September 2024
Commentary

Global Macro Policy Quarterly

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Global Macro Highlights

Plenty Of Drama, But The Story Is Still The Same

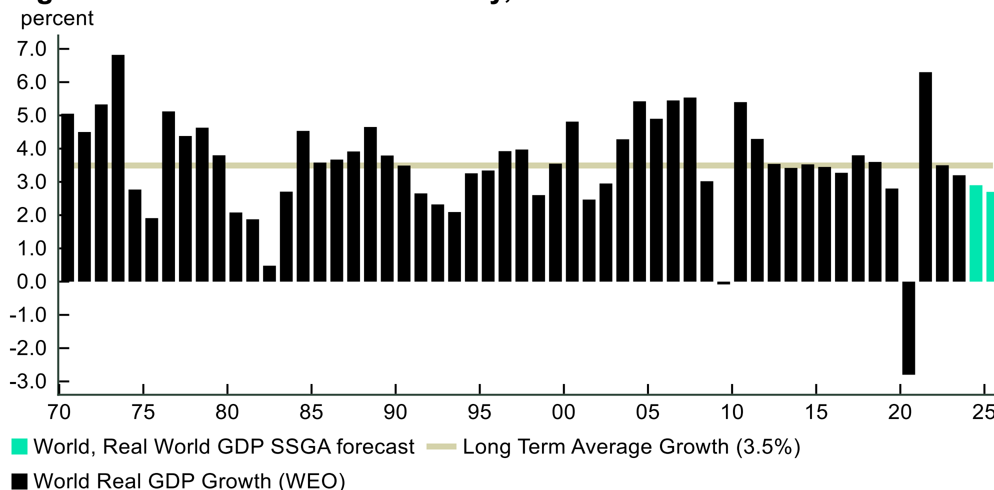
For more than a year, we've been discussing two main global macro trends: slowdown and disinflation. We also argued that as those took visible hold, the next chapter in the global macro narrative would involve broad and substantial rate cuts. This was to be an exercise of calibrating policy rates lower in light of improving inflation dynamics, rather than any sort of panic-driven rush to cut rates to prevent a recession.

Several months ago, the US appeared to temporarily depart from the broad trend of disinflation and rate cuts, but, as we wrote in our June update "US inflationary pressures are increasingly narrow and, given normalizing labor market and anchored inflation expectations, the disinflation process is set to resume." We also forecast that "the Fed joins the easing cycle later in the year and quickens it in 2025. The "different speeds, same direction" mantra we applied to global disinflation in 2023 applies to global policy easing in 2024-25." It is good to see those views validated by recent developments as the Fed kickstarted its own easing cycle with a 50 basis point rate cut in September.

For the second quarter in a row, global forecasts are almost unchanged. This may seem at odds with considerable market volatility—we indeed experienced a fairly acute vol episode in early August—but that simply speaks to lack of conviction on timing given contradictory data than on the direction of travel per se. If we are to count any surprises in the intervening period, we'd probably point to the steady retreat in oil prices, which has helped offset concerns around rising shipping costs. It also seems to consolidate perceptions of weak demand out of China. We have not changed our China growth forecasts but we were already below consensus both this year and next and remain so.

Elections remain a key source of uncertainty. With the US heading to the polls in early November, we should have a better sense of policy direction in our next update.

Figure 1: Growth Forecasts Steady, Modest Slowdown Ahead



Sources: Macrobond, SSGA Economics, IMF World Economic Outlook
Updated as of 9/22/2024

Summary of World Output[1] and Inflation[2]

(Annual percent change)

