STATE STREET GLOBAL ADVISORS

March 20, 2020
Commentary

Weekly Economic Perspectives

Contents

Spotlight on Next Week
US initial unemployment claims are poised to explode. Manufacturing and service activity poised to sharply contract across Europe. Watch for fiscal policy announcements.

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The Economy

Shock(ed) and Awe(d) Monetary Policy

The precipitous events of the past week have left the entire analyst community scrambling to keep up with the unprecedented speed of dramatic monetary policy “rescue” type interventions announced by global central banks. Most of the tools being deployed today are not new—though some central banks are actually using them for the first time. This may well be the silver lining in this entire experience: that we had a chance to conceptually incubate and practically deploy some of these measures during the Global Financial Crisis (GFC) so that tools that took months to develop then have, in this instance, been simple “off-the-shelf” options, deployable within a matter of days.

Such speed of response is crucial and critical because the crisis at hand is unlike anything we have seen before. A gradual grinding down of economic activity—typical in recessions, even in bad ones like the Global Financial Crisis (GFC)—seems like a luxury in an era when social distancing policies required to slow down the spread of the virus mean nearly instantaneous, broad, and indiscriminate stoppage in economic activity. Consider that during GFC, initial unemployment claims gradually build up and peaked at 665k before slowly receding. According to Bloomberg Consensus expects them to is for them to spike from 281k to 775k next week; they could even exceed 1.0 million!

The list below summarizes G7 central bank policy actions over the last two weeks. It is a thorough but not comprehensive list and readers should expect it to expand. The mindset is clear: policymakers are in a “whatever it takes” mindset, willing to deploy all tools at their disposal, willing to improvise and adjust, and willing to seek additional legal authority to develop new tools tailored for the crisis at hand.

The **Fed** has cut the Fed Funds rate by a total 150 bp (basis points) to 0.0-0.25% in two extraordinary policy meetings on March 3 (50 bp) and March 16 (100 bp). It has sharply increased repo operations, now at $1 trillion daily. It has restarted QE to the tune of at least $700 billion and has broadened the type of assets it will purchase to include longer dated bonds and mortgage backed securities (MBS). It has lowered the rate on the discount facility by 150 bp and extended the lending duration through the facility to 90 days; it has reopened the Primary Dealer Credit Facility (PDCF) and the Commercial Paper Funding Facility (CPFF); it has increased the size and frequency of its liquidity swap lines with foreign central banks; it has initiated a Money Market Mutual Fund Liquidity Funds (MMLF) and on March 20th announced this would include municipal money market funds.

At its meeting last week, the **ECB** left its main policy rate unchanged but sweetened the terms of its TLTRO III program slated to begin in June. To bridge the period from now until then, the bank launched additional weekly long-term refinancing operations. It also temporarily eased some capital requirements and hinted that national macro-prudential authorities complement those by relaxing the counter-cyclical capital buffers. Finally, the ECB increased its asset purchase program by €120 billion total through the end of the year (from €20 billion per month). On March 18th, it launched a temporary €750 billion Pandemic Emergency Purchase Program (PEPP) and waved eligibility requirements so Greek debt could be included in the program. The ECB also expanded the range of eligible assets under the corporate sector purchase program

(CSPP) to “all non-financial commercial paper of sufficient credit quality”.

The **BoJ** has been relatively slower to respond, but it did so this week. It left interest rates unchanged but scaled up its asset purchases (for details, please see country section below).

The **BoE** cut interest rates by 50 basis points to 0.25% at an unscheduled meeting on March 10, when it also announced a new Term Funding Scheme with additional incentives for SMEs (TFSME). On March 19th, it announced a further cut to 0.1% and a resumption of QE with a £200 billion addition to its holdings of UK government bonds and sterling non-financial investment-grade corporate bonds. It also doubled the size of the TFSME.

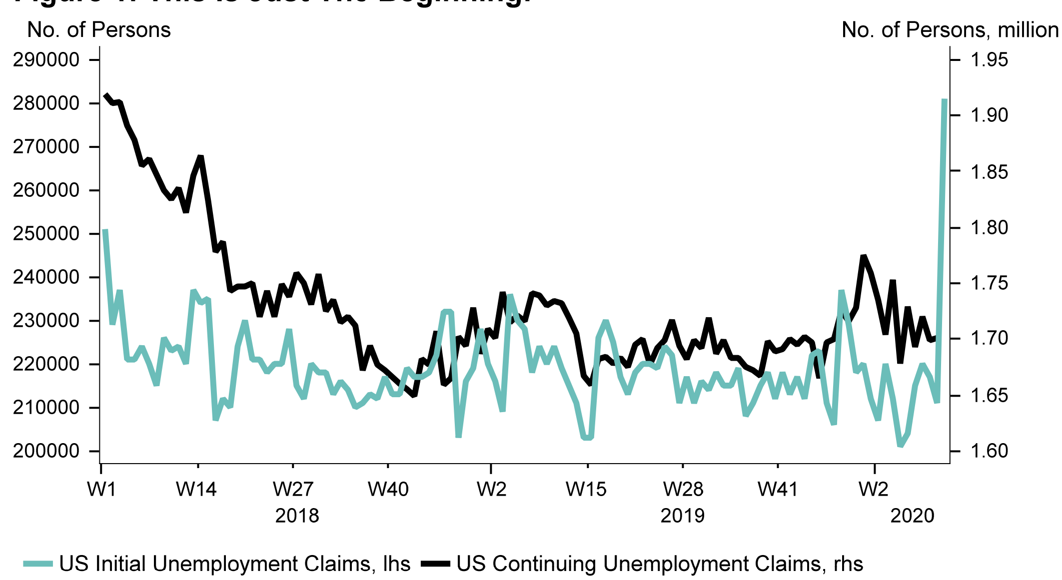
The **RBA** delivered an early 25 bp cut and then another one this week, leaving its cash rate at a record low of 0.25%. It also initiated QE with a pledge to maintain medium term yields around 0.25%, similar to the Yield Curve Control (YCC) done by the Bank of Japan (for details, please see country section below).

