


Economic Alert iQ

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International

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Fed Rate hike unlikely

- The Fed Chair, Jerome Powell, will hold a press conference at 2:30 pm on Wednesday following a two-day meeting of the Federal Open Market Committee (FOMC)
- The market expects the FOMC to keep interest rates on hold as the current implied probability of a rate hike is at 1.0%.
- However, the Fed's policy statement is expected to be examined for possible hints on the pace of rate increases this year against what was initially forecasted in December 2018.
- Powell's delivery is expected to be more subdued because the outlook has been clouded by cooler global growth and the impact of the U.S. government shutdown.

Current Implied Probabilities			3) Add/Remove Rates ▾							
Dates	<input checked="" type="radio"/> Meeting	<input type="radio"/> Calculation	Calculated 01/28/2019  Based on rate 2.5%							
Meeting	Hike Prob	Cut Prob	2-2.25	2.25-2.5	2.5-2.75	2.75-3	3-3.25	3.25-3.5	3.5-3.75	
01/30/2019	1.0%	0.0%	0.0%	99.0%	1.0%	0.0%	0.0%	0.0%	0.0%	
03/20/2019	3.9%	0.0%	0.0%	96.1%	3.8%	0.0%	0.0%	0.0%	0.0%	
05/01/2019	7.8%	0.0%	0.0%	92.2%	7.7%	0.2%	0.0%	0.0%	0.0%	
06/19/2019	21.6%	0.0%	0.0%	78.4%	20.3%	1.3%	0.0%	0.0%	0.0%	
07/31/2019	23.9%	0.0%	0.0%	76.1%	22.0%	1.9%	0.1%	0.0%	0.0%	
09/18/2019	27.3%	0.0%	0.0%	72.7%	24.4%	2.8%	0.1%	0.0%	0.0%	
10/30/2019	27.0%	1.1%	1.1%	71.9%	24.1%	2.7%	0.1%	0.0%	0.0%	
12/11/2019	25.6%	5.1%	5.0%	69.3%	22.9%	2.6%	0.1%	0.0%	0.0%	
01/29/2020	23.5%	11.6%	11.1%	64.9%	21.0%	2.4%	0.1%	0.0%	0.0%	

Source: Bloomberg

Market reaction

- The euro climbed to a 10-day high as investors sold the dollar and prepared for volatile markets before U.S./ China trade talks and the Fed's policy decision.

