cycle adjustment is over, with a prolonged hold having taken its place. The distribution (13 dots at current level and 4 above it) offered a hint of a possible rate hike in 2020—enough to allow scope for future adjustments but not so much as to spook markets. The dot distribution for 2021 is somewhat odd in our view as it implies that some of those who see no need for any rate hike in 2020 actually believe more than one will be needed in 2021. For all the talk about the Fed not acting any differently in an election cycle, this does beg the question of whether there isn't an intentional delay in that anticipated tightening due to the election…Or, it could be that those dots may begin signaling a 2020 hike before long…

Chair Powell's press conference underscored the idea that while the inflation objective is symmetric, the policy reaction function might not be. There is still a lot more concern about downside risks and low inflation expectations so it will take a fairly positive scenario to ignite a rate hiking cycle prior to the election. Ensuring the economy doesn't cool too much is a priority, while letting it run hot is not much of a concern. With USMCA, Phase 1 trade deal, and clear mandate for a Brexit resolution now on hand, the economy may indeed start warming up again before long…

We had long embraced a "glass half full" view of the US economy, but even we were surprised at the strength of last week's jobs report (266,000, plus 41,000 upward revisions to prior two months). To the natural question of "where did this come from?", the answer was "pretty much everywhere!". This week's update on the **National Federation of Independent Business (NFIB) index** suggests that small businesses had a lot to do with that strength.

Figure 2: US Small Businesses See Improved Profits



Sources: National Federation of Independent Business

The overall NFIB index rose a better than expected 2.3 points in November, the largest monthly gain since May 2018 and the highest level since July. Actual employment soared 6.0 points to the highest level since March and the second highest since October 2005. Planned hiring rose 3.0 points to match the highest levels of 2019. Increased labor demand caused the share of respondents saying openings are hard to find to shoot back up near cycle highs. Actual capex and planned capex expenditures improved incrementally. Businesses are responding to better sales (up 8 points) and earnings (up 10 points and just shy of the May 2018 record—Figure 2, page 3). Unsurprisingly, the share of respondents who believe this is a good time to expand rose by 6 points. Perceived uncertainty declined for the second consecutive month, which seems somewhat surprising given ongoing uncertainty over trade. We suspect the strength of November's NFIB may have been buoyed by seasonal factors and so a pullback is possible. But this was nonetheless a reminder that while CEO/CFO confidence at larger firms has clearly dimmed, sentiment among small business owners has been far more resilient. We think this reflect uneven impact of the trade war across these two different business demographics, with large multi-national firms likely confronting the more difficult challenge of potentially needing to adjust their global manufacturing footprint, which may imply higher costs without commensurate increases in overall sales.

Retail sales have rebounded nicely over the summer months following a bumpy start to the year but have lost some momentum recently. Nominal sales grew a much weaker than expected 0.2% in November (consensus was for a 0.5% gain) on soft performance at health stores (-1.1%), clothing stores (-0.6%) and sporting and book stores (-0.5%). Solid gains at electronic stores (+0.7%) and auto dealers (+0.5%) offered support. October's gain was revised up by a tenth to 0.4%, which helped ease the disappointment somewhat. Control sales, (which exclude food services, building materials, autos dealers and gas stations) and are used in estimating goods consumption in the GDP accounts rose a modest 0.1%. Non-seasonally adjusted sales increased 2.9% y/y; control sales rose 2.4% y/y.

Unemployment claims have turned more volatile lately, which is not really unusual around this time of the year. Therefore, we are reluctant to read too much in the big jump in initial claims during the week ended December 7, when initial claims—a measure of job shedding—surged by 49,000 to 252,000, marking the highest level since September 2017. By contrast, continuing claims—a measure of unemployment—declined by 31,000 to a low 1,667,000.

After months of soft prints, headline **consumer price inflation** is now turning higher. It quickened three tenths to 2.1% y/y in November, the highest level in a year. Overall consumer prices rose 0.3%, driven by a 0.8% jump in energy prices, a 0.3% increase in medical care, and a 0.4% rise in recreation. Housing costs rose a moderate 0.2%. Core prices (excluding food and energy) rose 0.2%, as expected, keeping the core inflation rate unchanged at 2.3% y/y.

