Weekly Economic Review: November 5th – November 9th, 2018

Top Headline: Democrats Take the House, Republicans Maintain the Senate

On Tuesday of last week, Democrats retook the House while Republicans added a seat to solidify their Senate majority. The Democrats' agenda in the House may include working towards increasing corporate taxes, reversing deregulation across industries ranging from autos to energy and finance, and pushing for an infrastructure spending bill, to name a few. So far, however, markets have reacted positively to the election results as the gridlock suggests that no quick changes will occur that could negatively affect large companies.

Other News

The Federal Reserve announced on Thursday that it would leave interest rates unchanged in the range between 2.00% and 2.25% following their November policy meeting on Tuesday. One more rate hike is expected before the end of the year.

On Tap This Week

The U.S. Labor Department will release inflation and real earnings figures on Wednesday, and the U.S. Commerce Department will release retail sales data for the month on Thursday.

Past Week's Releases

Date		Indicator	Period	Prev.	Exp.	Act.	Comment
M	11/5	ISM Non-Mfg Index	Oct	61.6	59	60.3	Increased new orders and unchanged export orders underpinned the strong reading for the month
W	11/7	FOMC Meeting	Nov	2.00%-2.25%	2.00%-2.25%	2.00%-2.25%	Rates remained unchanged, though another hike is expected before the year end
Th	11/8	Jobless Claims	Nov 3	214K	213K	214K	The four-week average rose slightly, though claims remain at historic lows
F	11/9	PPI	Oct	0.2%	0.2%	0.6%	Despite higher PPI levels, the recent drop in energy prices may hold down next month's reading
F	11/9	Core PPI	Oct	0.2%	0.2%	0.5%	
F	11/9	Consumer Sentiment	Nov	98.6	98.0	98.3	Current conditions offset a decrease in expectations for an overall solid result

Actual < Expected Actual > Expected ♦Leading Indicator

Market Activity

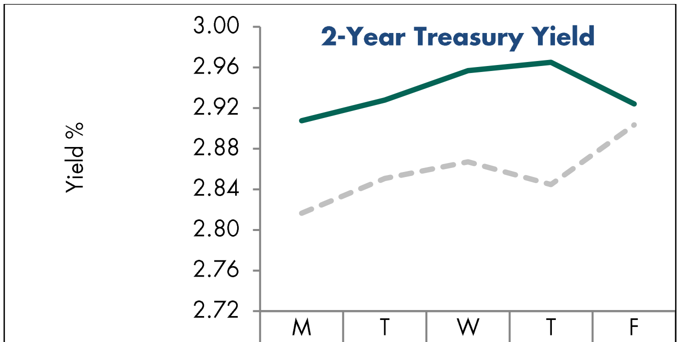
Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25270	25989	2.84%	2.67%
S&P 500	2723.1	2781.0	2.13%	-1.84%
USD*	96.54	96.91	0.38%	0.57%
10-Year Treasury+	3.21%	3.18%	-.03%	.31%

*ICE U.S. Dollar Index Spot Price
+Absolute change in yield over specified period