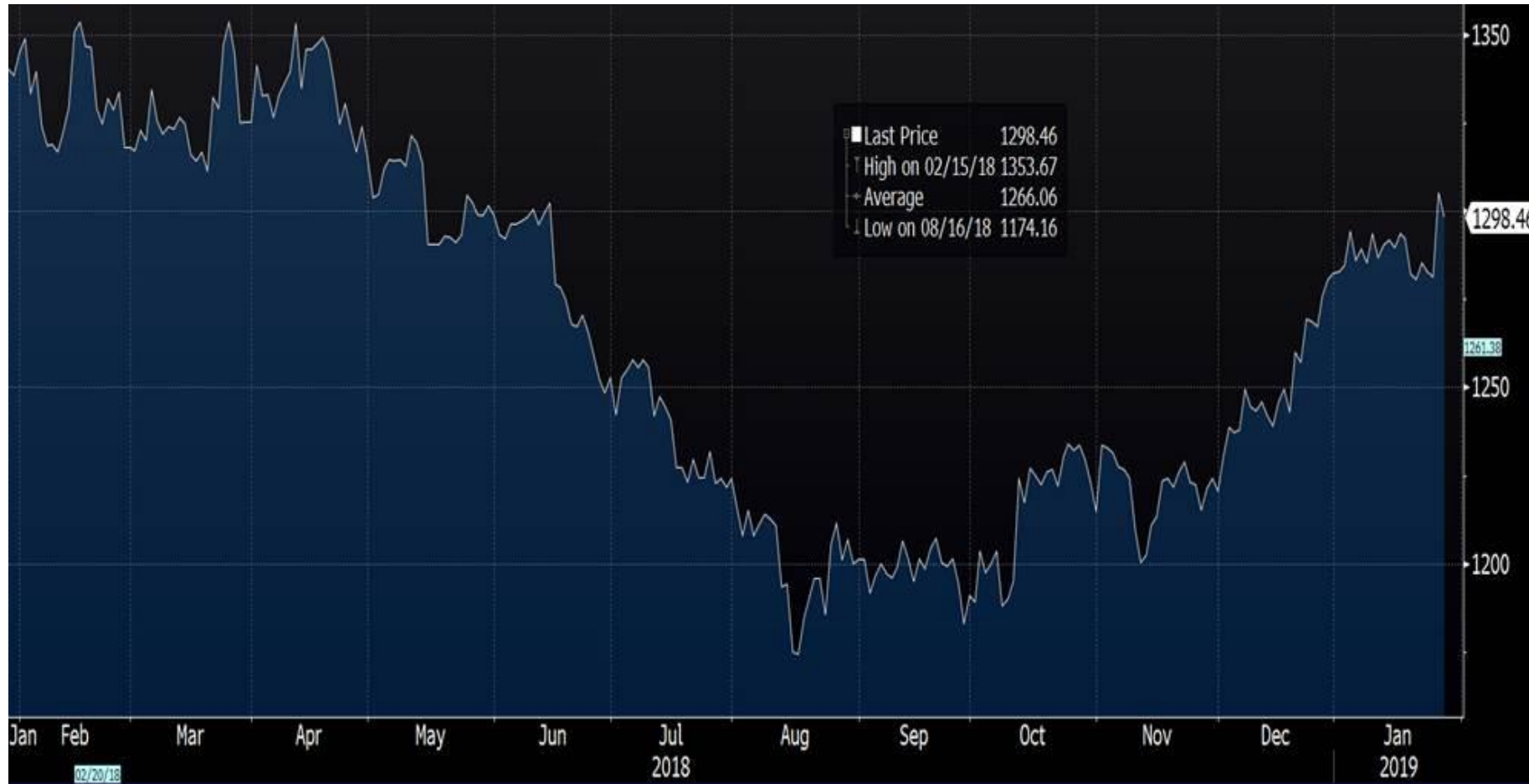
Euro/USD Spot Exchange Rate



Source: Bloomberg

- Gold edged lower on Monday as the dollar steadied, but it held above USD1,298 as investors adopted a cautious approach while awaiting developments on the U.S./ China trade front and Federal Reserve policy.

Gold/USD Spot Exchange Rate



Source: Bloomberg

Comparison of U.S. Economic Data from last meeting date to current date

<i>The next FOMC meeting announcement will be on:</i>	Value as of 2018/12/19 *	Value as of 2019/1/28
Wednesday, January 30, 2019	- Last Meeting Date	- Latest Available Date"
		1/28/2019
Fed Funds Effective Rate (%)	2.20	2.40
Interest on Excess Reserves (%)	2.20	2.40
Reverse Repurchase Agreement Rate (%)	2.00	2.25
Real GDP (yoy %, sa)	2.90	3.00
Nominal GDP (yoy %, sa)	5.40	5.50
Personal Consumption (yoy %, sa)	2.60	2.90
Private Investment (qoq %, saar)	-0.50	15.20
Government Spending (qoq %, saar)	2.50	2.60
Retail & Food Sales (yoy %, sa)	4.20	4.20
Industrial Production (yoy %, sa)	4.06	3.95
Conf. Board Consumer Confidence (index, sa)	135.70	128.10
U. Mich. Consumer Sentiment (index)	97.50	90.70
ISM Manufacturing PMI (index, sa)	59.30	54.30
Unemployment Rate (%)	3.70	3.90
Long-Term Unemployment Rate (%)	20.70	20.50
Underemployment Rate (%)	7.60	7.60
Labor Force Participation Rate (%)	62.90	63.10
US Employees on Non-Farm Payrolls (yoy %, sa)	1.70	1.79
US Job Openings Rates (% , sa)	4.50	4.40
US Hires Rates (% , sa)	4.00	3.80
US Separations Rates (% , sa)	3.80	3.70
US Layoff & Discharge Rate (% , sa)	1.20	1.20

Average Hourly Earnings (yoy %, sa)	3.30	3.30
Employment Cost Index (yoy %)	2.80	2.80
PCE Price Index (yoy %, sa)	2.00	1.80
Core PCE Index (yoy %, sa)	1.82	1.88
Consumer Price Index (yoy %)	2.20	1.90
CPI ex-Food & Energy (yoy %)	2.20	2.20
PPI Final Demand (yoy %)	2.50	2.50
PPI Final Demand ex Foods & Energy (yoy %)	2.70	2.70
U.S. 5yr - 5yr Forward Breakeven (%)	1.988	1.931
U.S. 10 Year Breakeven (%)	1.816	1.782
Existing Home Sales (yoy %, sa)	-5.09	-10.25
New Home Sales (yoy %, sa)	-12.00	-12.00
Housing Starts (yoy %, saar)	-3.60	-3.60
S&P 500 Market Index (index)	2546.16	2664.76
CBOE S&P 500 Volatility Index (index)	25.58	18.62
WTI - Cushing Crude Oil Spot Price (\$s / Barrel)	46.24	53.49
3 Mo. Euro Dollar - 3 Mo. T. Bill (TED) Spread (%)	40.7792	37.0920
2 Year US Treasury Constant Maturity Yield (%)	2.65	2.60
10 Year US Treasury Constant Maturity Yield (%)	2.82	2.76
MSCI Emerging Markets Currency Index (index)	1605.30	1638.83
US Trade Weighted Major Curr. \$ Index (index)	92.22	91.35
Source: Bloomberg		

* 'As of' data account for revisions where available.

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