Weekly Economic Perspectives

Weekly Highlights

- **Economies:** The Fed cuts again and signals a pause. The Bank of Canada leaves policy rate unchanged. UK manufacturing contraction moderates. Eurozone growth comes in better than expected. The Bank of Japan tweaks forward guidance. CPI inflation picks up a little in Australia. (pages 2 – 6)
- **Markets:** Risk sentiment improves late in the week on stronger than expected macro data. Bond yields end the week modestly lower. The dollar moves lower as the pound and Aussie gain. A calmer week for commodities, with both oil and gold up modestly. (page 7)

Upcoming Highlights

- **Spotlight:** The BoE should continue to stay on the sidelines, watching Brexit and the economy. Service activity is seen improving in the US, but not so much in the eurozone. Employment gains should moderate in Canada. (page 9)

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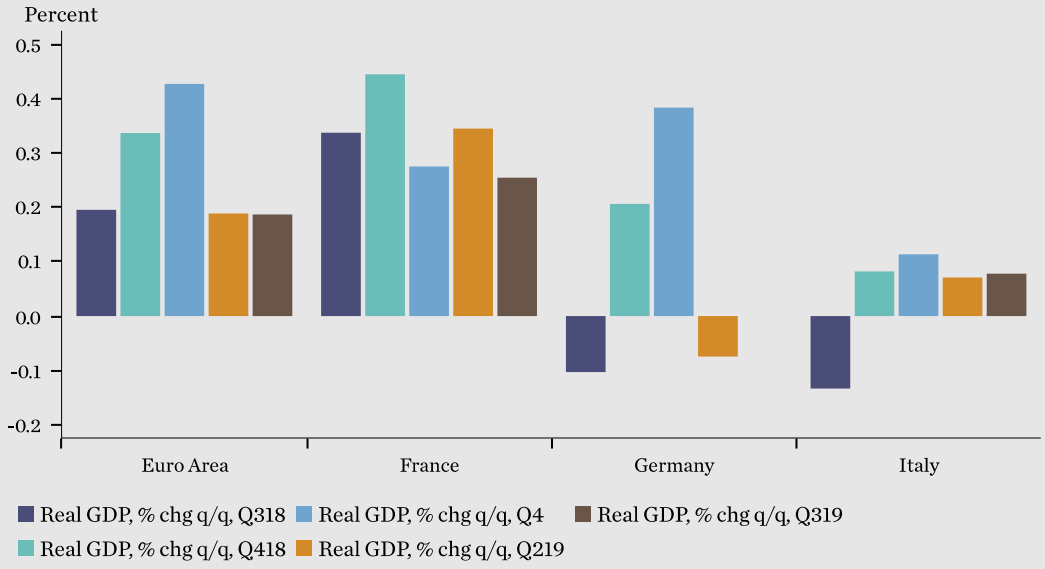
- **Data Calendars** (pages 8 – 9)
- **Economic Indicators** (pages 10 – 11)

Contact Information

Simona Mocuta
Senior Economist
simona_mocuta@ssga.com
+1-617-664-1133

Kaushik Baidya
Economist
kaushik_baidya@ssga.com
+91-806-741-5048

Figure 1: France Leads Core Eurozone Growth Again



Sources: INSEE, Istat, Eurostat, Statistisches Bundesamt

STATE STREET GLOBAL ADVISORS

Week in Review

US

Last December, we described the **Fed**'s tightening action as "the unnecessary hike". Nearly a year later, we are inclined to view this week's easing action as the "unnecessary cut". The Fed could have gotten out of lowering the Fed Funds rate for the third consecutive time (now at 1.5%-1.75%) if it had taken the opportunity several week ago, amid a slew of positive data surprises, to push back against market expectations of further easing. It did not do so forcefully, however, so as soon as the data flow took a weaker overtone, pricing for a rate cut in October shot back to over 90%. The Fed could not act against those odds. In the end, whether the policy rate upper bound is 1.75% or 2.0% doesn't make a major difference to economic performance, and as long as inflation remains well controlled, the Fed can be a little more accommodative. Indeed, the rationale put forth in the statement sounded more like a "because we can" rather than a "because we must" argument: "In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate [...]". What does matter, though, is a growing sense that the Fed is being pushed around by markets, rather than guiding them. We'd prefer this to change. The statement represented only a small baby step in that direction, noting that "the Committee will continue to monitor the implications of incoming information for the economic outlook as it assesses the appropriate path of the target range for the federal funds rate". This was a very subtle signal that a pause may be afoot. Chair Powell's press conference was a second step. He stated the pause message more powerfully, saying that monetary policy is "in a good place" and that it would require a "material change to the outlook" for the policy stance to change. Various Fed officials speaking since the decision seemed to further solidify the pause message. And yet, this is still very much a conditional pause, with developments on trade and Brexit key to ultimately settling the question.