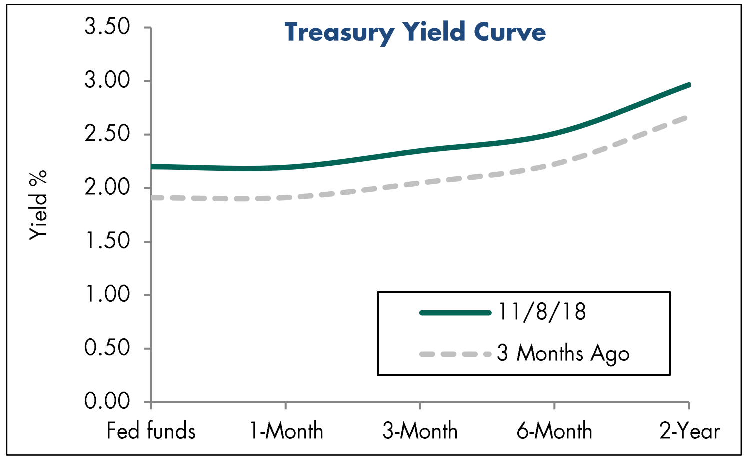
Upcoming Releases

Date		Indicator	Period	Prev.	Exp.
W	11/14	CPI	Oct	0.1%	0.3%
W	11/14	Core CPI	Oct	0.1%	0.2%
Th	11/15	Jobless Claims	11/10	214K	214K
Th	11/15	Retail Sales	Oct	0.1%	0.5%
Th	11/15	Retail Less Auto & Gas	Oct	0.0%	0.4%
Th	11/15	Import Prices	Oct	0.5%	0.0%
Th	11/15	Export Prices	Oct	0.0%	0.1%
Th	11/15	Inventories	Sep	0.5%	0.3%
F	11/16	Industrial Production	Oct	0.3%	0.2%

Yield Curve Highlights



	M	T	W	T	F
11/5-11/9	2.91	2.93	2.96	2.97	2.92
10/29-11/02	2.82	2.85	2.87	2.84	2.90



Detailed Economic Releases

11/5/2018	Prev.	Exp.	Act.
ISM Non-Mfg Index	61.6	59	60.3

The non-manufacturing index fell slightly from the previous month's report to 60.3, still above expectations. This was supported by new orders at 61.6 and export orders, unchanged month-on-month at 61.0. Despite capacity strains, the sample continued to build inventory, albeit with slightly longer delivery times. Hiring was strong at 59.7 but was below September's reading of 62.4, and input prices were high at 61.7 but also 2.5 points below last month's reading. Despite unchanged export orders, reflecting strong foreign demand for U.S. goods, fears of tariff effects are still a concern.

Summary: The index remains strong, supported by new orders and export orders.

11/8/2018	Prev.	Exp.	Act.
FOMC Meeting Announcement	2.00%-2.25%	2.00%-2.25%	2.00%-2.25%

The FOMC decided to leave rates unchanged within a range of 2.00% to 2.25% following their November policy meeting. In general, the FOMC's assessment of economic activity and job gains is unchanged from their previous statement in September describing both as strong. Unemployment, however, was redefined from "low" to "declining", while business investment was redefined from "strong" to having "moderated". Household spending is expected to remain strong.

Summary: While rates remained unchanged following the FOMC's November policy meeting, one more rate hike is still expected before the end of the year.

11/8/2018	Prev.	Exp.	Act.
Jobless Claims	215Kr	213K	214K

Claims remain at historic lows for the week of November 3rd at 214K, only slightly above expectations. The four-week average has moved a bit higher compared to the month-ago reading due to hurricane effects but is down slightly following the last week at 213,750. Claims fell in the last week in Florida and Georgia, the states most affected by the recent hurricanes. Continuing claims also fell by 8,000 since the October 27th week, with the four-week average down by 7,500. Both readings are at lows since 1973.

Summary: Weekly jobless claims remain low, though the four-week average increased slightly due to hurricane effects.

11/9/2018	Prev.	Exp.	Act.
PPI	0.2%	0.2%	0.6%
Core PPI	0.2%	0.2%	0.5%

PPI and core PPI rose above expectations to 0.6% and 0.5%, respectively, at the highest rates seen in almost six years for PPI and seven years for core PPI. Excluding trade services in addition to food and energy, however, the gain was in line with expectations of 0.2%. On the month, food rose by 1% for a year-on-year rate of -0.7%, while energy rose on the month by 2.7% for a year-on-year rate of 12.5%. Given the recent drop in oil prices, however, energy growth is likely to slow. Construction costs rose by 1.9%, reflecting labor shortages and trade impacts. Finished goods and services both increased by 0.7% and 0.6%, respectively.

Summary: This reading may be reason for increased expectations regarding consumer prices and prices of imports and exports next month. However, the effect of decreasing energy prices is unclear and may soften next month's report.

11/9/2018	Prev.	Exp.	Act.
Consumer Sentiment	98.6	98	98.3

Though consumer sentiment is 0.3 points lower than last month, the reading came in above expectations at a strong 98.3. This is supported by current conditions of 113.2 which offset a 1.6-point decline in expectations to what is still a strong level at 88.7. The year-ahead inflation reading fell slightly to 2.8%, while the five-year reading was up to 2.6%.

Summary: Consumer sentiment remains strong and is on its way to finishing its best year since 2000.

About Us

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