The Bank of Canada (BoC) has cut its policy rate by 100 basis points so far, in two 50-bp cut moves that left its policy rate at a (now) relatively high 0.75%.

US

In typical times, the unemployment claims are one of the dullest macro data releases an economist can write about. Not so now. They are an early look at what lies ahead in terms of economic impact of the Covid-19 and the picture is not pretty. Initial claims—a measure of job shedding—spiked by 70,000 to 281,000 in the week ended March 13th, the highest level since September 2017 and the largest weekly jump since November 2012.

Figure 1: This Is Just The Beginning!



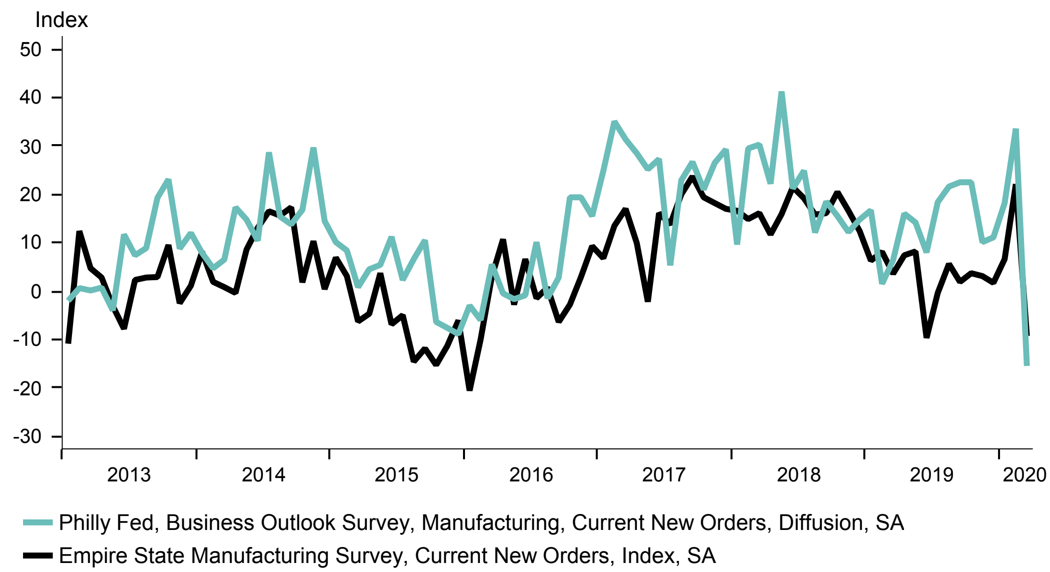
Sources: Macrobond, U.S. Department of Labor

Unfortunately, whereas in those earlier instances the subsequent readings were much improved, we anticipate considerable further deterioration ahead now as tough restrictions on movement are implemented across the country. This particular jump was driven primarily by the states of Washington, Nevada, and California. The rest of the country will soon follow suit…Consensus is looking for initial claims to spike to nearly 800,000 next week. They could even exceed 1,000,000! Continuing claims—a measure of unemployment—are always reported with a week delay so they did not show any movement in the week ended March 7, remaining nearly unchanged close to cycle lows. That will likely prove to be the last week of calm before the storm.

Now that the incoming macro data for March is becoming available, we are starting to see some ugly prints showcasing extremely quick (seemingly instantaneous!) shifts from very strong to very weak signals. The two regional Fed surveys released this week—the Empire and the Philly indexes—are cases in point. The **Empire Fed** manufacturing survey lost a record 34.4 points, plunging from a nine-month high to a twelve-year low of -21.5. Having surged 15.5 points in January, new orders collapsed 31.4 points to the lowest since June. Shipments collapsed 20.6 points to the lowest since September 2016. Employers are aggressively cutting employee hours, as we expected, with outright employment also starting to show softness. The workweek declined sharply to the lowest since December 2015 and the number of employees decline to the lowest since July.

The **Philly Fed** index added to the gloom with a record 49.4 point decline to -12.7, the lowest since July 2012. New orders collapsed 49.1 to the lowest since June 2012, shipments dropped 25.0 to the lowest since February 2019, the workweek contracted to the shortest since October 2016, and backlogs plunged to the weakest since September 2016. With Chinese activity starting to come back online over the course of March, that may provide some support in April, but that may well be drowned by the impact of broad activity closures within the US and Europe.

Figure 2: New Manufacturing Orders Plunge



Sources: Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia

Retail sales were weaker than expected in February, although an upward revision to January partly offset the disappointment…but only partly…And . Sales declined 0.5% in February, while January's gain was doubled to 0.6%. Control sales (which exclude food services, building materials, autos dealers and gas stations) were flat, although January was revised up four tenths to a gain of 0.4%. Breadth was weak, with only four out of 13 categories reporting gains for the month. The biggest decline was the 2.8% drop at gasoline station sales, the biggest increase a 1.4% increase in the "miscellaneous" category. Non-seasonally adjusted sales increased 7.8% y/y; control sales rose 7.3% y/y.