Import price deflation has started to moderate and will likely continue to do so in coming months. Import prices rose 0.2% in November, driven by a 1.1% increase in petroleum prices and a 1.1% increase in prices for industrial supplies. Import prices are still down 1.2% y/y but that is far less than the 3.0% y/y decline recorded in October. Import prices from China eased again and are down 1.7% y/y.

Canada

Building permits contracted again in October for the third consecutive month. Permits fell 1.5% to C$8.3 billion. Residential permits dropped 3.2% to C$4.9 billion, below 5 billion for the first time since March. They were dragged down by declines in both single (-2.9%) and multi-family (-3.4%) dwellings. Single family permits also fell by 3.0%. Non-residential permits saw a modest increase (+1.1%), supported by institutional permits which rose 24.9% to C$765 million.

The six-month and 12-month average have been indicative of a gentle uptrend in **housing starts**, but was essentially unchanged in November. Starts rose by just 644 units from a downwardly revised October to 201,318 units. A 2.3% increase in urban multi-family starts was offset by 5.1% retreat in single-family starts. We are negative about the prospect for starts over coming months, due to the downturn observable in permits data.

Capacity utilization rate fell to 81.7% during the third quarter from 83.3% in the second. Mining and oil and gas extraction industries, which had been responsible for the jump in the second quarter operated at just 78.4% capacity this quarter–a 3.5 percentage point decline. Statistics Canada attributed this fall to “lower production combined with problems at certain production facilities and maintenance of some Atlantic offshore oil platforms.”

UK

After two sizable declines, **industrial production** rose an incremental 0.1% in October thanks to aa 0.2% improvement in manufacturing and a 2.4% rebound in electricity production. But mining plunged 4.2% and water utilities contracted 1.2%. All this left output down 1.3% y/y. It has declined 0.8% y/y, on average, during the first 10 months of 2019.

Eurozone

The first **ECB meeting** under the leadership of President Lagarde did not bring any changes to policy as “the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively”. A new set of staff economic projections included only incremental adjustments to growth and inflation that do not alter the big picture. 2019 growth was upgraded by a tenth to 1.2% but 2020 growth was downgraded by a tenth to 1.1%. Inflation projections were steady for 2019 and raised a tenth to 1.1% in 2020. In light of this mediocre performance, the ECB reiterated that interest rates will “remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.”

But if there was no change to policy, there was at least a hint of a change in style and approach. President Lagarde seems poised to more directly, openly, and publicly engage with policymakers across the policy spectrum, with the goal of enhancing macro policy coordination across the region. As she said during the press conference, “it takes many to actually dance the economic ballet that would deliver on price stability but also employment and growth. I don't see anything wrong with policymakers actually agreeing that they're going to make the efforts that they can in order to reach their respective goals.” We haven't conducted a comprehensive research to validate this, but we are pretty sure this is the first ever ballet reference in an ECB policy press conference. We welcome not just the broadening of the metaphor but first and foremost, what it might mean for the effectiveness of macro policy in Europe in years to come!

Given a big disappointment in Germany (-1.7%) and a smaller one in Italy (-0.3%), it was not shocking to see ***eurozone*** **industrial production** contract 0.5% in October. It would have been even worse if not for some support from France (+0.4%). Eurozone production continued to decline on an annual basis as well, down 2.2% y/y. Output has declined 1.5% y/y, on average, during the first ten months of the year.

After touching a seven-and-a-half year low in August, ***German*** investor confidence has since made a V-shaped rebound. The closely watched **ZEW Index** has risen by a cumulative 54.8 points in the last four months, including November's 12.8-point advance, leaving it at its highest level since February 2018 (Figure 1, page 1). Assessments of the current situation have been much slower to improve, but even there we see budding signs of bottoming out.

German **labor costs** are on an uptrend. They increased 0.9% in Q3, which left them 3.1% higher than a year earlier. A three-quarter moving average of the series clearly shows a notable uptrend in labor costs growth. If sustained without commensurate productivity gains, this will put increasing pressure on corporate profit margins and may, after all, ignite broader inflationary pressures.

Volatile new orders have been driving unusually large month-to-month changes in the **Bank of *France* business sentiment** index but the bigger picture of hovering near multi-year lows remains unchanged. However, there are also some incipient signs that the index may have bottomed and is trying to move higher, but it is still too soon to conclude this definitively. Indeed, after a 2.4-point increase in October, the index retreated 1.0 point to 97.4 in November.

