

January 14, 2019

Economic update

Economy



- The Federal Reserve reported that consumer credit increased at an annual rate of 6.75% in November.
- The CPI fell 0.1% and core CPI rose 0.2% in December, the Bureau of Labor Statistics reported.

Employment



- Initial jobless claims declined by 17,000 to 216,000 in the week ended January 5, 2019, according to the Labor Department.

Profits



- According to FactSet, the estimated earnings growth rate for the S&P 500 Index for the fourth quarter is 11.4%.

Emotion



- The NFIB Small Business Optimism Index declined slightly in December.

Europe



- Euro area unemployment declined to 7.9% in November from 8.0% in October, according to Eurostat.
- Eurostat reported that retail trade increased 0.6% in the euro area in November.
- The European Commission stated that the Economic Sentiment Indicator and the Business Climate Indicator for the euro area both decreased in December.
- Germany's Federal Statistical Office noted that factory orders slipped 1.0% in November.

Rates



- The yield on the 10-year U.S. Treasury note traded in a narrow range.
- According to Federal Open Market Committee recent meeting minutes, many policy makers believe the central bank can be "patient" about raising interest rates.

Risks



- The Fed risks a policy error if they do not re-evaluate the interest-rate path and terminal size of the balance sheet.
- Brexit, Italian debt dynamics, and the re-emergence of populism risk tipping Europe back into recession.
- Weak stimulus in China thus far is showing little sign of slowing the pace of deceleration.

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