The economic data flow this week support the view that the latest rate cut was really optional, rather than genuinely needed. **GDP growth** was modestly better than anticipated in the third quarter. Preliminary estimates show the economy expanded at a 1.9% seasonally adjusted annualized rate (saar), a bit better than the expected 1.6%. Private consumption was the main reason for this outperformance as it built on the stellar second-quarter performance with another 2.9% saar advance. By contrast, fixed investment continued to contract on intensifying declines in structures investment and an outright decline in business equipment investment that offset improvements in IP and residential investment. Government spending slowed after a perky Q2, inventories were little changed, and exports recovered incrementally after the Q2 plunge. All in all, private consumption added 1.9 percentage points (ppts) to third quarter growth (ssar terms), compared with 3.0 ppts in the second. Government added 0.4 ppts, down from 0.8. Fixed investment was a similarly sized detractor (-0.2 ppts). Inventories and net exports were flat, having both been major detractors in the second quarter. GDP grew 2.0% y/y in the third quarter and 2.3% y/y during the nine months.

The October **employment report** came in far stronger than expected and major upward revisions to the prior two months further accentuated the positive surprise. Employment rose by 128,000 versus the 85,000 expected. This is even more impressive given the negative impact of the GM strike. Data for the prior two months was revised up by an unusually large 95,000, leaving August as the second best print of 2019 and September as the fourth best. In other words, the hiring slowdown that seemed to have intensified in recent months has now been replaced by signs of reacceleration. Private payrolls increased by 131,000, while government lost 3,000. The private sector number was weighed down by the GM strike, which showed up clearly in the 36,000 decline in manufacturing employment. The good news is that this should jump back up upon the end of the strike. The weakness in manufacturing pulled employment in goods producing industries down by 26,000, partly offset by a 10,000 increase in construction jobs. Services added 157,000, with September revised up by 51,000 to 160,000. None of the details really stood out, but we were encouraged by the improving trend in trade and transportation as well as leisure/hospitality. Temporary help retreated by 8,000, but this follows two sizable gains.

According to the household report, employment increased by 241,000 while unemployment increased by 86,000, lifting the labor force by 325,000 and pushing the participation rate to a new cycle high of 63.3%. It's not often that we get excited about one-tenth moves in any particular indicator, but the modest uptick in the participation rate evident over

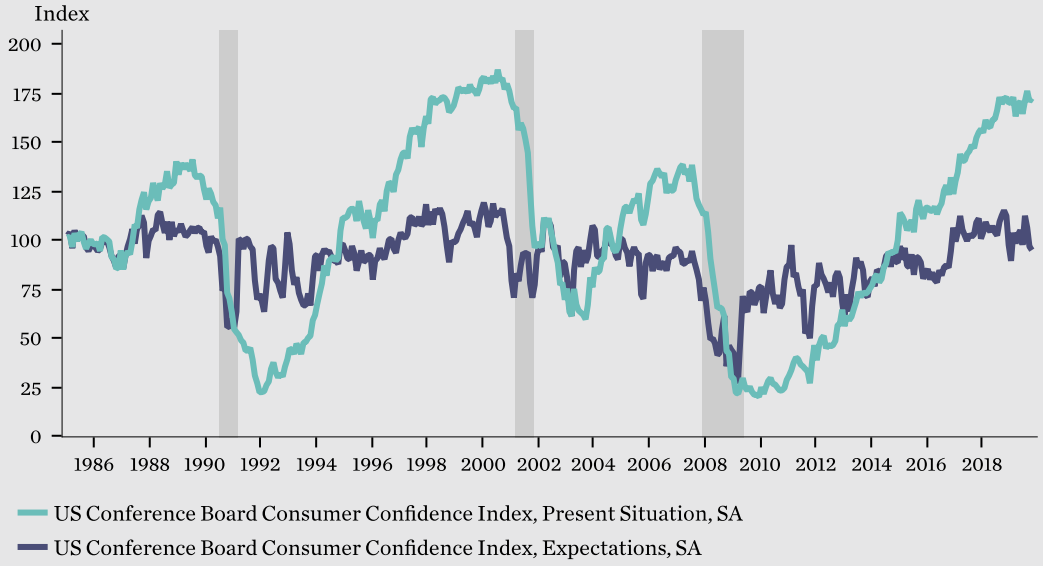
the past year or two is such a welcome trend that it is worth highlighting. The unemployment rate subsequently increased a tenth to 3.6%. The number of people employed part time for economic reasons increased by 88,000, raising the underemployment rate by a tick 7.0%; it is hovering close to the lowest levels since 2000.

