

## Top Headline: U.S. and China Agree to Phase One Deal

The U.S. and China agreed to a limited trade deal late last week. The deal includes an agreement by China to purchase an additional \$32 billion worth of agricultural products from the U.S. (bringing the yearly total to \$40 billion). The U.S. in turn agreed not to implement tariffs which were set to begin on Sunday, in addition to lowering levels of existing tariffs. U.S. Trade Representative Robert Lighthizer said that China also made commitments on IP, as well as on halting the forced transfer of technology from firms who enter the Chinese market. Some are skeptical of the deal and say that China has still not committed to terms necessary to even the playing field for business, while others say that despite drawbacks, the deal is a significant turning point in the relationship between the two world powers. Negotiations will continue regarding still-existing issues.

## Other News

Prime Minister Boris Johnson secured a victory in Thursday's general election, making a split from the European Union all but certain by the end of next month. The conservative party won 364 seats of the 650 seats in the House of Commons, 79 more than all other seats combined. The vote reflects a change in Britain's electoral map, with many historically working-class seats switching to Conservatives.

## On Tap This Week

Housing data will be released early this week, with the second estimate to fourth-quarter GDP released on Friday.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
W 12/11	CPI	Nov	0.4%	0.2%	0.3%	Headline and core growth were solid, with energy and shelter accounting for strength
W 12/11	Core CPI	Nov	0.2%	0.2%	0.2%	
W 12/11	FOMC Meeting	12/11	1.50-1.75%	1.50-1.75%	1.50-1.75%	Interest rates not projected to change through 2020
Th 12/12	Initial Jobless Claims	12/7	203K	213K	252K	Claims jumped unexpectedly
Th 12/12	PPI	Nov	0.4%	0.2%	0.0%	Growth was flat or negative across categories
Th 12/12	Core PPI	Nov	0.3%	0.2%	-0.2%	
F 12/13	Retail Sales	Nov	0.4% r↑	0.5%	0.2%	Retail sales fell on the month suggesting faltering consumer spending

Actual < Expected

Actual > Expected

◆ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	28015	28135	0.43%	3.36%
S&P 500	3146	3169	0.73%	5.37%
USD*	97.7	97.2	-0.54%	-1.10%
10-Year Treasury*	1.84%	1.82%	-0.01%	-0.07%

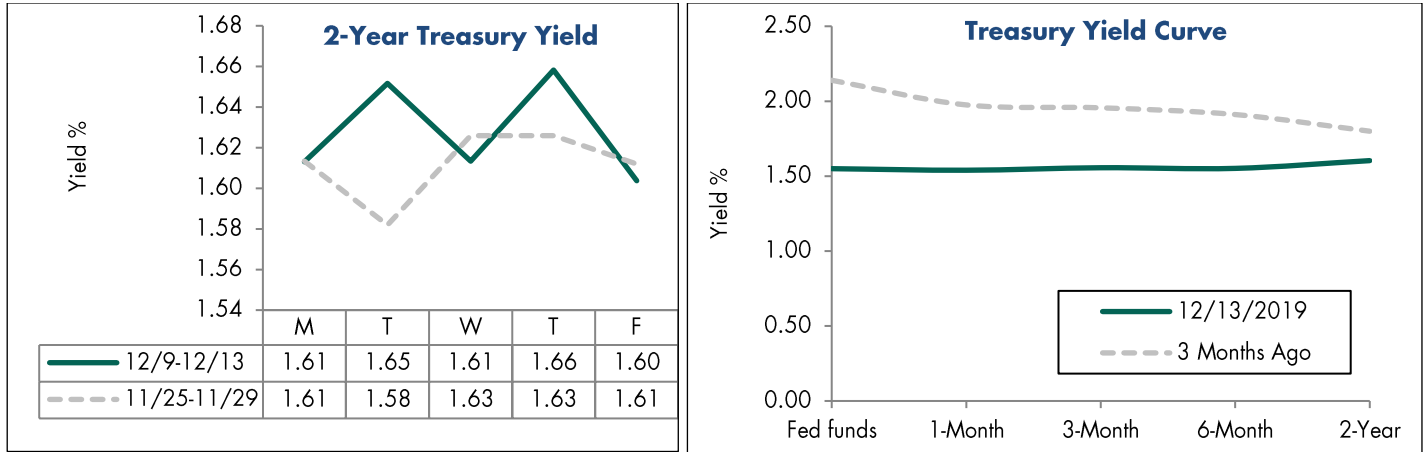
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 12/17	Housing Starts ◆	Nov	1314K	1344K
T 12/17	Housing Permits ◆	Nov	1461K	1418K
T 12/17	Industrial Production	Nov	0.8%	-0.8%
Th 12/19	Initial Jobless Claims ◆	12/14	252K	225K
Th 12/19	Existing Home Sales	Nov	5.46M	5.44M
F 12/20	GDP	Q3	2.1%	2.1%
F 12/20	Personal Income	Nov	0.0%	0.3%
F 12/20	Consumer Spending	Nov	0.3%	0.4%
F 12/20	Consumer Sentiment ◆	Dec	99.2	99.2