	Weight	History					Forecast	
	(2022)	2019	2020	2021	2022	2023	2024	2025
World Growth	100.0	2.8	-2.8	6.3	3.5	3.2	2.9	2.7
Advanced Economies	41.7	1.7	-4.2	5.6	2.6	1.6	1.4	1.4
US	15.5	2.5	-2.2	5.8	1.9	2.5	2.3	1.5
Euro area	12.2	1.6	-6.2	5.9	3.4	0.6	0.8	1.2
Germany	3.3	1.1	-4.2	3.1	1.8	0.0	0.2	1.1
France	2.3	1.9	-7.7	6.4	2.5	0.9	1.1	1.1
Italy	1.9	0.5	-9.0	8.3	4.1	0.9	0.9	1.2
Japan	3.7	-0.4	-4.2	2.7	1.0	1.9	0.1	1.5
UK	2.3	1.7	-10.4	9.6	4.5	0.1	1.0	1.5
Canada	1.4	1.9	-5.0	5.5	3.8	1.3	1.1	1.7
Australia	1.0	1.8	-2.1	5.5	3.9	2.0	1.4	2.0
Developing Economies	58.3	3.6	-1.8	6.9	4.1	4.3	4.0	3.7
China	18.4	6.0	2.2	8.4	3.0	5.2	4.7	4.2
Advanced Economy Inflation	41.7	1.4	0.7	3.1	7.3	7.3	2.9	2.3
US	15.5	1.8	1.3	4.7	8.0	4.1	2.9	2.1
Euro area	12.2	1.2	0.3	2.6	8.4	5.5	2.4	2.1
Germany	3.3	1.4	0.5	3.1	6.9	6.0	2.3	2.0
France	2.3	1.1	0.5	1.7	5.2	4.9	2.5	1.9
Italy	1.9	0.6	-0.1	1.9	8.2	5.7	1.2	1.7
Japan	3.7	0.5	0.0	-0.3	2.5	3.3	2.5	2.0
UK	2.3	1.8	0.9	2.6	9.1	7.4	2.6	2.1
Canada	1.4	1.9	0.7	3.4	6.8	3.9	2.6	2.2
Australia	1.0	1.6	0.9	2.9	6.6	5.6	3.2	2.4
Developing Economies	58.3	5.1	5.1	5.9	9.8	8.2	6.5	5.0
China	18.4	2.9	2.4	0.9	2.0	0.2	0.4	1.5
Value of World Output ($ trl)								
At Market Exchange Rates		87.3	85.0	96.5	100.1	104.5	114.1	121.1
At Purchasing Power Parities		135.8	133.5	148.2	163.8	174.8	190.4	202.3

[1] Real GDP; [2] Consumer Price Inflation

Weight is the share of world GDP on a purchasing power parity basis (IMF *World Economic Outlook)*

Historical data sources: Oxford Economics, IMF. Forecast: SSGA Global Macro and Policy Research

Politics and Geopolitics

US Elections Finish Line: Does our outlook remain intact?

Kamala Harris taking over the Democratic nomination has changed the probabilities of the election outcome, but does not appear to materially affect policy risks as long as congressional chambers are split. A Democratic or a Republican sweep, however, would have material consequences across most asset classes with opposite implications for the USD and mixed results for equities.

In our earlier notes this year, our macro view stressed that inflation and rates were most vulnerable to one party consolidating power. Any disorderly bear steepening of the yield curve would boost the USD while weighing on equities. In any case, fiscal stress would become evident after the election and the bond market could become a policy constraint in the US.

From a regulatory and broader policy analysis, we predicted sector dispersion to be narrower than in the previous two cycles, but nonetheless an opportune way to position for the election, as we would expect market responses to the presidential ticket irrespective of the congressional makeup.

Scenarios

For clarity, we recap the core four scenarios and their impact on policy and regulation in the aftermath of the election. The four scenarios are:

(1) A Republican sweep with full Republican control of all branches of the federal government
(2) A Trump victory with a split Congress where the Democrats control the House and the Republicans have a majority in the Senate
(3) A Harris victory with a split Congress as in scenario 2
(4) A Democrat Sweep

In terms of probability, we believe the presidential race remains a coin toss, but that split Congress is likely (i.e. well above 50% chance). Between the two tail outcomes, the Republican sweep is doubly more conceivable than its Democratic counterpart, which we find is a remote outcome.

Figure 2: Core scenarios and asset class views

Assets	Scenario 1 Republican Sweep	Scenario 2 Trump with Split Congress	Scenario 3 Harris with Split Congress	Scenario 4 Democrat Sweep
Treasuries	Higher yields			
US equities	Mixed	Relief rally	Relief rally	Downside
US Dollar	Strengthening	Strengthening		Weakening

Source: State Street Global Advisors, 31 August 2024

Bonds vs equities

The fiscal-monetary policy mix will largely determine the slope of the yield curve. With the caveat that we anticipate a soft landing and no near term recession, we foresee the yield curve driven by macro fundamentals in most election scenarios. The exception is that a Republican sweep could deliver a disorderly steepening by lifting inflation expectations on the back of debt-funded tax cuts. higher tariffs, more restrictive labor market policies and changes to the governance of the Federal Reserve. Together these factors could also see a strengthening of the US dollar, despite Trump's desire to weaken the currency. Equities would likely be volatile as some sectors would benefit from tax cuts and favorable regulatory changes whereas others would face the higher cost of financing.

Scenario 2 would include the same regulatory stimulus but the fiscal picture in our view would be diluted, delivering a more modest currency appreciation and only slightly steeper yield curve.

In contrast, we would expect the bond market to largely ignore the election in scenario 3 and perceive it as a status quo. In both cases, the stock market would be relieved that the election uncertainty was over and rally toward year-end in typical seasonal pattern.

A Democrat Sweep appears to be negative for equities given more expansive regulation and the prospect of material tax increases for corporations as well as higher income earners.