The **hours data** showed only a modest improvement, but given they were heavily impacted by the GM strike, we actually thought this implied a solid performance outside of manufacturing. Indeed, while manufacturing hours worked declined 0.7%, the overall hours index ticked up 0.1%.

The **wage data** was decent. Both the total average hourly earnings and the average hourly earnings for production and non-supervisory employees (a more homogeneous group) increased 0.2% during the month. The overall wage inflation was unchanged at 3.0% y/y, while the corresponding measure for production and non-supervisory employees barely rounded down a tenth and only to a solid 3.4% y/y. The combination of slightly better hours and modestly higher wages bodes well for personal income growth in the month of October and this will continue to provide valuable support for consumer spending in coming months.

The **Conference Board** measure of **consumer confidence** has been volatilely trending sideways this year. It was little changed in October, down just 0.4 point from an upwardly revised September value, which left it slightly higher than where it started the year. The details were better than the headline as the present situation metric improved 1.7 points to the third highest level this year, whereas expectations dropped another 1.9 points to the lowest since January. Consequently, the gap between strong assessments of the present situation and deteriorating expectations widened again, standing close to a record high. One may look at this as a warning sign given that similar dynamics occurred prior to the last three recessions. However, just as in the case of the yield curve signal, there is a considerable lead time and the gap actually begins to narrow before recessions, as the current situation starts converging lower toward expectations, which themselves are plunging severely. Neither of these two is occurring at the moment and, given the nature of the future concerns (largely centered on trade war uncertainty), it remains to be seen how sentiment will evolve. For the moment, we are reassured that the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—rose 1.6 point to the second highest level since early 2001.

Figure 2: A Widening Gap...But Not Imminent Recession Signal



Sources: Conference Board, NBER

The US consumer remains in great financial shape. Overall **personal income** increased 0.3% in September, as expected, while August was revised up a tenth to 0.5%. Admittedly, wage and salary income was flat in September, but that was likely weighed down by the GM strike and should rebound. Both nominal and real disposable income increased 0.3%. Nominal **personal spending** came in a tad weaker than expected at just 0.2%, but this was offset by a slight upward adjustment to August data. Real spending also increased 0.2%. The savings rate moved back up two tenths to 8.3%, providing abundant cushion for consumers to weather a temporary economic slowdown.

The **PCE (personal consumption expenditures) deflator** data were a bit softer than expected as both the overall and the core PCE inflation rate retreated a tenth to 1.3% y/y and 1.7% y/y, respectively. Given that September 2018 marked the recent peak in oil prices, we expect the headline PCE inflation rate to move noticeably higher in coming months.

Given the gradual tightening of the labor market, it does not come as a surprise that **labor costs** have risen noticeably over the last two years. However, labor cost pressures still do not appear acute. The employment cost index (ECI) rose 0.7% q/q during the third quarter, driven by a 0.9% increase in wages/salaries. Benefits increased by 0.6%. Overall ECI inflation accelerated a tenth to 2.8% y/y but remains within its narrow recent range.

After a weak first half, **pending home sales** (transactions of previously owned homes on which sellers have agreed a contract but are yet to close) have recently rebounded thanks to lower mortgage rates. Sales increased 1.5% in September, leaving them 6.3% higher than a year earlier—the most since 2015.

Canada

As widely expected, the **Bank of Canada** (BoC) left its policy rate unchanged at 1.75% at the October 30th meeting. The tone of the press release suggests that the BoC might be saving up for a rainy day. The accompanying Monetary Policy Report noted that the global outlook for growth has weakened noticeably since Q2. "Heightened uncertainty about future trade policies is directly reducing business investment, and there is a risk that this will spread to households as well." Consequently, domestic growth is expected to "slow in the second half of this year to a rate below its potential". This will be a direct consequence of slowing business investment and exports. Meanwhile, the labor market has remained tight, and wages have started to pick up. Consumer spending has been "choppy", but will be supported by strong income growth. The Bank expects a GDP growth of 1.5% for 2019, before it picks up to 1.7% in 2020. This tallies with our forecasts, as we see a gradual recovery in housing providing the much-needed impetus to consumer spending. According to BoC, inflation is unlikely to pick up materially, but it is already essentially at target. In the concluding remarks, the Bank emphasized that it is "mindful that the resilience of Canada's economy will be increasingly tested as trade conflicts and uncertainty persist...[and] will pay close attention to the sources of resilience in the Canadian economy". We maintain our consensus that the Bank of Canada will remain on hold at 1.75% until year end as Q2-Q3 strength yields the way to a more balanced combination of domestic data. Looking towards 2020 however, it might be difficult to escape the impact of slowing global growth.