Japan

The final read on Japan's third quarter **GDP** was revised unexpectedly upward by three tenths to 0.4% q/q (+1.8% annualized). An upward revision in private non-residential investment was the main reason for the improvement, which jumped by 1.8% as opposed to the preliminary estimate of 0.9%. Private consumption was also stronger than initially reported, rising by 0.5% instead of 0.4%. Consequently, private domestic demand was revised up by five tenths to 0.6%, in turn contributing 0.4 percentage points (ppts) to headline growth. Public demand was also revised upward slightly, due to a correction in public investment similar in magnitude and contribution to private non-residential investment. Net exports however detracted 0.2 ppts from growth, as imports increased 0.3%, while exports fell 0.6%. Unfortunately, this strength in consumption is likely to be hit by the tax hike in October. We expect a modest negative reading in Q4, but the outlook for the medium term gets much brighter after that, given the substantive fiscal stimulus announced by the Abe administration.

The Bank of Japan's **Tankan survey** of business conditions for the fourth quarter painted a gloomy picture, but there were signs of encouragement. Admittedly, the survey of business conditions dropped to the lowest in seven years, amid receding global demand. Confidence among large manufacturing firms fell to 0 from 5, below expectations. Medium and small business enterprises also showed signs of strain, with the diffusion indices falling by 5 and 1 point to -9 and 1 respectively. But expectations for the next quarter were revised further down. Business conditions for large non-manufacturers weakened only marginally, from 21 to 20, still above the low in 2016. Conditions for small and medium firms however, improved substantively, both gaining about 5 points to 7 and 14 respectively. Importantly, large enterprises revised up their capex projections for current fiscal year from 6.6% to 6.8%, largely due to increased intentions in services firms (+0.6 percentage points to 4.3%). All in all, a mixed bag which is unlikely to generate much heat, but we are keen to see if the fiscal stimulus announced recently poses any tailwinds to manufacturing, and in turn overall sentiment.

Core machinery orders (private sector orders other than for ships and electricity generating equipment) unexpectedly slumped again in October, bringing it back to levels last seen in August 2015. This was the fourth consecutive fall, and quite a modest one at that. October orders fell 6.0%, but on a positive note, it was not external demand which posed the headwinds this time. Orders were propped up by a 40.8% jump in public orders, while foreign orders were also higher by 2.9%. The drop was led by a 3.9% fall in orders placed through agencies. Orders fell for both manufacturing (-1.5%) and services (-5.4%) firms. Unlike the 2014 tax hike episode, orders did not see a spike before taxes were raised, and it is unlikely to improve in the near term.

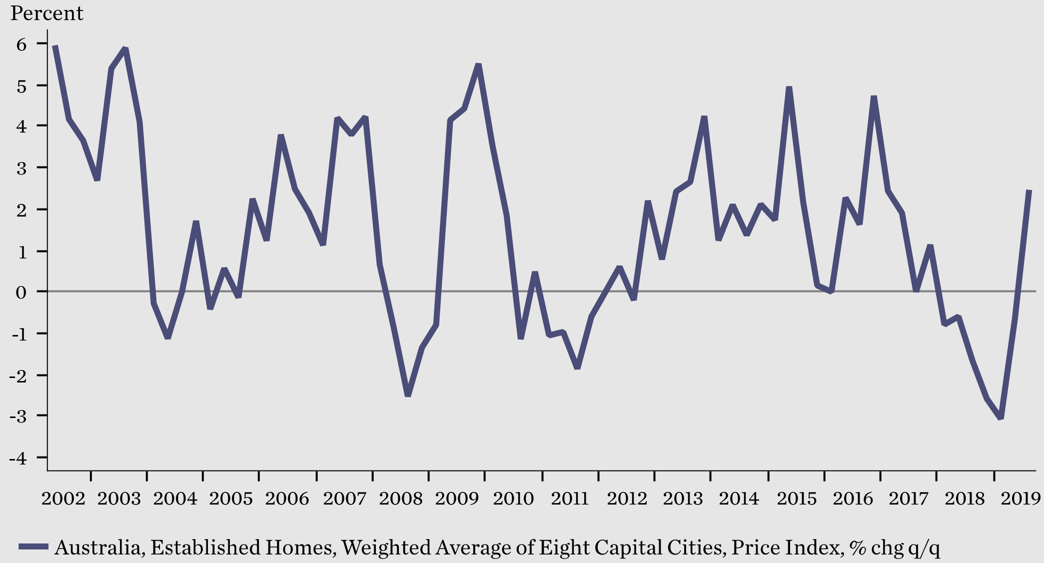
It was not long ago that **producer prices** seemed to have stabilized at quite an elevated level before faltering for the latter half of this year. However, prices ticked up 0.2% in November, which lifted the annual rate of inflation to 0.1% y/y, the first positive print since May. The main contributors towards the monthly rise were petroleum and coal products which advanced 1.8%, and utilities which were up 0.4%. On an annual basis, food prices rose 1.1% y/y, while prices for paper products increased by 6.8%.