Country Macro Highlights

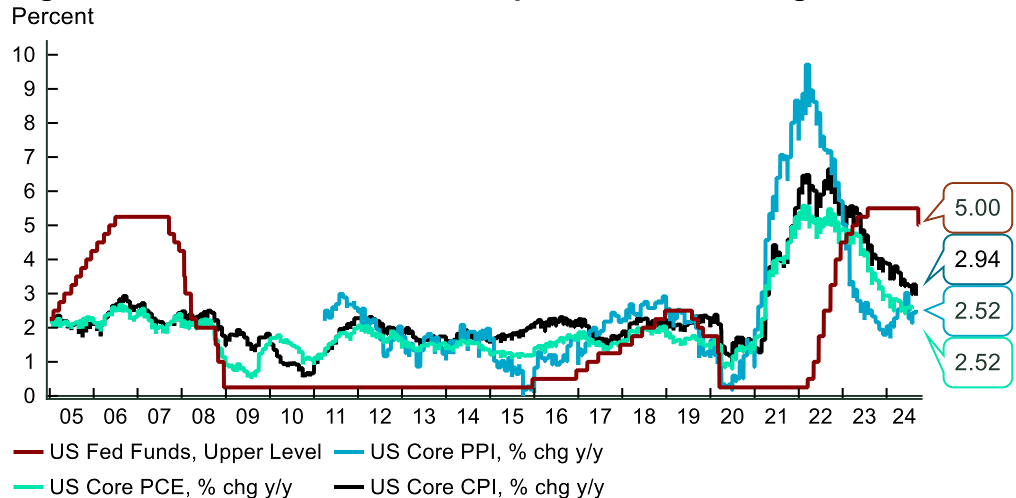
Please see individual country commentaries in respective sections below.

US: Catching Up

What a difference a quarter makes! In the aftermath of the June Fed meeting and summary of economic projections (SEP) indicating a single rate cut in 2024, we worried “that the Fed stays too high for too long, and in the process, endangers the soft landing.” This was because we believed the economy “to be less robust than the Fed thinks it is” and projected a lower growth forecast and a higher unemployment rate for end-2024. We argued that “based on incoming data, we’d certainly welcome 100 bp worth of cuts, mindful as we are that policy works with long lags.”

Those 100 bp worth of cuts may have seemed like wishful thinking back in June, but the Fed’s September meeting changed all that. In a close call that involved the first dissent from a Fed Governor since 2005, the FOMC kickstarted the easing cycle with a bang (i.e., a 50 bp cut) and indicated in the updated SEP an additional 50 bp worth of cuts through year end. We welcome the outcome, even though the Fed’s communication leading to this point left a lot to be desired.

Figure 3: Fed Starts Not With A Wisper, But With A Bang



Sources: Macrobond, SSGA Economics, BLS, GAC, University of Michigan, BEA, Fed
Updated as of 9/22/2024

What changed? By far the most important thing is that the gentle erosion in the labor market—of which we’ve consistently written all year—had become much more visible in headline data. Specifically, the unemployment rate jumped to 4.3% in July before reverting to 4.2% in August. The Fed’s estimate of NAIRU (non-accelerating inflation rate of unemployment) is 4.2%. Job openings declined further and employment gains slowed notably. Meanwhile, the downtrend in inflation, which stalled in the first quarter, resumed in the second. Core PCE inflation eased two tenths to 2.6% between April and May and remained there in June and July.

At the September meeting, the message from the FOMC consequently was that the "Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance." The resulting action was a 50-bp rate cut with eleven votes in favor and one against. Governor Bowman would have preferred a smaller 25-bp reduction. We had long said the Fed should initiate the cutting cycle at either the June or July meeting to allow for a gradual descent and control over the message, namely that these first cuts are a calibration exercise facilitated by lower inflation rather than a correction forced by a lagging economy. That is exactly how Chair Powell has positioned and explained the move. Given what's done is done, there is no point dwelling on alternative paths of getting to where we are.

The economy remains in a good place and now that the Fed seems more attentive to downside risks, we retain our a soft landing forecast. Oddly, we now have a slightly *lower* unemployment rate for end-2024 than the Fed's updated 4.4%, although our growth projection remains weaker. We do see the economy slowing more pronouncedly in 2025, but have lower conviction in that view given the more "activist" Fed. Risks to our 1.5% 2025 growth forecast are balanced. On the upside, material rate cuts could drive a resurgence in housing activity and allow homeowners to unlock massive home equity, hence fueling ongoing consumption. Downside risks stem primarily from slowing labor demand, corporate refinancing needs, diminished lift from lingering fiscal stimulus, and fiscal and trade policy uncertainty. We hope to get more clarity on policy direction following the elections.

As of now, we expect 50 bp in additional cuts this year and an additional 125 in 2025, leaving the Fed Funds at 3.00-3.25% by December 2025. The risks are skewed to the Fed doing more—especially in the near term—on the basis of the expressed intention to front-load the rate adjustments.