After a good run over since March of this year, real **GDP** growth has stalled over the past three months. Real GDP grew just 0.1% in August, tad below expectations. The underlying details were not as bad though—with goods producing industries rebounding 0.2% after two monthly declines, while services grew 0.1%. the main detractors were wholesale trade, which fell 1.3%, while utilities contracted 1.5% due to the relatively warm weather. GDP growth slowed to 1.3% y/y, one tenth below the August reading, and the lowest since March.

UK

The latest update on UK manufacturing activity was hardly stellar, but there was notable improvement. The **purchasing managers' index (PMI) for manufacturing** improved 1.3 points to 49.6 in October as new export orders increased for the first time since March (and by the most since December 2018). Inventories expanded again after contracting the month before. Elsewhere, the news was less impressive but we were encouraged by the 1.8-point improvement in the output index to 49.7, just shy of moving back into expansion territory. We hope that happens next month. The employment sub-index was still quite weak, rising only 0.1 point and only to 47.1.

Eurozone

Amid mixed high-frequency data, it was reassuring to see ***eurozone* GDP** growth holding at 0.2% q/q during the third quarter. Performance was aided by France, where the economy grew a better than expected 0.3% q/q. Italy was a marginal contributor with 0.1% q/q growth, but this was still a tad better than expected. Still, it is sobering to note than eurozone seasonally and workday-adjusted GPD rose a mere 1.1% y/y during the third quarter, the least since late 2013. In other words: nothing to get excited about. Yet, as they say—it could have been worse!

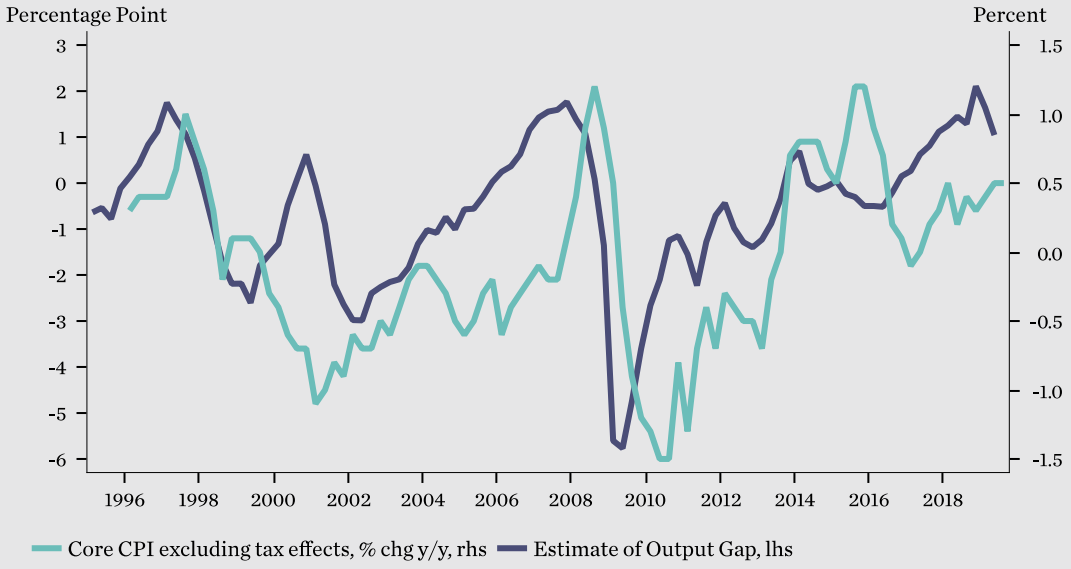
The ***German* labor market** continues to display impressive strength, even though momentum has softened recently. Employment increased by 10,000 to a new record high in October. But the number of unemployed also increased by 7,000, retracing most of the prior month's decline. The claimant count unemployment rate was unchanged at 5.0% for the fifth consecutive month. The seasonally unadjusted rate (which garners more attention domestically) retreated a tenth to 4.8%, which is the lowest level of any October in the twenty eight year history of the series. We see clearer signs of softening in vacancies, which have fallen in each of the last seven months and are now 7.1% lower than a year earlier.

***German* retail sales** have been under considerable pressure this year. After a stellar June, they have since fizzled again. Real sales rose just 0.1% in September, a disappointment magnified by a sizable downward revision to August data, now showing a 0.1% decline instead of the original 0.5% gain. Still sales were up 3.4% y/y and have averaged 3.2% y/y in the third quarter, which suggests some support for broader GDP growth.

