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International

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Economic Alert: Fed rate hike expected today

- In March, the Federal Open Market Committee (FOMC) indicated that the labor market has continued to strengthen even as growth in economic activity slowed.
- The Fed took a dovish tone since the last meeting, acknowledging growth slowed in Q1, but still committed to further rate hikes.
- Today's decision might not deviate much from that tone, however there is an overwhelming 94.8% probability of another rate hike today.

Table showing implied probability of a rate hike

Dates	Meeting	Calculation	Calculated	06/14/2017	Based on rate 0.75-1.0					
	Meeting	Prob Of Hike	Prob of Cut	0.75-1	1-1.25	1.25-1.5	1.5-1.75	1.75-2	2-2.25	2.25-2.5
06/14/2017		94.8%	0.0%	5.2%	94.8%	0.0%	0.0%	0.0%	0.0%	0.0%
07/26/2017		94.9%	0.0%	5.1%	93.3%	1.6%	0.0%	0.0%	0.0%	0.0%
09/20/2017		96.4%	0.0%	3.6%	68.5%	27.4%	0.5%	0.0%	0.0%	0.0%
11/01/2017		96.5%	0.0%	3.5%	66.7%	28.6%	1.2%	0.0%	0.0%	0.0%
12/13/2017		97.3%	0.0%	2.7%	51.0%	38.0%	8.0%	0.3%	0.0%	0.0%
01/31/2018		97.4%	0.0%	2.6%	50.5%	38.2%	8.3%	0.4%	0.0%	0.0%
03/21/2018		98.1%	0.0%	1.9%	38.0%	41.4%	16.1%	2.4%	0.1%	0.0%
05/02/2018		98.1%	0.0%	1.9%	37.0%	41.3%	16.8%	2.8%	0.2%	0.0%
06/13/2018		98.7%	0.0%	1.3%	25.7%	39.9%	24.7%	7.3%	1.0%	0.1%
08/01/2018		98.8%	0.0%	1.2%	25.0%	39.5%	25.1%	7.8%	1.2%	0.1%

Source: Bloomberg

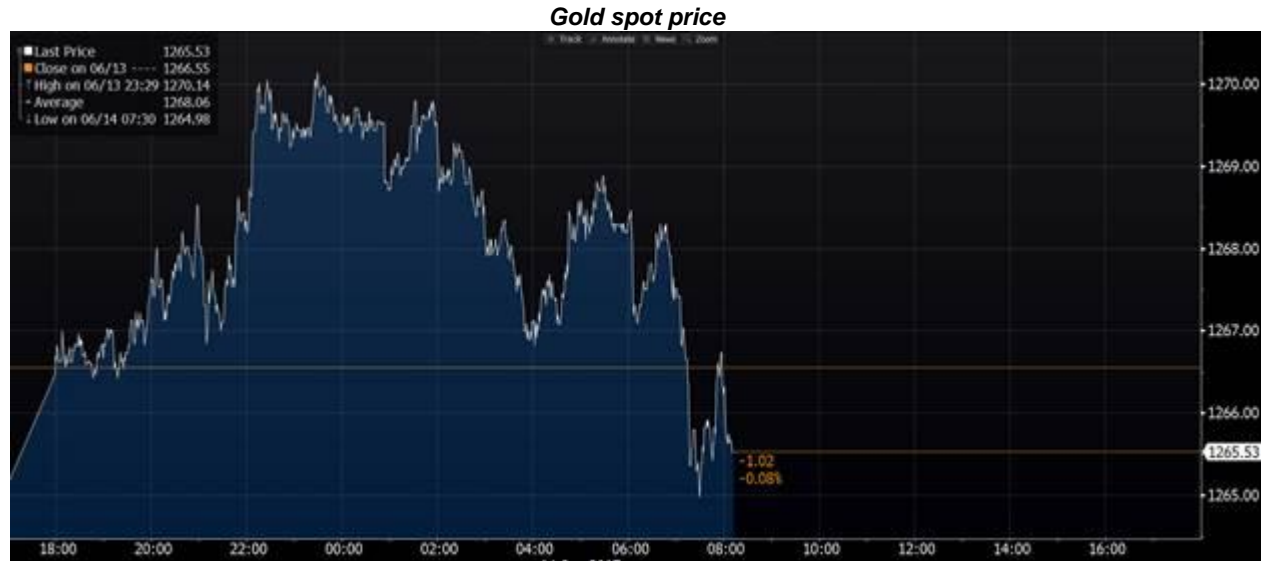
- Higher rates could boost the U.S. dollar, making commodities priced in USD more expensive for holders of other currency.
- In the buildup to the FOMC meeting the U.S. Dollar Index indicates a strengthening of the USD when compared to other major world currencies such as the Euro, Yen, Pound sterling, Canadian dollar, Swedish krona and Swiss Franc.