Canada: Finally Settling Down

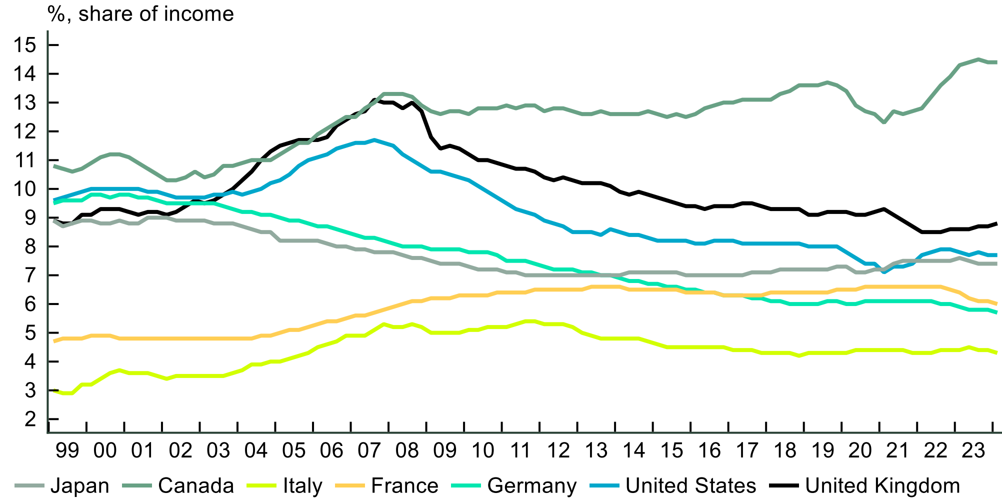
The strong rebound in Q2 and the recent pickup in growth momentum supported by successive rate cuts has led us to revise up our growth forecast to 1.1% in 2024 and 1.7% in 2025.

While we are more optimistic about the economy, in our forecast it is fixed investment, rather than consumer spending, that is the main contributor to growth, as the effect of higher interest rate seems to weigh more on the latter. Admittedly, business investment has been weak, with residential investment a detractor and non-residential investment only a marginal contributor to Q2 growth. A combination of weak demand, high interest rates, and uncertainty about the business environment have affected investment spending through first half of the year. Going forward, we expect that lower borrowing costs, government budget planning, and better growth will support performance.

Meanwhile, household consumption has been constrained by elevated interest rates, particularly through higher mortgage costs. The Canadian household debt service ratio as a share of income is the highest amongst G7 countries and the gap has increased significantly following last year's interest rate hikes. During Q2, household spending slowed sharply to 0.6% q/q saar despite being supported by a

larger-than-expected increase in population. Recent immigration tightening is also likely to constrain consumption further. As such, we consumer spending will remain muted until consumer confidence picks up notably next year.

Figure 4: Canadian Household Debt Service Ratio Is Highest In G7



Sources: Macrobond, SSGA Economics, BIS
Updated as of 9/22/2024

The labor market has cooled considerably this year. The unemployment rate has increased from a post-pandemic low of 4.8% in Jul 2022 to 6.6% in August, partly due to an immigration-boosted rise in the labor force. Meanwhile, wage growth slowed down in August, with average hourly wages rising 5.0% y/y, compared to 5.2% in July (not seasonally adjusted). We expect the downtrend in wage growth to continue as the labor market loosens further.

Headline inflation was back at Bank of Canada (BoC) 's 2.0% target in August, down from 2.5% previous month. Goods prices have fallen into deflation at -0.7% y/y. Shelter inflation remains elevated and continues to account for large share of the overall increase. Excluding shelter, annual inflation was just 0.5% y/y. Meanwhile, Bank of Canada's preferred core inflation measures continue slowing down with the CPI common measure moving back to 2.0%.

The BoC was at the forefront of major central banks to kick off its easing cycle in June. With inflation now broadly under control, the bank is shifting its focus to growth. In fact, subdued economic growth and increasing slack in labor market might suggest that the Bank remains behind the curve. That said, the BoC still has a way to go in lowering interest rates, including the possibility of a 50 bps cut.