Japan

With a 7:2 majority, the **Bank of Japan** (BoJ) pledged to maintain its current accommodative policy stance. The 10-year government bond yield target remains at 0% and JGB holdings will expand by ¥80 trillion per annum. The Bank, however, tweaked its forward guidance as it "expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost." The focus is now on the output gap and inflation expectations. The BoJ already expects the positive output gap to narrow but remain broadly around "the current level." Hence, it is likely that the current policy stance will be adequate for now. Other major central banks around the world are also likely to pause the easing cycle, putting less upward pressure on the JPY. However, further BOJ action remains a distinct possibility in 2020.

Figure 3. Japan's Output Gap Is Still Positive



Sources: Bank of Japan (BOJ), Japanese Statistics Bureau

Japan's labor market remains tight, but in September showed signs that the market might be overheating. The **unemployment rate** increased to 2.4% from 2.2% in August, the first rise since March. This was mainly due to increased participation from workers aged 15-34, which caused the overall participation rate to increase two tenths to 62.5%. The number of people employed decreased by 50,000 to 67.3 million, with the loss in employment concentrated among males. The jobs-to-applicant ratio—a measure of labor market tightness—fell two tenths to 1.57 the lowest since November 2017, while the number of new jobs available per applicant also decreased by 0.07 to 2.28. This should be positive for wage growth, but rising unemployment coupled with reduced spending will increase the pressure on BoJ to ease policy setting over the coming months.

Retail sales had been trending mostly sideways since the start of 2019, with occasional downticks, while we waited for sales to pick up ahead of the October VAT hike. It finally came in September, as sales spiked 7.1%, after registering a 4.6% rise in August. Sales for both durables and discretionary items rose, with motor vehicle and household machine sales rising 13.5% and 28.2% respectively, while general merchandise sales also jumped by 14.8%. The pickup is comparable to the one seen ahead of 1997's sales tax hike, it remains to be seen if offsetting fiscal measures can arrest the drop in consumption in the fourth quarter. Fact—private consumption had contracted by 2.4% in the quarter following the 1997 tax hike.

Producer prices for services (PPIS), which purport to measure the cost of running a business, had been close to the 1.0% mark for more than a year now, but is now showing a distinct downtrend. Producer price inflation was flat over September, following four downticks over the past five months. The annual rate was also unchanged from a revised August figure of 0.5% y/y, lowest since January 2017. Prices for "other services" gained 1.2%, while transportation increased by 1.0%. This was offset by advertising services which fell 1.2%.

Australia

Third-quarter **consumer price inflation** (CPI) did not disappoint, with both headline and core measures in line with market and RBA's expectations. Headline consumer prices rose 0.5% in Q3, mainly due to a 6.1% spike in international travel and accommodation prices, while tobacco prices jumped 3.4%. These were offset by declining food (-2.9%) and fuel (-2.0%) prices. The two measures of underlying inflation—the weighted median and trimmed mean—came in at 0.3% (a tad lower than expected), and 0.4% (as expected), respectively. Tradeable prices grew strongly, up 0.9% q/q, with a weaker AUD offsetting the impact of slowing global trade. Housing inflation, however, was soft. CPI inflation edged up 0.1 percentage points (ppts) to 1.7% y/y, the weighted median slowed 0.1 ppts to 1.2% y/y, and the trimmed mean was unchanged at 1.6% y/y. Headline inflation is not expected to hit RBA's target until June 2021, but with a little help from a housing recovery and a weaker currency, we might see inflation revert to 2.0% by end-2020. We expect the RBA to cut rates once more in 2020 to help ease the spare capacity in the labor market, thus driving wage inflation higher as well.