Australia

The **NAB index of business confidence** has been pretty volatile off late, but the longer run moving averages suggest a clear downtrend. The index lost close to 2 points to end up at 0.1 in November, way below the high of 7.3 as recent as May. Business conditions on the other hand increased 0.3 points to 4.2, highest since June. Profitability rose to an eight-month high (+3 points to 0), while trading lost 1 point to 6 and employment stayed unchanged at 4. The spike in forward orders in October didn't last, as it fell back to -2, but still the second-strongest result since April. The capacity utilization rate dropped 0.5 percentage points to 81.1%.

We did not expect a rebound in the Australian housing market until 2020, but the accommodative policy stance by the Reserve Bank of Australia seems to have hastened the healing. The **ABS house price index** rebounded sharply in the third quarter, rising 2.4% which was the first increase since end 2017 and the sharpest since end 2016 (Figure 3, page 8). Sydney and Melbourne residential property prices recorded strong growth over the quarter—with prices rising by 3.6% in both Sydney and Melbourne, complemented by Brisbane (+0.7%) and Hobart (+1.3%). The accompanying media release by the Australian Bureau of Statistics noted that "the increase in property prices is in line with housing market indicators, particularly in Sydney and Melbourne. New lending commitments to households, auction clearance rates and sales transactions all improved during the September quarter."

Figure 3: Strong Rebound In Australian House Prices



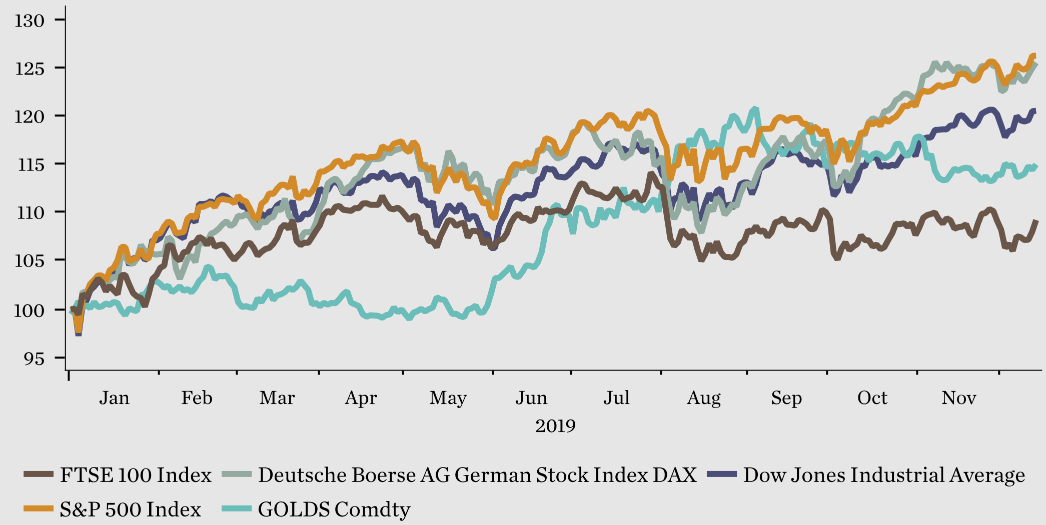
Sources: Australian Bureau of Statistics

Financial Markets Review

Having awaited for what seemed an inordinately long time to get USMCA and Phase 1 of US-China trade deal done, investors saw both of these secured this week (although the Senate may not be able to ratify USMCA before year-end). A decisive Conservative win in UK elections lifted UK stocks. The one key missing ingredient for delivering Brexit so far—namely, a clear mandate—is now on hand and that should accelerate the pace of negotiations in early 2020.