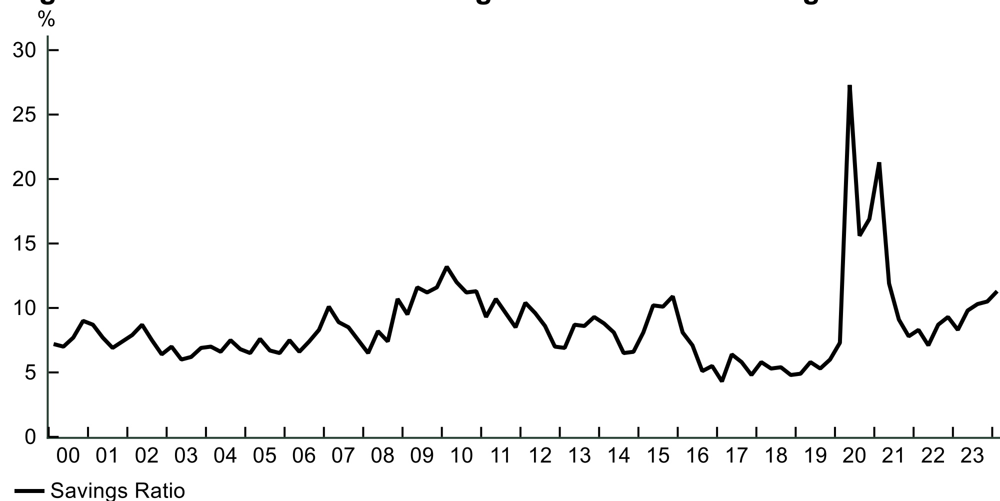
UK: Growth Continues But Slowly

The year started off strong for the UK economy, with H1 GDP growth well above market expectations, leading us to revise up our forecasts. We upgraded our 2024 growth forecast by two tenths to 1.0%, while maintaining 1.5% growth in 2025. Lower inflation, monetary policy easing and rising real wages should continue to support the economy. Meanwhile, fiscal constraints, long-term productivity issues,

and softening labor market might act as headwinds to growth.

Following a strong expansion of 0.7% q/q in Q1, Q2 GDP grew robustly by 0.6% q/q, supporting by increases in gross capital formation, government consumption, and household spending. However, the strong Q1 momentum faded slightly in Q2. Despite the recovery in purchasing power, household consumption remained weak, reflecting a softening labor market and the impact of higher interest rates. Household spending's growth in Q2 was only 0.2% q/q, down from 0.4% q/q in previous quarter. The household saving rate jumped to an almost 3-year high of 11.3% in Q1. Meanwhile, retail sales, after several months of declines, have returned to growth in July and continued growing strongly in August, suggesting an upturn in retail sector in Q3. However, the sharp drop in the GFK consumer confidence in September, led by a marked deterioration over outlook on personal finances for next 12 months, prospects for general economy, and major purchase index, underlines the risk that budget finances will constrain consumer spending in coming months. Business investment remains weak, falling by 0.1% q/q during the second quarter and staying 1.1% lower compared to the same period a year ago. Net trade was also a drag to the economic growth in Q2 after contributing significantly to growth in Q1. As a result, we expect more modest growth in the second half of the year.

Figure 5: The UK Personal Saving Rate Continues Rising



Sources: Macrobond, SSGA Economics, ONS
Updated as of 9/22/2024

Headline CPI inflation stayed at 2.2% in August, in line with market expectations and two-tenths below the BoE estimates. Importantly, services inflation seemingly moved in the wrong direction during the month as it rose by four-tenths to 5.6% y/y. However, just like other recent downside and upside surprises in UK's inflation, the increase in August services inflation mostly represented noises. The main contributors to the upward pressures on services inflation include furniture and household equipment inflation, recreation/culture inflation and a sharp rise in airfares inflation, which are largely subject to base effects. Excluding volatile items, the picture is looking better. The latest UK PMIs readings also suggest further

easing in inflation, particularly in the services sector. Hence, compared to June forecast, we revise up our 2024 inflation forecast just slightly by 0.1 percentage points to 2.6% and keep 2025 forecast unchanged at 1.7%.

The labor market is still tight by historical standards but there is ongoing easing. The unemployment rate stands at 4.1%, down from its April high of 4.4%, but labor demand has cooled further. Headline vacancies in the three months to August declined 4.7% from the prior three months. Wage pressures also eased: growth in regular pay (ex-bonuses) eased three tenths to 5.1% y/y, and growth in average total pay (including bonuses) for the three months to June down six tenths to 4.0%.

The BoE left its policy rate unchanged at 5.0% in September, in line with our expectations and reaffirmed that it is not in a rush to cut interest rates. Its statement “in the absence of material developments, a gradual approach to removing policy restraint remains appropriate” effectively suggests quarterly rate cuts of 25 basis points. The next rate cut is very likely in November. However, we doubt that the BoE’s easing cycle will diverge that much from the Fed. Given the stickiness in the services inflation was mostly down to volatile categories and labor market easing continues, we expect the BoE will soon move its focus away from inflation to growth. That said, we continue to look for rate cuts in November and December this year and expect interest rate will reach 3.5% by June.