U.S. Dollar Index showing general international value of the USD



Source: Bloomberg

- Gold prices could see a temporary setback, especially with the market currently underestimating the pace of the Fed rate hikes.
- Spot gold was down 0.08% at USD1265.53 per ounce.



Source: Bloomberg

U.S. Economic Data

	Q2 16	Q3 16			Q4 16			Q1 17			Q2 17		
Indicator	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
National Accounts													
Real GDP (qoq %, saar)	1.4	--	--	3.5	--	--	2.1	--	--	1.2	--	--	
Real GDP (yoy %)	1.3	--	--	1.7	--	--	2	--	--	2	--	--	
Personal Consumption (qoq %, saar)	4.3	--	--	3	--	--	3.5	--	--	0.6	--	--	
Private Investment (qoq %, saar)	-7.9	--	--	3	--	--	9.4	--	--	4.8	--	--	

Gov't Spending (qoq %, saar)	-1.7	--	--	0.8	--	--	0.2	--	--	-1.1	--	--	
Change in Inventories (USD bn)	-9.5	--	--	7.1	--	--	49.6	--	--	4.3	--	--	
Nominal GDP (USD bn)	18450	--	--	18675	--	--	18869	--	--	19028	--	--	
Nominal GDP (yoy %)	2.5	--	--	2.9	--	--	3.5	--	--	4.1	--	--	
GDP Price Deflator (qoq %, saar)	2.3	--	--	1.4	--	--	2.1	--	--	2.2	--	--	
Core PCE Deflator (qoq %, saar)	1.8	--	--	1.7	--	--	1.3	--	--	2.1	--	--	
Consumer Prices													
Consumer Price Index (yoy %)	1	0.8	1.1	1.5	1.6	1.7	2.1	2.5	2.7	2.4	2.2		
CPI ex-Food & Energy (yoy %)	2.2	2.2	2.3	2.2	2.1	2.1	2.2	2.3	2.2	2	1.9		
PCE Price Index (yoy %)	0.9	0.9	1	1.2	1.4	1.3	1.6	1.9	2.1	1.9	1.7		
Core PCE Index (yoy %)	1.6	1.6	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.6	1.5		
Consumer Price Index (mom %)	0.2	0	0.2	0.3	0.3	0.2	0.3	0.6	0.1	-0.3	0.2		
CPI ex-Food & Energy (mom %)	0.1	0.1	0.3	0.1	0.1	0.2	0.2	0.3	0.2	-0.1	0.1		
Producer Prices													
PPI Final Demand (mom%, sa)	0.5	-0.1	-0.2	0.3	0.3	0.2	0.2	0.6	0.2	-0.1	0.5	0	
PPI Final Demand ex Foods & Energy (mom%, sa)	0.3	0	-0.1	0.2	0.1	0.3	0.1	0.5	0.1	0	0.4	0.3	
PPI Final Demand (yoy%)	0.2	0	0	0.6	1.1	1.3	1.7	1.7	2.2	2.3	2.5	2.4	
PPI Final Demand ex Foods & Energy (yoy%)	1.2	0.9	1	1.2	1.5	1.7	1.7	1.4	1.5	1.6	1.9	2.1	
Labor Market													
Unemployment Rate (%)	4.9	4.9	4.9	4.9	4.8	4.6	4.7	4.8	4.7	4.5	4.4	4.3	
U6 Underemployment Rate (%)	9.6	9.7	9.7	9.7	9.5	9.3	9.2	9.4	9.2	8.9	8.6	8.4	
Initial Jobless Claims (weekly)	267	266	260	247	261	262	241	250	227	235	238	255	245

Continuing Claims (weekly)	2123	2152	2133	2063	2050	2020	2081	2067	2059	2028	1920	1917	
Chg. in NonFarm Payrolls (mom, 000s)	297	291	176	249	124	164	155	216	232	50	174	138	
Chg. in Private Payrolls (mom, 000s)	269	249	143	223	132	178	150	204	222	59	173	147	
Chg. in Mfg. Payrolls (mom, 000s)	12	12	-17	-12	-5	0	18	12	22	11	11	-1	
Financial Sector													
Fed Funds Rate (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.75	0.75	0.75	1	1	1	1
3-Month T-Bill Rate (%)	0.26	0.25	0.33	0.27	0.3	0.48	0.5	0.51	0.6	0.75	0.79	0.97	1
10-Year Treasury Yield (%)	1.47	1.45	1.58	1.59	1.83	2.38	2.44	2.45	2.39	2.39	2.28	2.2	2.21
Equity Market (S&P 500 Index)	2099	2174	2171	2168	2126	2199	2239	2279	2364	2363	2384	2412	2440
US\$ Major Currency Index	90.7	90.1	90.6	90	92.7	95.3	95.8	93.2	94.3	94	93.8	92.1	92.2

Source: Bloomberg



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