

Tuesday 26<sup>th</sup> January 2016 – 12:20pm

International

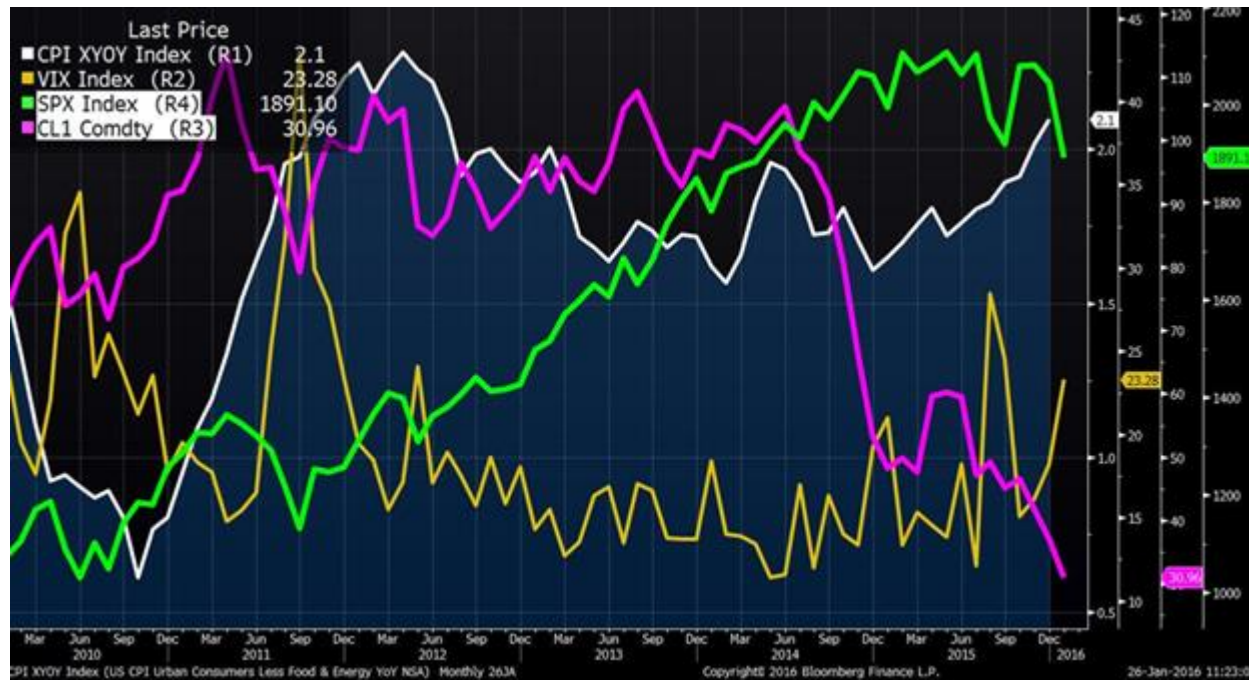
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## Fed expected to delay rate hike at this year's first meeting

- Fed policymakers meet on Tuesday and Wednesday (today and tomorrow) for the first time since raising interest rates in December. While no move is expected, investors should look closely at the Fed's statement to see how recent events have influenced the central bank's outlook.
- Turmoil in the stock market, falling oil prices and an uncertain outlook for the U.S. and global economy **have** convinced traders that the Federal Reserve would not be able to deliver on its planned four rate hikes this year.
- Since its last meeting, oil prices have plummeted **to** new multi-year lows, worries about China's growth have shaken stock markets, and Fed officials have voiced concerns that a recent drop in U.S. inflation expectations could mark a dent in household and business confidence.
- Steady or rising inflation expectations are central to the Fed's confidence in its outlook but other concerns would be the stock market's terrible start to the year, with the Dow Jones industrial average and S&P 500 both approaching the lows seen in August, largely reflected concerns about stalling growth in China.
- A strong consumer should be enough to keep U.S. growth in positive territory, but with numerous headwinds, the risks to this view seem skewed to the downside.