Eurozone: Hard To Run When Injured

Our 2024 eurozone growth forecasts have fluctuated in an extremely tight 0.1 ppt range since last December. From 0.9% then, we moved to 0.8% in March, then back to 0.9% in June and now at 0.8% again. The story has not changed. The region is gently emerging from the shock of the Ukraine war, but the pace of improvement is slowed by dismal performance in the region’s largest economy. It is hard for the team to do well when the star player is injured…

And injured it is. The German economy contracted 0.1% q/q in Q2, which left real GDP unchanged from a year prior. However, the details behind that headline were far more downbeat. In particular, consumer spending contracted 0.2% q/q, the first decline since early 2023. Despite a powerful disinflationary benefit, real household consumption is flat relative to a year earlier. Equally—if not more!—troublesome was the huge 2.2% q/q plunge in fixed investment, which is now 3.7% lower than in Q2 2023. The only support came from government spending, which rose 1.0% q/q and 2.8% y/y. The domestic demand dynamics are weak—consumers are reluctant to spend despite considerable savings cushion—and export performance is curtailed by Germany’s energy cost-induced competitiveness loss. There is little in the way of near-term demand catalysts so it is at least good that sharply lower inflation has opened the door for more ECB rate cuts.

Indeed, easing inflation has allowed the ECB to cut interest rates by 25 basis points each in June and September. In our view, cuts at both the remaining meetings of the year are warranted now that the Fed itself has begun easing, but it remains to be seen whether the ECB is ready to move again in October or will wait until December to do so. Inflation has come down notably—at 2.2% y/y in August—but will likely tick back up at the end of the year on base effects. Most importantly, wage inflation has moderated notably and will likely improve further from here.

Arguably, the eurozone labor market is tighter than the US one, but there policy works with long lags and it seems advisable for the ECB to also front-load the cuts in light of soft growth. Whether we get one or two more cuts this year, however, is less important than the fact that 4-5 additional cuts are in store in 2025. The material decline in borrowing costs should help revive investment spending and lift GDP growth to 1.2% in 2025.

Japan: Duck Test

Our upbeat outlook on Japan remains intact, but will be tested by the Bank of Japan (BoJ) and markets. We expect inflation to remain at or above 2%, while the economy continues to grow on the back of reviving consumption. Wage growth is highly likely to remain strong in 2025 and the BoJ will continue to pro-actively guide markets on their policy. We expect policy rate to reach our neutral terminal forecast of 1% by the end of 2026, but now see a lesser chance of a December 2024 hike, although the meeting is surely live.

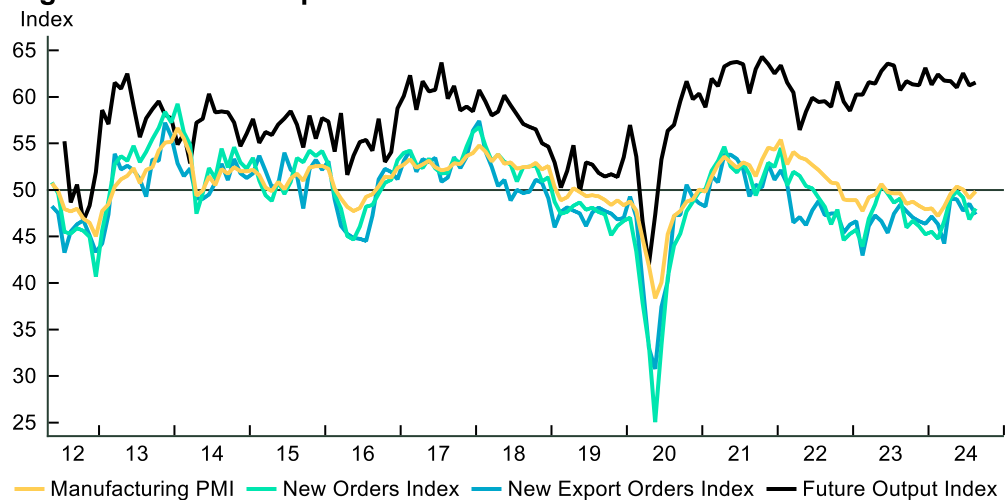
The Bank of Japan (BoJ) held their policy as universally expected, but the guidance was more hawkish than we expected. Governor Ueda said during the press-conference that the Bank ‘will keep raising rates’ if the economy evolves as expected. This is a very difficult maneuver for the BoJ, to ‘keep hiking’ when the Fed is expected to ‘keep cutting’. The Governor emphasized that the Bank wants to take time to assess how overseas uncertainties are affecting Japan. We expect it to achieve the needed confidence on inflation and growth at the end of the year. Furthermore, ‘demand-driven inflation is gradually rising’, so we expect consumption recovery to underpin inflation as well as economic growth.

The yen will be extremely critical to the outlook; we believe it helps to have a weaker yen than at its fair value, and we expect any rapid moves to be countered in adverse cases. The BoJ will also watch the currency movements carefully and

hike only after achieving the requisite confidence on intact price-pressures despite a stronger yen. The flow of money in the carry-trade will also be watched carefully; we expect domestic institutions to increase their JGB holdings through 2025, allowing the Bank to continue running down their massive QE program.