Well, we at least know that going into the Covid-19 crisis, the housing sector was doing extremely well. Existing home sales have been rebounding in recent months as lower mortgage rates improved affordability. They surged 6.5% in February to a 5.77 million pace (saar)—the highest level since February 2007. The median selling price rose 8.0% y/y. Supply remains a binding constraint, though, as the inventory ratio was unchanged at 3.1 months' worth of sales, close to a record low. Homes stayed on the market an average of 36 days, down from 43 in January.

The supply of housing has also picked up. After an extraordinary surge in December, housing starts beat expectations again in both January and February. Housing starts retreated just 1.5% to 1,599,000 (annualized) in February, which was the second best print in the post-crisis period (January was the best). Single family starts jumped 5.9% to 1.1 million (saar) – the highest since June 2007. Multifamily starts, a category that tends to be volatile and includes apartment buildings and condominiums, dropped 14.9% from a multi-decade high. All this left overall starts up 39.2% y/y, with single starts up 35.4% y/y and multi starts up 47.64% y/y.

What was somewhat surprising is that **building permits**—a leading indicator of starts—didn't decline much in February. That's probably because builders may not have initially perceived the covid-19 virus as a serious threat to buyer incomes and, thus, future demand. Admittedly, permits did decline 5.6% in February but that was from January's cycle high and that still left them 13.8% higher than a year earlier.

Given the buoyant housing market conditions through February, it is not entirely surprising that homebuilder sentiment held up pretty well in March. However, we think further deterioration is all but inevitable so we wouldn't read too much into the March resilience. The **National Association of Homebuilders' (NAHB) index** lost two points to a four-month low of 72. Buyer traffic, present sales, and future sales lost one point, two points, and four points, respectively, in what seems a perfectly natural behavioral sequence. People are still looking but not rushing to buy and will probably slow those buying decisions further still.

Canada

Headline **consumer price inflation** came in a tad above expectations at 2.2% y/y in February, down two tenths from January. This was due to a slight pullback from gasoline price inflation which slowed to 7.0% from 11.2% in January, reflecting lower crude oil prices amid lower global demand. Excluding gasoline, inflation rose 2.0%, the same as December and January. Overall energy inflation slowed to 4.3%. Costs of transportation services also declined slightly from January to 4.4%, due to the cancellation of several flights. Food inflation also eased 0.8 percentage points to

2.4%, as fresh fruit and vegetables prices moderated. The average of core inflation measures were more or less unchanged—as both the common component and weighted median stayed at 1.8% and 2.1% respectively, while the trimmed mean fell one tenth to 2.0%. On a monthly basis, prices rose 0.1% in February, matching the increase in January. In tune with Statistics Canada, we foresee a sharp deceleration in inflation over subsequent months as transportation and travel services are hit by flight suspensions and limited travel. This will be compounded by declining prices for crude oil due to lower demand as well as a ramp-up in supply.

Housing activity performed better than anticipated in February, with transactions up in about 60% of the markets. **Existing home sales** rose 5.9%, mainly due to a 15% jump in activity in the Greater Toronto Area. Sales were complemented by a healthy supply of houses as well, as the number of new homes listed jumped by 7.3%, more than offsetting the declines since late last year. This caused the sales-to-new listings ratio (a measure of market tightness) to lose 0.9 percentage points to 64.0%. The months of inventory reached a new cyclical low of 4.1 months. The Aggregate Composite MLS Home Price index rising 0.7% in February, the ninth consecutive gain, and up 5.9% y/y. Supply outstripped demand slightly in February, but we expect the data to show some slowdown in activity as we begin to assess the impact of the outbreak.

The **11-City housing report** published by Teranet and the Bank of Canada showed a 12th consecutive annual gain, rising by 2.9% y/y, which was also the sharpest since December of 2018. The monthly gain also surpassed average gains observed over February, with the index up 0.4%. Rising prices in Montreal (+1.1%), Vancouver (+0.8%), Halifax (+0.8%), Toronto (+0.4%) more than offset falls in Edmonton (−1.3 %) and Calgary (−0.9%).

Nominal **manufacturing sales** continued to trend downward of late, with sales contracting for the fifth consecutive month. Sales retreated by 0.2% m/m to C$56.1 billion in January, though the fall was muted in comparison to earlier months. Sales of motor vehicles fell 12.3%, mainly due to an earlier pullback in production because of shutdowns. This caused the sales of transportation equipment to fall for the second consecutive month, down 6.0%. Sales in the petroleum and coal product industry fell 5.2%, following a 1.9% increase in December. These were offset by increase in food sales (+2.6%), non-metallic mineral product (+15.7%), machinery (+4.6%) and fabricated metal product (+4.6%). Inventory levels rose by 0.4%, thus raising the inventory to sales ratio to 1.56 from 1.55 in December. New orders were up 0.8%, reflecting higher orders in transportation equipment. The capacity utilization rate also increased 0.5 percentage points to 77.3%. Real sales fell by 0.4%.

Retail sales increased slightly more than expected by 0.4% to C$52 billion in January. The largest contributors were motor vehicle and parts, which rose 1.8%; while sales at gasoline stations were higher by 1.5%. Real retail sales fell by 0.3%.