## Yield Curve Highlights



## Detailed Economic Releases

12/11/2019	Prev.	Exp.	Act.
CPI	0.4%	0.2%	0.3%
Core CPI	0.2%	0.2%	0.2%

Headline CPI was up above expectations by 0.3% for the month of November, following October’s 0.4% increase. Shelter and energy price increases were responsible for the gains this month, with medical care, recreation and food also contributing to the overall increase. Core CPI meanwhile rose by only 0.2% on the month, with indexes for cars, trucks and apparel all up. Headline and core CPI were up by 2.1% and 2.3% on the year, respectively.

**Summary: Indicators were flat or up on the month, with annual headline growth up from 1.8% in October to 2.1% in November.**

12/12/2019	Prev.	Exp.	Act.
FOMC Meeting Announcement	1.50-1.75%	1.50-1.75%	1.50-1.75%

The Federal Reserve left interest rates unchanged between 1.50 and 1.75%. Additionally, the Fed indicated there are no plans to make changes to monetary policy in 2020, assuming current conditions continue. Compared to September’s meeting, the dot plot reflected a downward shift in expectations for rate increases, with only four of 17 members expecting one 25bps hike in 2020. The Fed had a positive outlook for year-on-year GDP growth of 2.2%.

**Summary: The Fed plans to maintain rates at their current level assuming a continuation of current conditions.**

12/12/2019	Prev.	Exp.	Act.
Initial Jobless Claims	203K	213K	252K

Initial claims rose by 49K on the week from the unrevised number of 203K to 252K. This marks the highest level of claims since September of 2017, and unsurprisingly raises the four-week moving average up by 6,250 to 224K. Meanwhile, continuing claims were up by 5K to 1.698K, and the four-week average was down by 6,250 to 1.676K.

**Summary: Claims hit their highest since September of 2017.**

12/12/2019	Prev.	Exp.	Act.
PPI	0.4%	0.2%	0.0%
Core PPI	0.3%	0.2%	-0.2%

Headline producer price index in November was unchanged on the month, following a 0.4% increase last month. Overall, a 0.3% decrease in the index for final demand services was just offset by a 0.3% increase in final demand goods. The index for final demands excluding food, energy and trade services, meanwhile, was unchanged, with the year on year rate up 1.3%. The increase in final demand goods prices is largely thanks to meats, where prices were up 3.9%. Prices for gas, chicken eggs, diesel fuel, fresh and dry vegetables and tobacco products also increase, while residential electric power fell. The decline in final demand services was thanks to declines in margins for food wholesaling, hospital outpatient care, machinery and vehicle wholesaling, airline passenger services and more.

**Summary: The year-on-year rate for core PPI for goods increased by the smallest amount since September 2016, while the monthly rate for PPI for services fell by the largest amount since February 2017.**

12/13/2019	Prev.	Exp.	Act.
Retail Sales	0.4% r↑	0.5%	0.2%

Compared to the expected gain of 0.5%, retail sales fell short at just a 0.2% gain on the month. On a year-on-year basis, sales rose by 3.3%. Retail sales excluding autos, gas, building materials and food services were up 0.1% on the month, following a 0.3% gain last month. This core component accounts for the consumer spending component of GDP and grew at an annualized rate of 2.9% in the third quarter. However, given last month's small increase in core retail sales, economists might lower GDP expectations for the fourth quarter to somewhere closer to 1.8%, down from third quarter GDP growth of 2.1%. Overall, auto sales were up 0.5%, gas prices pushed up receipts at service stations by 0.7%, online and mail-order sales were up by 0.8%, and electronics and appliances were up 0.7%. Pulling down the indicator were receipts at building material stores which were flat, a 0.6% decline in clothing stores, and a 0.3% decline in sales at restaurants at bars.

***Summary: Retail sales fell, suggesting a decline in consumer spending and the possibility of a downward revision in fourth-quarter GDP estimate.***

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## About Us

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