- While the consensus is that it is more likely the next increase will come at the FOMC's March meeting, the Fed will watch the economy before sealing that decision.



Source : Bloomberg

### U.S. Economic Data

Next meeting 27/January/2016	Value as of 16/December/2016 - Last Meeting Date	Value as 26/January 2016	Change
<b>Federal Reserve Rates</b>			
Fed Funds Effective Rate (%)	0.15	0.38	0.23
Interest on Excess Reserves (%)	0.25	0.5	0.25
Reverse Repurchase Agreement Rate (%)	0.05	0.25	0.2
<b>Economic Activity</b>			
Real GDP (yoy %, sa)	2.7	2.1	-0.6
Nominal GDP (yoy %, sa)	3.7	3.1	-0.6
Personal Consumption (yoy %, sa)	3.3	3.1	-0.2
Private Investment (qoq %, saar)	5	-0.7	-5.7
Government Spending (qoq %, saar)	2.6	1.8	-0.8
Retail & Food Sales (yoy %, sa)	1.6	2.2	0.6
Industrial Production (yoy %, sa)	-1.29	-1.75	-0.46
Conf. Board Consumer Confidence (index, sa)	90.4	96.5	6.1
U. Mich. Consumer Sentiment (index)	91.3	93.3	2
ISM Manufacturing PMI (index, sa)	48.6	48.2	-0.4
<b>Labor</b>			
Unemployment Rate (%)	5	5	0
Long-Term Unemployment Rate (%)	25.7	26.3	0.6
Underemployment Rate (%)	9.9	9.9	0
Labor Force Participation Rate (%)	62.5	62.6	0.1
US Employees on Non Farm Payrolls (yoy %, sa)	1.92	1.88	-0.04
US Job Openings Rates (% , sa)	3.6	3.7	0.1
US Hires Rates (% , sa)	3.6	3.6	0
US Separations Rates (% , sa)	3.4	3.5	0.1
US Layoff & Discharge Rate (% , sa)	1.2	1.2	0

Average Hourly Earnings (yoy %, sa)	2.1	2.4	0.3
Employment Cost Index (yoy %)	2	2	0
Fed Labor Market Conditions Index (mom %, SA)	0.5	2.9	2.4
<b>Inflation</b>			
PCE Price Index (yoy %, sa)	0.2	0.4	0.2
Core PCE Index (yoy %, sa)	1.28642	1.32788	0.04146
Consumer Price Index (yoy %)	0.5	0.7	0.2
CPI ex-Food & Energy (yoy %)	2	2.1	0.1
PPI Final Demand (yoy %)	-1.1	-1	0.1
PPI Final Demand ex Foods & Energy (yoy %)	0.5	0.3	-0.2
U.S. 5yr - 5yr Forward Breakeven (%)	1.7883	1.5717	-0.2166
U.S. 10 Year Breakeven (%)	1.5061	1.3543	-0.1518
<b>Housing</b>			
Existing Home Sales (yoy %, sa)	3.1	7.7	4.6
New Home Sales (yoy %, sa)	-0.4	9.1	9.5
Housing Starts (yoy %, saar)	17.1	6.4	-10.7
<b>Markets &amp; Finance</b>			
S&P 500 Market Index (index)	2043.41	1877.08	-166.33
CBOE S&P 500 Volatility Index (index)	20.95	24.15	3.2
WTI - Cushing Crude Oil Spot Price (\$s / Barrel)	37.35	30.88	-6.47
3 Mo. Euro Dollar - 3 Mo. T. Bill (TED) Spread (%)	28.16	32.4048	4.2448
2 Year US Treasury Constant Maturity Yield (%)	0.98	0.88	-0.1
10 Year US Treasury Constant Maturity Yield (%)	2.28	2.03	-0.25
U.S. Govt. 10+ Yr. 30 Day Yield Volatility (index)	26.612	24.794	-1.818
MSCI Emerging Markets Currency Index (index)	1457.88	1424.655	-33.225
US Trade Weighted Major Curr. \$ Index (index)	94.0877	95.4496	1.3619

Source: Bloomberg



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