The upbeat growth in Q2 reassured us that the economy retains the hard-built momentum post-Covid. We factor in structurally improving consumption, and a potentially improved global aggregate demand in 2025 in our forecasts. We expect household consumption to keep expanding above the historic average of 1.5% y/y in 2025, as we expect better *shunto* outcomes to become entrenched in Japan. Furthermore, exports will be critically important for growth, and we expect 'difficult to achieve' improvement, as signaled by a resilient future output index despite a clear deterioration in other manufacturing PMI indices including the headline (Figure 4). The PMI data reported an increase in input buying for the first time since July 2022. Overall, we forecast growth to average 0.1% y/y this year and 1.5% in 2025.

Figure 7: Future Output Index Indicates A Potential Rebound In PMI



Sources: SSGA Economics, S&P Global, Macrobond
Updated as of 9/22/2024

Our outlook on inflation is unchanged in the sense that CPI will average 2.5% this year and 2.0% next year. Input price inflation in the PMI data rose to a 16-month high, as goods price inflation may have run their course in disinflation. Furthermore, given high demand and wage growth, services prices may also pick-up by December. We have reasonable conviction that inflation has changed structurally, although Japan is yet to officially recognize that the 2% price target has been achieved. It will be critical how the next administration in Japan may approach this long-time target. If an official recognition is given, it would add to the BoJ's confidence.

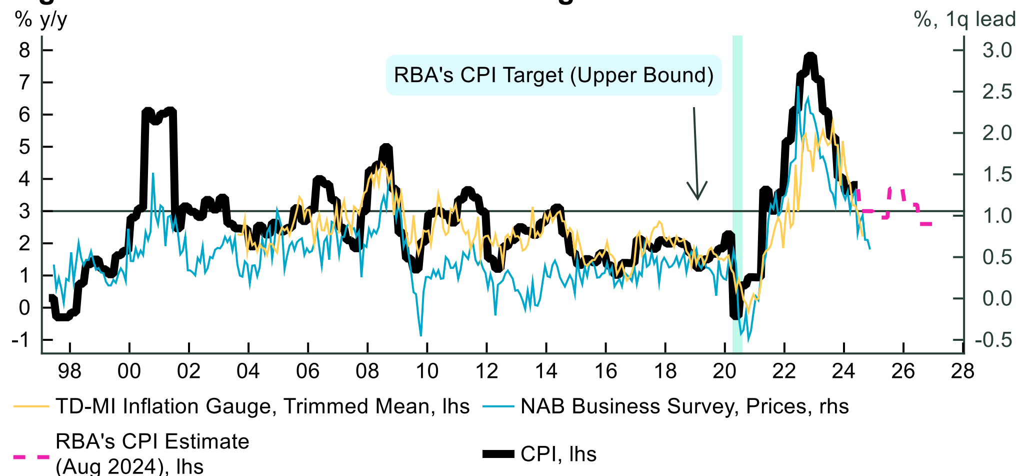
Australia: Early Bird Gets The Worm

For the whole of 2024 we have favored lower interest rates in Australia, and that view still stands as we still think that Australia needs to prioritize economic growth. With the monthly CPI easing significantly in July (3.3% y/y) and likely coming into the target range (<3%, data to be out next week) in August, the Reserve Bank of Australia (RBA) may be able to see the path to lower rates soon. This may not happen next week when the Bank meets the day before the August CPI is out, but we are hopeful that the pivot will happen this year and bring about the first cut. As for the September meeting, the Bank is likely on hold with hawkish guidance.

Otherwise, our downbeat outlook is little changed for the same reasons: inflation within the target, consumers' vulnerability, growth below potential. An unfolding global easing cycle is fresh on that list now. By joining the cycle late, the RBA risks losing more economic steam. GDP growth at 0.97% y/y in Q2 was the lowest in 32 years. On the other hand, US growth in Q3 is tracking around 3% q/q saar according to the Atlanta Fed's GDPNow, an impossible feat for Australia in the current policy setting. The RBA reads the same 4.2% unemployment rate differently than the Fed, who supposedly executed the 'risk management' option of cutting rates by 50 bps, marking a watershed moment in the current cycle.

The argument that interest rates in the US are still at 5% (upper bound of the Fed Funds Rate), but the cash rate is 'just' at 4.35%, so the RBA does not have to rush rate cuts is shaky at best. This is because significantly more mortgagees pay higher rates in Australia (US: 10% vs AU: 80%, source: IMF). Little wonder consumption grew just 0.2% q/q since 2023, four times lower than its average since 1959! This is the key reason why we see inflation declining well into the target at 2.4% in 2025, as we maintain our 2024 forecast of 3.2%.