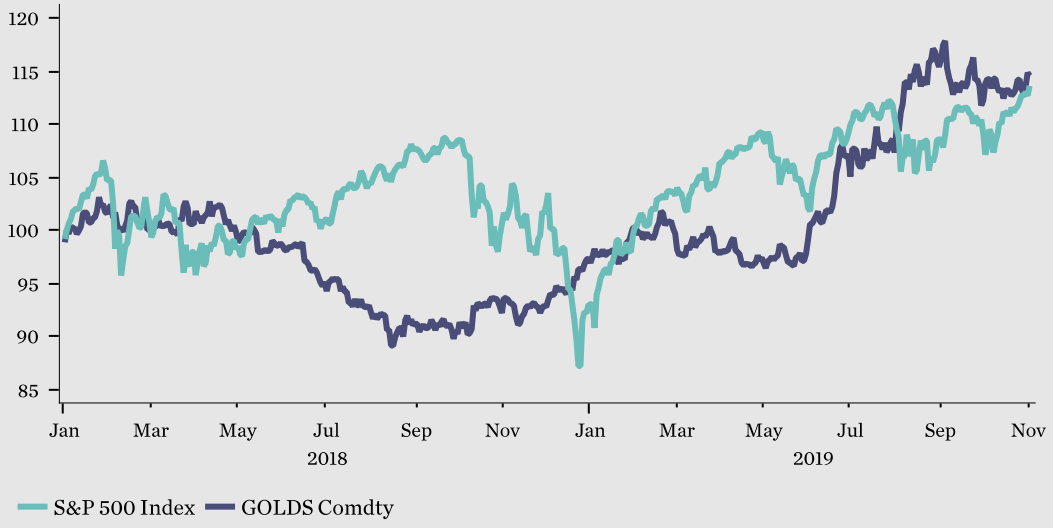
The weakness in credit growth continues, with **private sector credit** seeing sub-0.5% growth since March of last year. September saw credit rise by just 0.2%, same as last month. The annual rate of growth slowed 0.2 percentage points to 2.7% y/y, the lowest since July 2011. Credit to owner-occupied housing rose 0.4%, in contrast to investor housing credit which fell by 0.1% for the third consecutive month. Growth in housing credit is expected to bottom out soon, as easing regulatory conditions and the interest rate cuts feed into sentiment. Credit for other personal uses declined 0.7%, comparable to the January fall, while business lending rose 0.4%.

Financial Markets Review

Global stock markets ended the week generally higher, with US equities in particular lifted by additional Fed accommodation and a strong employment report. The S&P500 ended the week at a new all-time record high, which means it has now closed the performance gap relative to gold that had opened up in early August.

Figure 4: Gold's Outperformance Shrinks As Equities Advance

Index, rebased to 1/2/2018=100



Sources: Bloomberg, Macrobond

Equities: Risk sentiment improves late in the week on stronger than expected macro data.

Bonds: Bond yields end the week modestly lower.

Currencies: The dollar moves lower as the pound and Aussie gain.

Commodities: A calmer week for commodities, which move up modestly.

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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®	3060.8	1.3%	22.1%	1.72	-7	-96	97.206	-0.6%	1.1%
Canada	TSE 300	16566.84	1.0%	15.7%	1.45	-9	-52	1.3144	0.7%	-3.6%
UK	FTSE®	7302.42	-0.3%	8.5%	0.66	-2	-61	1.294	0.9%	1.5%
Germany	DAX	12961.05	0.5%	22.7%	-0.38	-2	-62			
France	CAC-40	5761.89	0.7%	21.8%	-0.07	-1	-78	1.1168	0.8%	-2.6%
Italy	FTSE® MIB	22934.32	1.4%	25.2%	0.99	4	-175			
Japan	Nikkei 225	22850.77	0.2%	14.2%	-0.18	-4	-18	108.2	-0.4%	-1.4%
Australia	ASX 200	6669.095	-1.0%	18.1%	1.10	4	-122	0.6912	1.3%	-1.9%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	61.68	0.3%	16.0%	-14.4%
Gold	US $/troy oz	Bloomberg	1512.68	0.5%	17.9%	22.6%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (October 28–November 1)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, October 28					
JN	PPI Services (Sep, y/y)	0.5%	**0.5%**	0.5%(↓)	Trending downward.
Tuesday, October 29					
US	S&P CoreLogic 20-City Index (Aug, m/m)	-0.1%	**-0.2%**	0.0%	Up 2.0% y/y, trying to bottom.
US	Consumer Confidence (Oct)	128	**125.9**	126.3(↑r)	Present situation up, expectations down.
US	Pending Home Sales (Sep, m/m)	0.9%	**1.5%**	1.4%(↓r)	Up 6.3% y/y, most since 2015.
UK	Nationwide House Prices (Oct, m/m)	0.0%	**0.2%**	-0.2%	Up 0.4% y/y, seems to be bottoming.
Wednesday, October 30					
US	FOMC Monetary Policy Decision	1.75%	**1.75%**	2.00%	On hold unless material change to outlook.
US	GDP (Q3, first, q/q saar)	1.6%	**1.9%**	2.0%	On solid consumer spending.
CA	BoC Monetary Policy Decision	1.75%	**1.75%**	1.75%	On hold, but ready to act if necessary.
GE	Unemployment Rate (Oct)	5.0%	**5.0%**	5.0%	Still solid, but eroding slightly at the margin.
FR	GDP (Q3, prelim, q/q)	0.2%	**0.3%**	0.3%	Leading core-eurozone growth again!
AU	CPI (Q3, q/q)	0.5%	**0.5%**	0.6%	Encouraging!
JN	Retail Sales (Sep, m/m)	3.5%	**7.1%**	4.6%(↓r)	Sharp uptick ahead of tax hike.
Thursday, October 31					
US	Initial Jobless claims (Oct 26, thous)	215	**218**	212	Low and steady.
US	Employment Cost Index (Q3, q/q)	0.7%	**0.7%**	0.6%	Up 2.8% y/y, within its recent range.
US	Personal Income (Sep, m/m)	0.3%	**0.3%**	0.5%(↑r)	Solid.
US	Personal Spending (Sep, m/m)	0.3%	**0.2%**	0.2%(↑r)	Good enough.
CA	GDP (Aug, m/m)	0.2%	**0.1%**	0.0%	Details were encouraging.
UK	GfK Consumer Confidence (Oct)	-13	**-14**	-12	Dismal, but unsurprising.
EC	GDP (Q3, prelim, q/q)	0.1%	**0.2%**	0.2%	Nothing great, but better than expected.
GE	Retail Sales (Sep, m/m)	0.2%	**0.1%**	-0.1%(↓r)	Up 3.4% y/y.
IT	GDP (Q3, prelim, q/q)	0.0%	**0.1%**	0.1%(↑r)	Nothing great, but better than expected.
AU	Private Sector Credit (Sep, m/m)	0.3%	**0.2%**	0.2%	Housing credit expected to bottom out.
JN	BoJ Monetary Policy Decision	-0.1%	**-0.1%**	-0.1%	New forward guidance, on hold for now.
JN	Industrial Production (Sep, prelim, m/m)	0.4%	**1.4%**	-1.2%	Production actually fell over the quarter.
JN	Consumer Confidence (Oct)	35.3	**36.2**	35.6	Consumers keen on buying ahead of tax hike.
Friday, November 1					
US	Change in Nonfarm Payrolls (Oct, thous)	85	**128**	180(↑r)	Solid report, huge upward revisions.
US	Unemployment Rate (Oct)	3.6%	**3.6%**	3.5%	Participation at new cycle high of 63.3%.
US	ISM Manufacturing (Oct)	49.0	**48.3**	47.8	Likely weighed by GM strike.
UK	PMI Manufacturing (Oct)	48.2	**49.6**	48.3	Much better, but still contracting.
JN	Unemployment Rate (Sep)	2.2%	**2.4%**	2.2%	Tight labor market to support wages.
JN	PMI Manufacturing (Oct, final)	48.5 (p)	**48.4**	48.9	Revised downward further.