UK

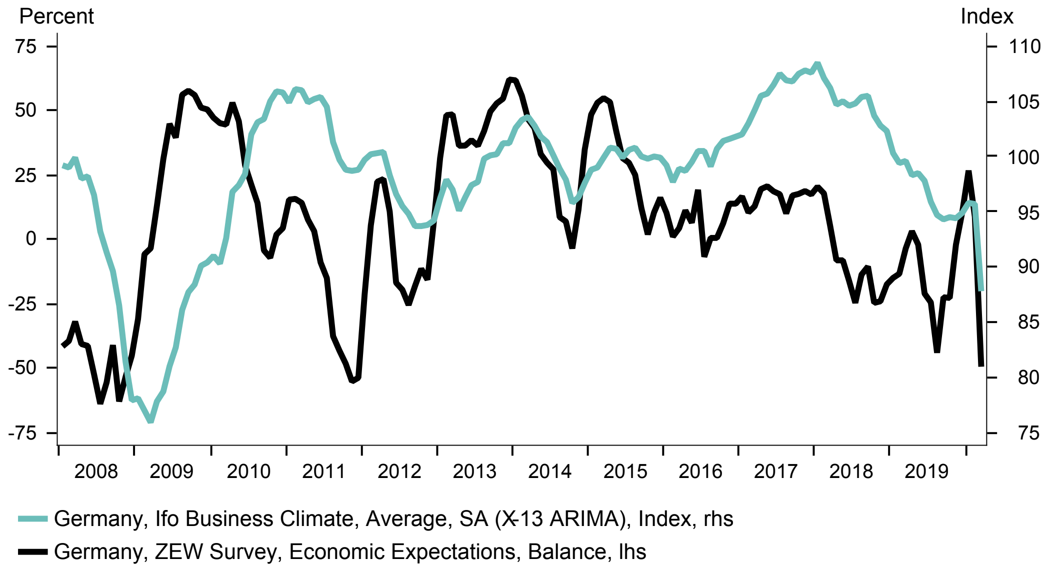
The labor market took a turn for the better around the turn of the year but in the new world of Covid-19 social distancing that seems unlikely to last beyond February. Employment rose by 184,000 in November-January, in sharp contrast to the modest 24,000 increase of the prior three months. The participation rate increased a tenth to

64.2% and unemployment jumped by 53,000, pushing the unemployment rate up a tenth to 3.9%. The claimant count unemployment rate increased another tenth to 3.5%, the highest level since January 2014. Vacancies increased by 6,000 for a third consecutive gain but this, too, seems unlikely to last. Wage inflation has retreated from mid-2019 highs but remains healthy. Overall average weekly earnings increased by 3.1% y/y in November-January, with regular pay (excluding bonuses) up 3.1% y/y and bonuses up 3.8%.

Eurozone

Following considerable deterioration over the course of 2019, various measures of ***German*** business sentiment was trying to recover recently. The Covid-19 outbreak has crushed those efforts now, with both the ZEW and Ifo indexes down sharply in March. The **ZEW index** collapsed nearly 60 points to the lowest level since December 2011. The **Ifo index** collapsed to its lowest levels since September 2009!

Figure 3: German Business Sentiment: No Respite!



Sources: ZEW (Centre for European Economic Research), Ifo Institute

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Japan

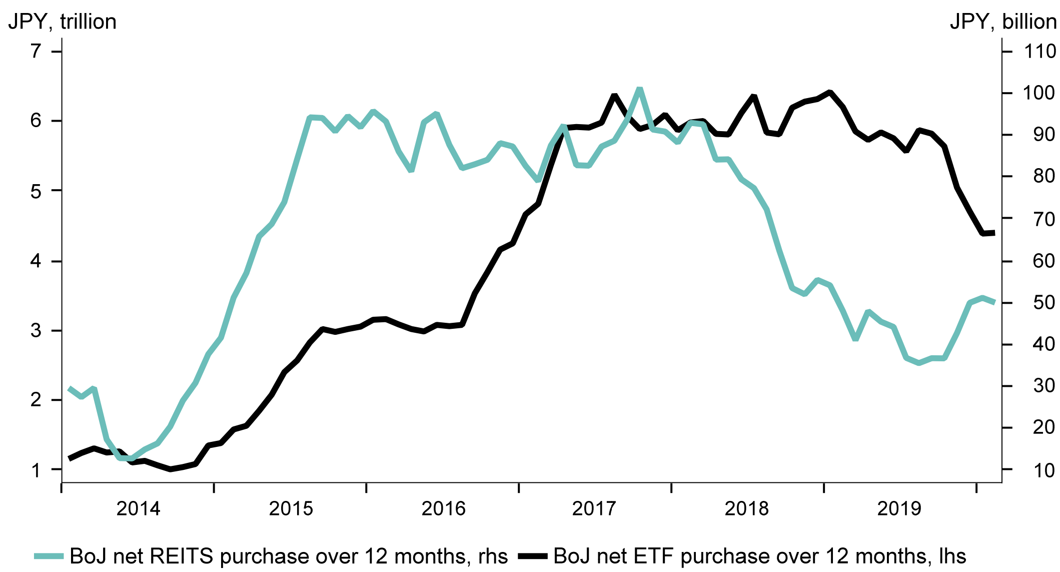
The **Bank of Japan** followed several major central banks around the world and brought forward its scheduled meeting on March 19th to Monday in response to the outbreak. The current policy rate was kept unchanged at a negative 0.1%, while the target for 10-year government bond yields was retained at 0% as was the commitment to expand its JGB holdings by ¥80 trillion per annum. This was more or less expected, as the Board has previously stated its aversion to take rates further into the negative territory due to resultant financial imbalances.

