



U.S. ECONOMIC DATA AND EVENT OUTLOOK

Date	Time (EST)	Economic Indicator	(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)							
			May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	
Wed										
11/13	8:30 AM	Oct	Consumer Prices, Total (%m/m)	0.1	0.1	0.3	0.1	0.0	0.4 (0.3)	
			%y/y	1.8	1.6	1.8	1.7	1.7	1.8 (1.7)	
			Ex-Food-and-Energy (%m/m)	0.1	0.3	0.3	0.3	0.1	0.2 (0.2)	
			%y/y	2.0	2.1	2.2	2.4	2.4	2.3 (2.4)	
	11:00 AM		Powell Testimony							

Global Economy and Markets

- **October activity updates disappointed in China, with Industrial Production slowing to 4.7% y/y, Retail Sales decelerating to 7.2% y/y, and Urban Fixed Asset Investment slowing to a record low of 5.2% ytd y/y.** The week-long national holiday contributed to the broad weakness, along with continued weakening in domestic demand. More discussion is enclosed below.
- **Japan's Q3 GDP decelerated sharply to 0.1% q/q from 0.3% in the second quarter,** dragged mainly by a 0.7% decline in exports. Household consumption rose 0.3% q/q despite the front-loading ahead of the sales tax increase in October, suggesting a smaller effect of the tax hike compared to the one in 2014 and likely a moderate contraction in consumption in the fourth quarter.
- **Germany dodged a technical recession, with Q3 GDP surpassing estimates, edging up 0.1% q/q, compared to a downwardly revised -0.2% q/q in the second quarter.** The better-than-expected growth was driven by private and public consumption, while equipment and machinery investment contracted.
- Global markets are mostly down on Thursday amid declining trade optimism. The Euro Stoxx 600 edged down 0.12%, the FTSE 100 dropped 0.36%, and the DAX decreased 0.36%. The Nikkei declined 0.76%, the Hang Seng plunged 0.93%, whereas the Shanghai Composite recovered 0.16%.

FOMC Members May Offer Comprehensive Review of the Economy

The Federal Reserve Chairman Jerome Powell continues his testimony at the House Budget Committee tomorrow after his not-so-eventful, in terms of market reaction, appearance today. Other Fed speakers continue to hit the road as well, and the slew of FOMC members may give a comprehensive update on the central bank's assessment of the current economy and the ongoing risks under the radar. Regarding future federal funds rate path, they are expected to stand with Powell, signaling a pause yet leaving the door open in case of any material change in high frequency data and geopolitical tensions.

PPI Expected to Rebound After Previous Plunge

October Producer Prices are released tomorrow morning and are expected to rebound modestly following the 0.3% m/m decline in September. Overall, producer prices should continue to face downward pressure from the strong U.S. dollar and declining global goods prices.

U.S. AND GLOBAL REVIEW – WEDNESDAY

China's Activity Slowed Sharply in October

China's activity missed estimates by a large margin in October across all gauges, reflecting broad weakness in the economy, exacerbated by the week-long national holiday at the beginning of the month. Fiscal support has yet to show material effect but more fiscal and monetary stimuli could be on the way.

Industrial Output slowed to 4.7% y/y after a rebound to 5.8% in September, even though the cumulative gauge held at 5.6% ytd y/y. Retail sales plunged to **7.2% y/y** from 7.8%, dragging the cumulative gauge down to 8.1% ytd y/y from 8.2%. Moreover, the push in local government infrastructure investment seems ineffective so far, with **urban fixed asset investment decelerating to a record low of 5.2% ytd y/y** from 5.4%.

More Details

- Manufacturing Output slowed to 4.6% y/y from 5.8% in September, while Electricity Output jumped to 4% from 3.1%. The decline in manufacturing
- Auto sales and oil products weighed on retail sales in October, down 3.3% y/y and 4.5% y/y, respectively. Consumer discretionary products such as jewelry and clothing also declined, which could be related to the national holiday and the anticipation of promotional events in November.
- Private investment slowed again to 4.4% ytd y/y by October, compared to 4.7% in the first nine months of 2019, whereas state-owned investment edged up to 7.4% ytd y/y from 7.3%.

Bottom-Line

Continuing downward pressure on the Chinese economy seems nowhere near dwindling, which may suggest either the fiscal and monetary stimuli are falling behind the curve or they are far from enough. The government is obviously eager to ratchet up fiscal stimulus, as the State Council of China announced today before activity data releases to lower the minimum capital requirement for ports and shipping infrastructure projects from 25% to 20%. Additionally, the People's Bank of China is more likely to cut the Required Reserve Ratio by the end of 2019 given prolonged deterioration in activity, after cutting the medium term lending facility rate for the first time in three years last week.

Nevertheless, with trade outlook misty again as the U.S. and China struggle to find common ground, it is too early to say whether the Chinese economic growth will bottom out after an expected fall below 6% in the fourth quarter.

Japan GDP Disappointed on Export Slump

Japan's GDP edged up 0.1% q/q during the third quarter (DE: 0.3% q/q; Consensus: 0.2% q/q), compared to 0.4% in the second quarter, dragged by a 0.7% q/q contraction in exports. Growth of domestic demand decelerated to 0.2% q/q from 0.7%, with private demand up 0.1% and public demand up 0.6%.

Household consumption grew 0.3% q/q, compared to 0.6% in prior quarter, despite the shopping sprees in August and September before the sales tax increase in October. With higher price tags in the fourth quarter, private consumption will probably decline and weigh on economic growth. Public spending, on the other hand, is set to accelerate due to a fiscal stimulus package announced last week to support recovery from natural disasters and external risks.

Despite heightened uncertainties during the third quarter, both residential investment and capital investment accelerated, up 1.4% q/q and 0.9% q/q, respectively, suggesting resilience in business activity in Japan.