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

Week in Preview: Releases and Major Events (November 4–November 8)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, November 4				
US	Durable Goods Orders (Sep, final, m/m)	-1.1%(p)	0.3%	
US	Factory Orders (Sep, m/m)	-0.5%	-0.1%	
EC	Manufacturing PMI (October, final)	45.7(p)	45.7	
GE	Manufacturing PMI (October, final)	41.9(p)	41.7	Will this prove to be the bottom?
FR	Manufacturing PMI (October, final)	50.5(p)	50.1	
IT	Manufacturing PMI (October)	47.7	47.8	
AU	Retail Sales (Sep, m/m)	0.4%	0.4%	Are the tax breaks helping?
Tuesday, November 5				
US	JOLTS Job Openings (Sep, thous)	7075	7051	Solid.
US	ISM Non-Manufacturing Index (Oct)	53.5	52.6	Would be great to see this rebound!
US	Trade Balance (Sep, $ bil.)	-53.0	-54.9	
CA	Merchandise Trade (Sep, C$ bil.)	na	-0.96	
UK	Services PMI (Oct)	49.8	49.5	
AU	RBA Monetary Policy Decision	0.75%	0.75%	We expect RBA to hold for the rest of 2019.
Wednesday, November 6				
US	Nonfarm Productivity (Q3, prelim, q/q)	0.9%	2.3%	
CA	Ivey PMI (Oct)	na	48.7	
EC	Services PMI (Oct, final)	51.8(p)	51.6	
GE	Services PMI (Oct, final)	51.2(p)	51.4	
GE	Factory Orders (Sep, m/m)	-0.1%	-0.6%	
JN	Services PMI (Oct, final)	50.3(p)	52.8	Quite week now.
Thursday, November 7				
US	Initial Jobless claims (Nov 2, thous)	na	218	
US	Consumer Credit (Sep, $ bil.)	15.6	17.9	
UK	BoE Monetary Policy Decision	0.75%	0.75%	On hold, watching...
GE	Industrial Production (Sep, m/m)	-0.5%	0.3%	
IT	Retail Sales (Sep, m/m)	na	-0.6%	
Friday, November 8				
US	U of M Consumer Sentiment (Nov, prelim)	96.0	95.5	
CA	Housing Starts (Oct, thous)	na	221.2	Improved mortgage lending expected to reflect in starts.
CA	Building Permits (Sep, thous)	na	6.1%	
CA	Unemployment Rate (Oct)	na	5.5%	Labor market remains tight.
FR	Wages (Q3, prelim, q/q)	na	0.5%	
FR	Industrial Production (Sep, m/m)	0.0%	-0.9%	
JN	Labor Cash Earnings (Sep, y/y)	0.1%	-.1%(↑r)	Do we see the bottom here?
JN	Leading Index (Sep, prelim)	92.2	91.9	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		May	Jun	Jul	Aug	Sep
US	Target: PCE price index 2.0% y/y	1.4	1.4	1.4	1.4	1.3
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.4	2.0	2.0	1.9	1.9
UK	Target: CPI 2.0% y/y	2.0	2.0	2.1	1.7	1.7
Eurozone	Target: CPI below but close to 2.0% y/y	1.2	1.3	1.0	1.0	0.8
Japan	Target: CPI 2.0% y/y	0.7	0.7	0.5	0.3	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	1.6	1.6	1.7	1.7	1.7