Otherwise, the BoJ opened the floodgates, with additional liquidity measures aimed at ensuring adequate credit availability to small and medium enterprises, especially in hospitality and retail, most hit by social distancing and loss of tourism.

- The BoJ, in coordination with other central banks has promised ample Dollar liquidity in the market by lowering the loan rate by 0.25% and offering weekly Dollar swaps with an 84-day maturity, in addition to the one-week maturity operations currently offered.
- A Special Funds-Supplying Operations was launched to provide loans against corporate debt (of about ¥8 trillion as of end-February 2020) as collateral at the interest rate of 0% with maturity up to one year, to be conducted until the end of September 2020. In addition, the upper limit to purchase CP and corporate bonds was raised to about ¥3.2 trillion and ¥4.2 trillion respectively.
- The annual cap on purchase of ETFs and J-REITs was increased to ¥12 trillion and ¥180 billion.

The measures highlight the rather high bar for a rate cut, as well as the limited firepower left with the central bank. Cutting interest rates further was always going to be a challenge, given the adverse impact on bank earnings as net interest margins are squeezed. Moreover, low long term interest rates risk dampening consumer sentiment by depressing the investment performance of life insurance and pension funds. Also, a muted reacted of the Yen to earlier Fed cuts might have reduced the urgency to cut. The focus will now turn to more fiscal support, especially since the announced measures worth about $4.2 billion are rather inadequate to address the ongoing crisis.

Figure 4: BoJ ETFs and REITs Purchases To Increase



Sources: Bank of Japan (BOJ)

Headline **inflation** slowed considerably in February, down three tenths to 0.4% y/y, lowest in four months. The main reason for the deceleration was a 0.2% drop in energy prices, which follows a 0.8% increase in January. Food inflation was stable at 1.2%. Core CPI (excluding fresh food) printed at 0.6%, down two tenth from January, while the new BoJ core CPI (excluding fresh food and energy) also edged down two tenth to 0.6%. Other categories with noted decline were education, where inflation fell by 7.9%, for the fifth consecutive month. Prices for cultural and recreational services also slowed to 1.1% from 2.1% earlier. We expect this sector to be majorly hit due to lockdown and cancellation of events. Declining global oil prices will keep headline inflation down, with spikes in some of the sub=sectors including medical goods and personal care. But overall we see a deceleration in inflation extending well into the second half of 2020.

Core machinery orders (private sector orders other than for ships and electricity generating equipment) saw a gain of 2.9% in January after the December fall was revised up to -11.9%. Goods orders came in positive for the second month, rising 4.6%, while services orders contracted by 1.7%, the second fall but muted compared to the 18.8% drop in December. Both public and agency orders rebounded 8.1%. Reading too much into January orders data probably does not make much sense, because the extent of the supply disruption will only be reflected February onwards.

Australia

The **Reserve Bank of Australia** reduced the cash rate yet again by 25 basis to a record low of 0.25%. It also commenced Quantitative Easing (QE) operations, committing to maintain medium term yields around 0.25%, similar to the Yield Curve Control done by the Bank of Japan. The highlights are:

- The Board committed to keep rates low for long. The cash rate target will not be increased until progress is being made towards full employment and it is confident that inflation will be sustainably within the 2–3% target band.
- The RBA will target the yield on 3-year ACGBs at around 0.25%, through purchases of Government bonds in the secondary market. Purchases of Government bonds and semi-government securities across the yield curve will be conducted to help achieve this target as well as to address market dislocations. The Bank will work closely with the Australian Office of Financial Management (AOFM) and state government borrowing authorities.
- A term funding facility will be set up for the banking system, with particular support for credit to small and medium-sized businesses. The RBA will provide a three-year funding facility to authorized deposit-taking institutions (ADIs) at a fixed rate of 0.25%. ADIs will be able to obtain initial funding of up to 3% of their existing outstanding credit. They will have access to additional funding if they increase lending to business, especially to small and medium-sized businesses. This facility is for at least $90 billion.

In an accompanying statement, Governor Lowe gave some insight into the decisions made. The most important aspect is the open-ended nature of the policy action, wherein the bank has committed to keep rates low as long as required, with the upper bound of ACGB purchases undefined as well. It is probably too late to save the second quarter, but the unprecedented coordinated policy action across the globe generates hope that the subsequent recovery will be swift. But we need coordinated fiscal policy as well to save the day, and the RBA statement mentions that “the Australian Government has also developed a complementary program of support for the non-bank financial sector, small lenders and the securitization market, which will be implemented by the AOFM”. The focus will turn to fiscal easing as of now, but have we reached the limits of monetary policy? The fluidity of the situation makes an answer very difficult, as the Deputy Governor said in a speech last week, “the virus is going to have a material economic impact but it is not clear how large that will be. That makes it difficult for the market to reprice financial assets.”