Figure 4: Will UK Equities Close Their Underperformance Gap?

Index, rebased to 1/2/2019=100



Sources: Bloomberg, Macrobond

Equities: Broad gains in global equities as key geopolitical risks ease.

Bonds: Bond yields jump in Australia where RBA easing expectations are scaled back amid house price rebound.

Currencies: The pound gains on election results.

Commodities: Oil and gold both gain for the week on decent growth and inflation prospects.

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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®	3169.84	0.8%	26.4%	1.82	-2	-86	97.189	-0.5%	1.1%
Canada	TSE 300	17021.93	0.1%	18.8%	1.60	1	-37	1.3183	-0.5%	-3.3%
UK	FTSE®	7353.44	1.6%	9.3%	0.79	2	-49	1.3334	1.5%	4.5%
Germany	DAX	13282.72	0.9%	25.8%	-0.29	0	-53			
France	CAC-40	5919.02	0.8%	25.1%	0.01	-3	-70	1.1121	0.6%	-3.0%
Italy	FTSE® MIB	23329.33	0.6%	27.3%	1.26	-9	-148			
Japan	Nikkei 225	24023.1	2.9%	20.0%	-0.02	-1	-2	109.29	0.7%	-0.4%
Australia	ASX 200	6739.677	0.5%	19.4%	1.26	13	-106	0.687	0.4%	-2.5%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	66.69	1.9%	25.4%	9.9%
Gold	US $/troy oz	Bloomberg	1477.51	1.2%	15.2%	19.0%

Source: Bloomberg®

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

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, December 9					
CA	Housing Starts (Nov, thous)	215.0	**201.3**	200.7(↓r)	Trend essentially unchanged.
CA	Building Permits (Oct, m/m)	2.8%	**-1.5%**	-5.9%(↑r)	Third consecutive decline.
GE	Labor Costs (Q3, y/y)	na	**3.1%**	3.4%(↑r)	Trending higher.
FR	Bank of France Ind. Sentiment (Nov)	98	**97**	98	
JN	GDP (Q3, final, q/q)	0.1%(p)	**0.4%**	0.5%	Investment and consumption revised up.
Tuesday, December 10					
US	NFIB Small Business Optimism (Nov)	103.1	**104.7**	102.4	Very strong details!
US	Nonfarm Productivity (Q3, final, q/q)	-0.3%(p)	**-0.2%**	2.5%	Likely temporary.
UK	Industrial Production (Oct, m/m)	0.2%	**0.1%**	-0.3%	Weak, but better up than down...
GE	ZEW Investor Expectations (Dec)	0.3	**10.7**	-2.1	Highest since February 2018.
FR	Industrial Production (Oct, m/m)	0.3%	**0.4%**	0.4%(↑r)	Holding up.
IT	Industrial Production (Oct, m/m)	-0.1%	**-0.3%**	-0.4%	Not holding up...
AU	House Price Index (Q3, q/q)	1.5%	**2.4%**	-0.7%	A welcome rebound!
AU	NAB Business Confidence (Nov)	na	**0**	2	Still in muddy waters.
Wednesday, December 11					
US	FOMC Monetary Policy Decision	1.75%	**1.75%**	1.75%	Content to be on hold now.
US	CPI (Nov, y/y)	2.0%	**2.1%**	1.8%	Core unchanged at 2.3% y/y.
US	Monthly Budget Statement (Nov, $ bil.)	na	**-208.8**	-134.5	
CA	Capacity Utilization Rate (Q3)	na	**81.7%**	83.3%	Lower utilization in mining.
JN	PPI (Nov, y/y)	0.0%	**0.1%**	-0.4%	First positive print since May.
Thursday, December 12					
US	Initial Jobless claims (Dec 7, thous)	214	**252**	203	Big jump, but amid end-of year volatility.
US	PPI Final Demand (Nov, y/y)	1.2%	**0.0%**	1.1%	Up a modest 1.1% y/y.
EC	ECB Monetary Policy Decision	0.00%	**0.00%**	0.00%	Seeking assistance from fiscal policy.
EC	Industrial Production (Oct, m/m)	-0.5%	**-0.5%**	-0.1%(↓r)	On drag from Germany.
GE	CPI (Nov, final, y/y)	1.1%(p)	**1.1%**	1.1%	Modest.
FR	CPI (Nov, final, y/y)	1.0%(p)	**1.0%**	0.8%	Modest.
JN	Core Machine Orders (Oct, m/m)	0.7%	**-6.0%**	-2.9%	An unpleasant surprise!
Friday, December 13					
US	Retail Sales Advance (Nov, m/m)	0.4%	**0.2%**	0.4%(↑r)	Modest. Have lost momentum since summer.
US	Business Inventories (Oct, m/m)	0.2%	**0.2%**	0.0%	No surprises.
US	Import Price Index (Nov, y/y)	na	**-1.3%**	-3.0%	Poised to accelerate further.
IT	Industrial Orders (Oct, m/m)	na	**0.6%**	0.9%(↓r)	Still weak.
JN	Tankan Large Mfg Index (Q4)	3	**0**	5	Capex intentions are up.
JN	Industrial Production (Oct, final, m/m)	-4.2%(p)	**-4.5%**	1.7%	A bad result.