Source: Macrobond

Key Interest Rates

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
US (top of target range)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00	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	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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				
	Jun	Jul	Aug	Sep	Oct	May	Jun	Jul	Aug	Sep
US	1.6	1.8	1.7	1.7		2.1	1.7	1.7	1.8	1.4
Canada	2.0	2.0	1.9	1.9		0.4	-1.7	-1.7	-1.0	-1.3
UK	2.0	2.1	1.7	1.7		1.9	1.6	1.9	1.7	1.2
Eurozone	1.3	1.0	1.0	0.8		1.6	0.7	0.1	-0.8	
Germany	1.6	1.7	1.4	1.2	1.1	1.9	1.2	1.1	0.3	-0.1
France	1.2	1.1	1.0	0.9	0.7	0.8	-0.1	-0.2	-0.6	-0.7
Italy	0.7	0.4	0.4	0.3	0.3	1.5	0.9	-0.7	-1.4	-1.7
Japan	0.7	0.5	0.3	0.2		0.7	-0.2	-0.6	-0.9	-1.1
Australia	1.6	1.7	1.7	1.7		2.0	2.0	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	2.0
Canada	0.5	0.1	0.1	0.9		2.0	1.6	1.4	1.6	
UK	0.6	0.3	0.6	-0.2		1.6	1.5	2.1	1.3	
Eurozone	0.2	0.3	0.4	0.2	0.2	1.6	1.2	1.3	1.2	1.1
Germany	-0.1	0.2	0.4	-0.1		1.1	0.6	0.9	0.4	
France	0.3	0.4	0.3	0.3	0.3	1.5	1.2	1.3	1.4	1.3
Italy	-0.1	0.0	0.1	0.1		0.4	0.0	0.0	0.1	
Japan	-0.5	0.4	0.5	0.3		0.2	0.3	1.0	0.8	
Australia	0.3	0.1	0.5	0.5		2.6	2.2	1.7	1.4	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	May	Jun	Jul	Aug	Sep	May	Jun	Jul	Aug	Sep
US	0.2	0.1	-0.2	0.8	-0.4	1.8	1.1	0.4	0.4	-0.1
Canada	0.3	-0.6	-1.3	0.1		2.4	1.2	-1.0	-1.5	
UK	1.1	0.0	0.1	-0.6		0.0	-1.0	-1.1	-1.8	
Germany	0.1	-1.1	-0.4	0.3		-4.5	-4.8	-4.0	-4.0	
France	2.0	-2.3	0.3	-0.9		3.9	-0.1	0.0	-1.4	
Italy	1.0	-0.3	-0.8	0.3		-0.7	-1.3	-0.6	-1.9	
Japan	2.0	-3.3	1.3	-1.2	1.4	0.1	-2.2	-1.1	-2.0	-0.6

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
US	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6
Canada	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7	5.5	
UK	3.9	3.9	3.8	3.8	3.8	3.9	3.8	3.9			
Eurozone	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.6	7.5	7.5	
Germany	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0
France	8.9	8.8	8.7	8.6	8.5	8.5	8.5	8.5	8.5	8.4	
Italy	10.4	10.4	10.4	10.1	10.1	9.9	9.8	9.9	9.6	9.9	
Japan	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	
Australia	5.0	5.1	4.9	5.1	5.2	5.2	5.2	5.3	5.3	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	-2.6	-2.4
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	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6
Eurozone	3.0	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4
Germany	8.0	8.4	6.9	8.6	8.5	8.5	7.5	6.5	7.3	7.9	7.5
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.4	-0.5	-0.7	-0.7
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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