Figure 8: SSGA: Aussie CPI Within Target In 2024



Sources: SSGA Economics, ABS, NAB, RBA, Melbourne Institute of Applied Economic & Social Research, Macrobond
Updated as of 9/22/2024

The recent decline in the monthly CPI was led by reintroduction of energy rebates but underlying inflation is also easing as indicated by the NAB Business Survey's

Prices metric, which was down sharply by 40 bps to 0.7% q/q. The August monthly CPI may print under the target of 3%. We expect such data to bring about at least dovish guidance, if not a rate cut, especially because the RBA's near-term inflation forecasts seem to be above what leading indicators indicate (Figure 5). More importantly, discretionary consumption is perhaps declining, as the inflation basket tracking it (excluding tobacco) declined to 2.1%. We see household consumption recovering to 1.5% in 2025. For this reason, we downgrade growth in 2025 to just 2.0% (below the RBA's forecast). Net exports and government spending will be crucial in 2025.

We wonder, though, whether the labor market has turned a corner, in terms of cyclically reviving employment growth. Net employment jumped 47.5k in August, well past our (20k) and consensus (25k), a third month near 50k. However, it is noteworthy that the August data was entirely driven by part-time employment as full-time jobs contracted by 3.1k. Furthermore, the data was subject to benchmark revisions which meant that there were 58.4k fewer jobs than previously estimated. It is not a major revision but, it solidifies the argument that labor market tightness may not add to inflation.

However, the unemployment rate (4.2%) will be the key, and may even rise beyond the RBA's forecast of 4.5% as signaled by the Beveridge Curve. The ANZ-Indeed Job Ads are now 30% below the peak in November 2022. What we worry the most is about is an unexpected sharp rise in unemployment in the late stage of a cycle.

All in all, despite our conviciton in the economic assessment, our confidence in rates coming down has decreased. We still favor a November cut and but see decreased likelihood (25% now vs. 50% earlier). December (40%) has favorable market pricing, but February (35%) is where the consensus is. To be sure, we still favor November as the start of a rate cutting cycle as we sense that a more visible change in economic conditions is around the corner.

Information Classification: Limited Access

Data Calendar

Week in Review (Sep 16 – Sep 20)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Sep 16					
US	Empire Manufacturing (Sep)	-4.3	11.5	-4.7	Solid details, but volatile.
CA	Manufacturing Sales (Jul, m/m)	1.10%	1.4%	-2.10%	Good.
Tuesday, Sep 17					
US	Retail Sales Advance (Aug, m/m)	-0.2%	0.1%	1.1% (↑)	Control sales up 0.3%.
US	Industrial Production (Aug, m/m)	0.2%	0.8%	-0.9% (↓)	Modest.
US	Business Inventories (Jul)	0.3%	0.4%	0.3%	OK.
US	NAHB Housing Market Index (Sep)	40	41	39	Lower interest rates help.
CA	Housing Starts (Aug, thous)	249.0	217.4	279.8 (↑)	Volatile.
CA	CPI (Aug, y/y)	2.10%	2.0%	2.50%	Good
GE	ZEW Survey Expectations (Sep)	17.0	3.6	19.2	Has meaningfully relapsed.
JN	Core Machine Orders (Jul, m/m)	0.70%	-0.1%	2.10%	Volatile.
Wednesday, Sep 18					
US	Housing Starts (Aug, thous)	1,320	1,356	1,237 (↓)	Volatile but lower rates will help.
US	Building Permits (Aug, thous)	1,413	1,475	1,406	Volatile but lower rates will help.
US	FOMC Rate Decision (Upper Bound)	5.25%	5.00%	5.50%	Surprising with outsized cut.
UK	CPI (Aug, y/y)	2.2%	2.2%	2.2%	In line with expectations.
EC	CPI (Aug, y/y, final)	2.2%	2.2%	2.6%	Validates ECB easing.
AU	Unemployment Rate (Aug)	4.2%	4.2%	4.2%	Labor market fraying at the edges.
Thursday, Sep 19					
US	Philadelphia Fed Business Outlook (Sep)	-1	1.7	-7	Mixed details.
US	Initial Jobless Claims (14-Sep, thous)	230	219	231	Very low.
US	Continuing Claims (7-Sep, thous)	1,855	1,829	1,843	Very low.
US	Existing Home Sales (Aug, m/m)	-1.3%	-2.5%	1.5% (↑)	Will improve will lower mortgage rates.
UK	Bank of England Bank Rate	5.00%	5.00%	5.00%	In line with expectations.
UK	GfK Consumer Confidence (Sep)	-13	-20	-13	Downside surprise.
JN	Natl CPI (Aug, y/y)	3.0%	3.0%	2.8%	Demand-driven inflation taking root.
Friday, Sep 20					
CA	Retail Sales (Jul, m/m)	0.6%	0.9%	-0.2% (↑)	OK.
UK	Retail Sales Inc Auto (Aug, m/m)	0.4%	1.0%	0.7% (↑)	Welcome improvement.

Source: for data, Bloomberg®; for commentary, State Street Global Advisors Economics.

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* Pensions & Investments Research Center, as of December 31, 2023.

† This figure is presented as of June 30, 2024, and includes ETF AUM $1,393.92 billion USD of which approximately $69.35 billion USD is in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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