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

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

Country	Release (Date, format)	Consensus	Last	Comments
Monday, December 16				
US	NAHB Housing Market Index (Dec)	70	70	
CA	Existing Home Sales (Nov, m/m)		0.0%	Sales to pick up slightly.
UK	Manufacturing PMI (Dec, prelim)	49.2	48.9	
UK	Services PMI (Dec, prelim)	49.5	49.3	
EC	Manufacturing PMI (Dec, prelim)	47.3	46.9	
EC	Services PMI (Dec, prelim)	52.0	51.9	
GE	Manufacturing PMI (Dec, prelim)	44.6	44.1	Might we get a positive surprise here?
GE	Services PMI (Dec, prelim)	52.0	51.7	
FR	Manufacturing PMI (Dec, prelim)	51.5	51.7	
JN	Manufacturing PMI (Dec, prelim)		48.9	Might be bottoming out.
JN	Services PMI (Dec, prelim)		50.3	
Tuesday, December 17				
US	Housing Starts (Nov, thous)	1340	1314	
US	Industrial Production (Nov, m/m)	0.8%	-0.8%	
US	JOLTS Job Openings (Oct, thous)	7018	7024	
CA	Manufacturing Sales (Oct, m/m)		-0.2%	
UK	ILO Unemployment Rate (Oct)	3.9%	3.8%	
Wednesday, December 18				
CA	Teranet/National Bank HPI (Nov, y/y)		1.0%	To follow a pickup in sales.
CA	CPI (Nov, y/y)		1.9%	Firmly near target.
UK	CPI (Nov, y/y)	1.4%	1.5%	
EC	CPI (Nov, final, y/y)	0.7%(p)	1.0%	
GE	IFO Business Climate (Dec)		95	
Thursday, December 19				
US	Initial Jobless claims (Dec 14, thous)	225	252	Let's watch these...
US	Existing Home Sales (Nov, m/m)	-0.6%	1.9%	
US	Leading Index (Nov, m/m)	0.1%	-0.1%	
US	Current Account Balance (Q3, $ bil.)	-121.0	-128.2	
US	Philadelphia Fed Business Outlook (Dec)	8	10.4	
UK	BoE Monetary Policy Decision	0.75%	0.75%	On hold.
UK	Retail Sales (Nov, m/m)		-0.1%	
JN	BoJ Monetary Policy Decision	-0.10%	-0.10%	Dovishly dormant.
AU	Unemployment Rate (Nov)		5.3%	We will look for a slight uptick here.
Friday, December 20				
US	GDP (Q3, third, q/q saar)	2.1%(p)	2.0%	
US	Personal Income (Nov, m/m)	0.3%	0.0%	
US	Personal Spending (Nov, m/m)	0.5%	0.3%	
US	U of M Cons. Sentiment (Dec, final)	99.2(p)	96.8	
CA	Retail Sales (Oct, m/m)		-0.1%	Kind of disappointing.
UK	GDP (Q3, final, q/q)	0.3%(p)	-0.2%	
UK	GfK Consumer Confidence (Dec)		-14	
GE	GfK Consumer Confidence (Jan)		9.7	
JN	CPI (Nov, y/y)		0.2%	To stay benign yet for a while.

