

Morning Market Tidbits

The Fed wants to avoid backtracking

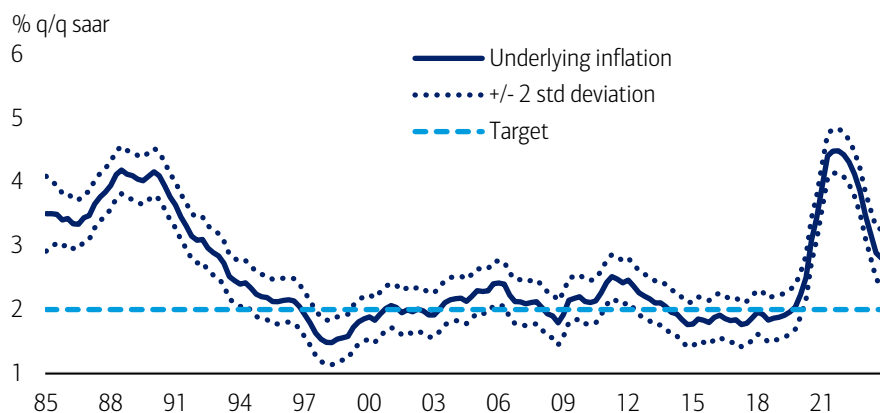
In focus

In our latest [US Economic Weekly](#), we review the recent developments from Fed speakers on the outlook for monetary policy. The bottom line is that the Fed sees risk management considerations as heavily influencing the timing of rate cuts. The Fed sees risks from easing too quickly as outweighing downside risks from maintaining a restrictive stance for too long. The Fed would prefer to avoid backtracking once it starts.

In our latest [Global Economic Weekly](#), we highlight how starting the easing cycle in the US and Euro Area or a significant increase in policy support in China can be considered highly irreversible decisions; hence the value of waiting to get more data becomes relevant. Such value differs significantly across the three main economies. It is higher for the Fed, somewhere in the middle for the ECB, and much lower for Chinese policymakers.

Exhibit 1: Underlying inflation versus the Fed's 2% target

Underlying PCE inflation has fallen but has more room to go



Source: Federal Reserve, BofA Global Research

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Market Action

The Asian equity markets that we cover closed mostly negative overnight. Looking at individual markets, we note that the Shanghai Composite and the Korean Kospi fell 0.9% and 0.8%, respectively, the Hang Seng and the Indian Sensex were down 0.5% each, while the Nikkei added 0.3%.

As of 7:00 am ET, aggregate European stocks are down 0.2%, and S&P 500 futures are flat. In the bond markets, US bond yields are flat at 4.25%, and German Bund yields are up 2bp to 2.38%. The dollar index is down 0.2% to \$103.77. West Texas Intermediate (WTI) crude oil prices are \$0.32 lower at \$76.17/barrel, and gold prices are at \$2031.08/ounce.

(Continued on next page)

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ECB: European Central Bank

US GDP Tracking

Exhibit 2: BofA US GDP tracking estimate (% q/q saar)

1Q GDP tracking is up one-tenth to 1.0% q/q saar largely due to methodological assumptions made on account of the revenue in the services sector in the quarterly services survey (QSS) coming in stronger than expected

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
2/14/24	BofA official GDP forecast	1.0	1.5	1.5	-0.5	-1.0	1.0	2.0	1.0	1.0	1.5	-912.0	67.5
2/15/24	Retail Sales	0.8	1.1	1.2	-0.9	-1.0	1.0	2.0	1.0	1.0	1.5	-915.8	66.6
2/15/24	Industrial Production	0.9	1.2	1.3	-0.9	-1.2	0.9	2.0	1.0	1.0	1.5	-915.8	66.6
2/15/24	Retail Inventories, Import Export Prices	0.9	1.1	1.3	-1.4	-1.5	0.8	2.0	1.0	0.2	1.4	-924.6	73.8
2/16/24	Housing Starts and Permits	0.9	1.1	1.3	-1.5	-1.5	0.8	2.0	1.0	0.2	1.4	-924.6	73.8
2/16/24	PPI	0.9	1.0	1.3	-1.5	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
2/22/24	Existing Home Sales	0.9	1.1	1.3	-1.1	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
2/22/24	Methodological Assumptions (QSS)	1.0	1.2	1.5	-1.1	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
	GDP tracking	1.0	1.2	1.5	-1.1	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
	Contribution to GDP growth (pp)			1.0	0.0	-0.1	0.0	0.1	0.2			-0.2	0.0
	BofA official GDP forecast	1.0	1.5	1.5	-0.5	-1.0	1.0	2.0	1.0	1.0	1.5	-912.0	67.5

Source: BofA Global Research. Our GDP tracking estimate reflects the mechanical aggregation of incoming data that directly informs the BEA's GDP calculations. The process is distinct from our official published GDP forecast. Boldface cells indicate where data have implications for tracking estimates. saar = seasonally adjusted annual rate.

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Data Previews

February 26

New home sales

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
2/26/24	10:00	New Home Sales	Jan	680k	684k	664k

Source: BofA Global Research. k = thousand.

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