Under normal circumstances, February would have been a perfectly good labor market report. The **unemployment rate** dipped two tenths to 5.1%, while the number of people employed increased by 26,700 to 13 million. The underlying composition was also healthy—with an increase of 6,700 people in full-time employment and that of 20,000 people in part-time employment. The participation rate edged down only slightly by one tenth to 66.0%, but more importantly the underemployment rate remained unchanged at 8.6%. The underutilization rate fell by 0.2 percentage points to 13.7%. However, the colors fade in context of what lies ahead, with the second quarter shaping up to be especially hard for the economy. Social distancing and shutdown measures have hit demand majorly, foreign and domestic alike. Such a large shortfall will weigh heavily on the labor market. Workers in industries such as tourism, education and retail are already being laid off and this will only worsen under travel bans and cancellations of large events. We do expect a sharp uptick in the unemployment rate in the near term, and the upside will depend on how quickly we can ease the medical emergency and return to some sort of normalcy.

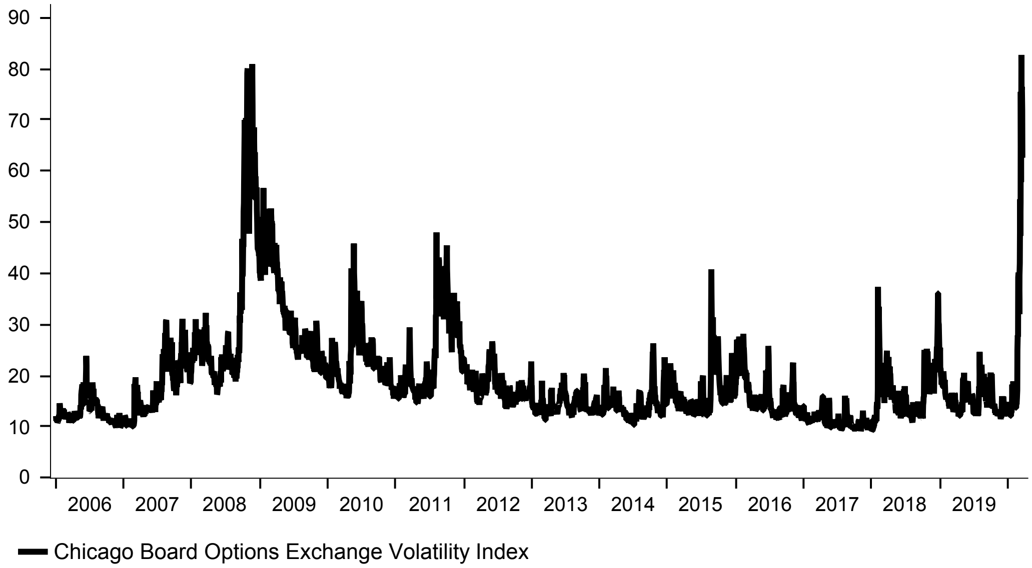
Housing market yet again posted a positive result in the fourth quarter of 2019, as the **ABS house price index** increased for the second consecutive quarter, by 3.9%. Price gains were especially strong in Sydney and Melbourne—up 4.7% and 5.2% respectively. As a matter of fact, prices rose in all the metropolitan markets other than Darwin. The total value of 10.4 million residential dwellings rose by A$294.4 billion to A$7,212.6 billion, the largest rise on record. Residential property prices rose 2.5% over the year, with rises in all capital cities except Perth and Darwin. The accommodative policy stance by the Reserve Bank of Australia seemed to be supporting the market well, and we expect the temporary slowdown in light of the outbreak to be followed by a swift rebound as policy eases further.

STATE STREET GLOBAL ADVISORS

The Market This Week

A painful week for investors across geographies and asset classes as volatility spiked and deepening market dislocations forced extraordinary central bank interventions.

Figure 5: Volatility Surges



Sources: Chicago Board Options Exchange (CBOE)

Equities: Massive equity declines in the US, Canada, Australia.

Bonds: Bond yields are mixed but generally wider.

Currencies: A major dollar liquidity squeeze develops.

Commodities: Oil collapses, gold ends lower.

Country	Exchange	Last	%Ch Week	%Ch YTD	Last	BP Ch Week	BP Ch YTD	Last	%Ch Week	%Ch YTD
US	S&P 500®	2345.08	-13.5%	-27.4%	0.94	-3	-98	102.793	4.1%	6.6%
Canada	TSE 300	12095	-11.8%	-29.1%	0.89	4	-81	1.4431	4.5%	11.1%
UK	FTSE®	5190.78	-3.3%	-31.2%	0.56	15	-26	1.1569	-5.8%	-12.7%
Germany	DAX	8928.95	-3.3%	-32.6%	-0.32	22	-14			
France	CAC-40	4048.8	-1.7%	-32.3%	0.12	10	0	1.0658	-4.0%	-4.9%
Italy	FTSE® MB	15731.85	-1.4%	-33.1%	1.63	-15	22			
Japan	Nikkei 225	16552.83	-5.0%	-30.0%	0.08	3	9	111.11	3.2%	2.3%
Australia	ASX 200	4816.629	-13.0%	-27.9%	1.14	16	-23	0.5807	-6.4%	-17.3%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	25.67	-23.5%	-61.4%	-62.3%
Gold	US $/troy oz	Bloomberg	1483.28	-3.0%	-2.2%	13.0%