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Jun	Jul	Aug	Sep	Oct
US	Target: PCE price index 2.0% y/y	1.4	1.4	1.4	1.3	1.3
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.0	2.0	1.9	1.9	1.9
UK	Target: CPI 2.0% y/y	2.0	2.1	1.7	1.7	1.5
Eurozone	Target: CPI below but close to 2.0% y/y	1.3	1.0	1.0	0.8	0.7
Japan	Target: CPI 2.0% y/y	0.7	0.5	0.3	0.2	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	1.6	1.7	1.7	1.7	

Source: Macrobond

Key Interest Rates

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
US (top of target range)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00	1.75	1.75
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)	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76	0.75

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US	-9.6	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3
Canada	-3.8	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5
UK	-7.2	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3
Eurozone	-4.8	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7
Germany	-2.7	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9
France	-5.9	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9
Australia	-5.0	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change					PPI Year/Year % Change				
	Jul	Aug	Sep	Oct	Nov	Jul	Aug	Sep	Oct	Nov
US	1.8	1.7	1.7	1.8	2.1	1.6	1.8	1.4	1.1	1.1
Canada	2.0	1.9	1.9	1.9		-1.7	-1.0	-1.3	-1.3	
UK	2.1	1.7	1.7	1.5		1.9	1.7	1.2	0.8	
Eurozone	1.0	1.0	0.8	0.7		0.1	-0.8	-1.2	-1.9	
Germany	1.7	1.4	1.2	1.1	1.1	1.1	0.3	-0.1	-0.6	
France	1.1	1.0	0.9	0.8	1.0	-0.2	-0.5	-0.7	-1.2	
Italy	0.4	0.4	0.3	0.2	0.4	-0.7	-1.4	-1.6	-3.0	
Japan	0.5	0.3	0.2	0.2		-0.6	-0.9	-1.1	-0.4	0.1
Australia	1.7	1.7	1.7			1.6	1.6	1.6		

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

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

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Jun	Jul	Aug	Sep	Oct	Jun	Jul	Aug	Sep	Oct
US	0.0	-0.1	0.7	-0.3	-0.8	1.0	0.4	0.4	-0.1	-1.1
Canada	-0.4	-1.7	0.1	-0.2		0.6	-2.2	-2.2	-1.8	
UK	0.0	0.1	-0.7	-0.2	0.1	-1.0	-1.1	-1.9	-1.4	-1.3
Germany	-1.3	-0.7	0.6	-0.6	-1.7	-4.9	-4.2	-4.0	-4.5	-5.3
France	-2.3	0.3	-1.0	0.4	0.4	0.0	0.1	-1.3	0.2	-0.2
Italy	-0.3	-0.8	0.4	-0.4	-0.3	-1.3	-0.6	-1.8	-2.2	-2.3
Japan	-3.3	1.3	-1.2	1.7	-4.5	-2.2	-1.1	-2.0	-0.3	-6.6

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
US	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5
Canada	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7	5.5	5.5	5.9
UK	3.9	3.8	3.8	3.8	3.9	3.8	3.9	3.8			
Eurozone	7.8	7.8	7.7	7.6	7.6	7.5	7.6	7.5	7.6	7.5	
Germany	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.7	8.6	8.6	8.5	8.5	8.5	8.6	8.6	8.6	8.5	
Italy	10.4	10.5	10.1	10.1	10.0	9.8	9.9	9.6	9.9	9.7	
Japan	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	
Australia	5.1	4.9	5.1	5.2	5.2	5.3	5.3	5.3	5.2	5.3	

Source: Macrobond

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

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4	
Canada	-2.2	-2.7	-3.4	-3.0	-2.8	-2.6	-1.8	-2.8	-3.0	-1.2	-1.7
UK	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6	
Eurozone	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4	
Germany	8.3	7.0	8.6	8.6	8.5	7.6	6.5	7.4	7.8	7.6	8.1
France	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.5	-0.5	-0.8	-0.8	-1.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-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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