Source: Bloomberg®

Week in Review (March 16–March 20)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, March 16					
US	FOMC Monetary Policy Decision (unscheduled)		0.25%	1.25%	Whatever it takes!
US	Empire Manufacturing (Mar)	3.0	-21.5	12.9	Record decline!
CA	Existing Home Sales (Feb, m/m)	0.5%	5.9%	-2.9%	Both supply and demand improved.
JN	BoJ Monetary Policy Decision (unscheduled)	-0.10%	-0.10%	-0.10%	Additional liquidity measures, but no cuts.
JN	Core Machine Orders (Jan, m/m)	-1.0%	2.9%	-11.9%(↑r)	Feb data to reflect the extent of disruption.
Tuesday, March 17					
US	Retail Sales Advance (Feb, m/m)	0.2%	-0.5%	0.6%(↑r)	Core sales were flat.
US	Industrial Production (Feb, m/m)	0.4%	0.6%	-0.5%(↓r)	Probably last good print for a while.
US	JOLTS Job Openings (Jan, thous)	6400	6963	6552(↑r)	Old news…
US	NAHB Housing Market Index (Mar)	73	72	74	Bound to worsen.
US	Business Inventories (Jan, m/m)	-0.1%	-0.1%	0.0%(↓r)	Further drawdowns likely.
CA	Manufacturing Sales (Jan, m/m)	-0.6%	-0.2%	-0.7%	Vehicle sales fell for the second month.
UK	ILO Unemployment Rate (Jan)	3.8%	3.9%	3.8%	Higher participation, higher unemployment.
UK	Average Weekly Earnings (Jan, 3m y/y)	3.0%	3.1%	2.9%	There should be some stickiness here.
GE	ZEW Investor Expectations (Mar)	-30	-49.5	8.7	Unsurprising cratering.
JN	Industrial Production (Jan, final, m/m)	0.8%(p)	1.0%	1.2%	Buildup in inventories.
AU	House Price Index (Q4)	4.5%	3.9%	2.4%	Housing activity stayed strong in Q4.
Wednesday, March 18					
US	Building Permits (Feb, thous)	1500	1464	1550(↓r)	Housing was really booming pre-Covid-19.
US	Housing Starts (Feb, thous)	1500	1599	1624(↑r)	Housing was really booming pre-Covid-19.
CA	CPI (Feb, y/y)	2.1%	2.2%	2.4%	Lower on crude, sharp pullback expected.
CA	Teranet/National Bank HPI (Feb, y/y)		2.9%	2.1%	Sharpest rise since December 2018.
EC	CPI (Feb, final, y/y)	1.2%(p)	1.2%	1.2%	Least of our worries right now…
IT	Industrial Orders (Jan, m/m)		1.2%	1.3%(↓r)	This was then…
JN	Trade Balance Adjusted (Feb, ¥ bil.)	535.5	498.3	-78.7(↑r)	Exports remain flat, imports down sharply.
Thursday, March 19					
US	Initial Jobless claims (Mar 14, thous)	220	281	211	This is just the beginning!
US	Philadelphia Fed Business Outlook (Mar)	8	-12.7	36.7	Plunging new orders.
US	Leading Index (Feb, m/m)	0.1%	0.1%	0.7%(↓r)	Bound to turn deeply negative in March.
UK	BoE Monetary Policy Decision (unscheduled)		0.10%	0.25%	Part of the “whatever it takes” global response.
GE	IFO Business Climate (Mar, prelim)		87.7	96(↓r)	Unsurprising plunge.
JN	CPI (Feb, y/y)	0.5%	0.4%	0.7%	Down on energy prices.
JN	All Industry Activity Index (Jan, m/m)	0.3%	0.8%	-0.1%(↓r)	Small rebound in services in January.
AU	RBA Monetary Policy Decision (unscheduled)	0.25%	0.25%	0.50%	Introduces QE, rates to remain low for long.
AU	Unemployment Rate (Feb)	5.3%	5.1%	5.3%	A perfectly good labor report.
Friday, March 20					
US	Existing Home Sales (Feb, m/m)	1.1%	6.5%	-1.3%	Housing was booming pre-Covid-19.
CA	Retail Sales (Jan, m/m)	0.3%	0.4%	0.0%	Decent report.
FR	Wages (Q4, final, q/q)	0.2%(p)	0.2%	0.2%	Steady.

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

Week Preview (March 23–March 27)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, March 23				
	No Major Data Releases			
Tuesday, March 24				
US	New Home Sales (Feb, thous)	750	764	The last good report for a while…
UK	Manufacturing PMI (Mar, prelim)	45.0	51.7	The start of acute losses.
UK	Services PMI (Mar, prelim)	45.0	53.2	The start of acute losses.
EC	Manufacturing PMI (Mar, prelim)	39.5	49.2	The start of acute losses.
EC	Services PMI (Mar, prelim)	39.8	52.6	The start of acute losses.
GE	Manufacturing PMI (Mar, prelim)	40.0	48.0	The start of acute losses.
GE	Services PMI (Mar, prelim)	43.0	52.5	The start of acute losses.
FR	Manufacturing PMI (Mar, prelim)	41.0	49.8	The start of acute losses.
JN	Manufacturing PMI (Mar, prelim)		47.8	PMIs to suffer because of supply chain disruption…
JN	Services PMI (Mar, prelim)		46.8	…and loss in travel and hospitality services.
JN	Leading Index (Jan, final)	90.3(p)	91.0	
Wednesday, March 25				
US	FHFA House Price Index (Jan, m/m)	0.4%	0.6%	
US	Durable Goods Orders (Feb, prelim, m/m)	-0.8%	-0.2%	
UK	CPI (Feb, y/y)	1.7%	1.8%	
UK	PPI Output (Feb, y/y)		1.1%	
GE	IFO Business Climate (Mar, final)	87.7(p)	96(↓r)	
Thursday, March 26				
US	Initial Jobless claims (Mar 21, thous)	775	281	We are poised for unprecedented spike!
US	GDP (Q4, third, q/q saar)	2.1%(p)	2.1%	The good old times when we thought 2% wasn't all that great…
US	Kansas City Fed Manf. Activity (Mar)	-8	5	If anything, risks are to the downside.
UK	BoE Monetary Policy Decision	0.10%	0.10%	
UK	Retail Sales (Feb, m/m)	0.1%	0.9%	
GE	GfK Consumer Confidence (Apr)	7.4	9.8	The start of acute losses.
FR	Business Confidence (Mar)	95	105	The start of acute losses.
JN	PPI Services (Feb, y/y)	2.2%	2.3%	
Friday, March 27				
US	Personal Income (Feb, m/m)	0.4%	0.6%	Strong hours will support wages but other income at risks.
US	Personal Spending (Feb, m/m)	0.3%	0.2%	
US	U of Mich Sentiment (Mar, final)	92.5	101.0	The start of acute losses.
GE	Retail Sales (Feb, m/m)	0.0%	1.0%(↑r)	
FR	Consumer Confidence (Mar)	92	104	The start of acute losses.
IT	Consumer Confidence (Mar)	100.1	111.4	The start of acute losses.
IT	Manufacturing Confidence (Mar)	89.0	100.6	The start of acute losses.

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year %Change in Target				
		Oct	Nov	Dec	Jan	Feb
US	Target: PCE price index 2.0% y/y	1.3	1.3	1.5	1.7	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.9	2.2	2.2	2.4	2.2
UK	Target: CPI 2.0% y/y	1.5	1.5	1.3	1.8	
Eurozone	Target: CPI below but close to 2.0% y/y	0.7	1.0	1.3	1.4	1.2
Japan	Target: CPI 2.0% y/y	0.2	0.5	0.8	0.7	0.4
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	1.8	1.8		

Source: Macrobond

Key Interest Rates

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-1	Dec-19	Jan-20	Feb-20
US (top of target range)	2.50	2.50	2.50	2.50	2.25	2.00	1.75	1.75	1.75	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)	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03	-0.07	-0.04	-0.03
Australia (OCR)	1.50	1.50	1.28	1.02	1.00	1.00	0.76	0.75	0.75	0.75	0.75

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2011	2012	2013	2014	2015	2016	2017	2018	Forecast 2019	Forecast 2020
US	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3
Canada	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8
UK	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4
Eurozone	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9
Germany	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0
France	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5
Italy	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Japan	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1
Australia	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year %Change						PPI Year/Year %Change				
	Oct	Nov	Dec	Jan	Feb		Oct	Nov	Dec	Jan	Feb
US	1.8	2.1	2.3	2.5	2.3		1.0	1.1	1.3	2.1	1.3
Canada	1.9	2.2	2.2	2.4	2.2		-1.4	-0.6	0.5	0.5	
UK	1.5	1.5	1.3	1.8			0.8	0.5	0.9	1.1	
Eurozone	0.7	1.0	1.3	1.4	1.2		-1.9	-1.4	-0.6	-0.5	
Germany	1.1	1.1	1.5	1.7	1.7		-0.6	-0.7	-0.2	0.2	-0.1
France	0.8	1.0	1.5	1.5	1.4		-1.2	-0.3	0.7	0.3	
Italy	0.2	0.2	0.5	0.5	0.3		-2.9	-2.6	-2.1	-2.3	
Japan	0.2	0.5	0.8	0.7	0.4		-0.3	0.2	0.9	1.5	0.8
Australia	1.8	1.8	1.8				1.4	1.4	1.4		

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

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

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Oct	Nov	Dec	Jan	Feb	Oct	Nov	Dec	Jan	Feb
US	-0.4	0.9	-0.4	-0.5	0.6	-0.8	-0.4	-0.9	-1.0	0.0
Canada	0.0	-0.4	0.3			-2.5	-1.8	-1.2		
UK	0.1	-1.2	0.1	-0.1		-1.6	-2.5	-1.9	-2.9	
Germany	-1.2	1.3	-2.2	3.0		-4.7	-2.5	-5.3	-1.4	
France	0.4	-0.2	-2.5	1.2		-0.2	0.5	-3.0	-2.8	
Italy	-0.3	0.0	-2.6	3.7		-2.4	-0.8	-3.7	-0.4	
Japan	-4.5	-1.0	1.2	1.0		-6.6	-6.7	-5.6	-2.3	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-1	Dec-19	Jan-20	Feb-20
US	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5
Canada	5.7	5.4	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5	5.6
UK	3.8	3.9	3.8	3.9	3.8	3.8	3.8	3.8	3.9		
Eurozone	7.6	7.6	7.5	7.6	7.5	7.5	7.4	7.4	7.4	7.4	
Germany	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.5	8.4	8.5	8.5	8.5	8.4	8.3	8.2	8.2	8.2	
Italy	10.1	10.0	9.8	9.9	9.6	9.9	9.7	9.7	9.8	9.8	
Japan	2.4	2.4	2.3	2.3	2.3	2.4	2.4	2.2	2.2	2.4	
Australia	5.2	5.2	5.3	5.2	5.3	5.2	5.3	5.2	5.1	5.3	5.1

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

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