

# Morning Market Tidbits

## Mixed data flow

### In focus

In our latest [US Economic Weekly](#), we review the February CPI data and our expectations for the March FOMC Meeting. CPI inflation beat expectations, although the details were less concerning than in January. We look for a soft 0.3% print on core PCE inflation. While inflation has hit a bump in the road, the activity data suggest the economy is not overheating. February retail sales were tepid, with large downward revisions to prior months.

At the March FOMC meeting, we expect the Fed to revise its outlook in favor of stronger growth and somewhat firmer inflation while leaving unemployment near multi-decade lows (Exhibit 1). If so, it can guide markets to a cutting cycle that begins in June, but the clear risk is it defers cuts. The Fed will begin discussion about its balance sheet plans. We do not expect details. The near-term focus will be on when and how much to taper Treasury run-off caps while the long-term focus will be on the composition of securities holdings.

In our latest [Global Economic Weekly](#), we discuss the latest stronger than expected nonfarm payrolls data and core services inflation. Non-farm payrolls remain much stronger than their long-term equilibrium level, even accounting for downward revisions. Core services inflation continued to accelerate on a 3m/3m basis, and core goods posted the first positive reading since May. High-for-longer cannot be ruled out: the last mile should be more dependent on services, and more reliant on the demand side.

#### Exhibit 1: BofA US Economics forecast for the March Summary of Economic Projections

A supply-side bump: More growth, slightly more inflation, low unemployment

|                                      | 2024 | 2025 | 2026 | Longer Run |
|--------------------------------------|------|------|------|------------|
| Change in real GDP (% 4Q/4Q)         |      |      |      |            |
| March SEP (forecast)                 | 1.8  | 1.8  | 1.9  | 1.8        |
| December SEP                         | 1.4  | 1.8  | 1.9  | 1.8        |
| Unemployment rate (%)                |      |      |      |            |
| March SEP (forecast)                 | 4.1  | 4.1  | 4.1  | 4.1        |
| December SEP                         | 4.1  | 4.1  | 4.1  | 4.1        |
| PCE inflation (% 4Q/4Q)              |      |      |      |            |
| March SEP (forecast)                 | 2.5  | 2.2  | 2.0  | 2.0        |
| December SEP                         | 2.4  | 2.1  | 2.0  | 2.0        |
| Core PCE inflation (% 4Q/4Q)         |      |      |      |            |
| March SEP (forecast)                 | 2.6  | 2.3  | 2.0  | 2.0        |
| December SEP                         | 2.4  | 2.2  | 2.0  |            |
| Federal funds target rate (midpoint) |      |      |      |            |
| March SEP (forecast)                 | 4.6  | 3.6  | 2.9  | 2.5        |
| December SEP                         | 4.6  | 3.6  | 2.9  | 2.5        |

Source: BofA Global Research, Federal Reserve Bank

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CPI: Consumer Price Index

PCE: Personal Consumption  
Expenditure

FOMC: Federal Open Market  
Committee

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## Market Action

The Asian equity markets that we cover closed mixed overnight. Looking at individual markets, the Hang Seng and the Indian Sensex were up 0.1% each, while the Korean Kospi, the Shanghai Composite and the Nikkei rose 0.7%, 1.0% and 2.7% respectively.

As of 7:00 am ET, aggregate European stocks are flat and S&P500 futures are up 0.4%. In the bond markets, US Bonds are flat at 4.30%, and German Bund yields are up 1bp to 2.46%. The dollar index is down \$0.04 to \$103.39. WTI crude oil prices are \$0.64 higher at \$81.68/bbl, and gold prices are at \$2158.26/oz.

## US GDP Tracking

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

1Q GDP tracking is up one-tenth to 2.4% q/q saar largely due the higher than expected February employment report and Q4 QSS print

| Date    | Data release                     | GDP        | Final Sales | PCE        | Res. Inv.  | Struct     | Equip | IPP | Gov.       | Exports    | Imports    | Net exports (level) | CIPI (level) |
|---------|----------------------------------|------------|-------------|------------|------------|------------|-------|-----|------------|------------|------------|---------------------|--------------|
| 3/7/24  | Trade Balance                    | <b>2.3</b> | 2.3         | 1.7        | 2.3        | 4.7        | 3.3   | 3.0 | 3.6        | <b>2.8</b> | <b>2.7</b> | <b>-923.3</b>       | 65.1         |
| 3/8/24  | Employment Report                | <b>2.4</b> | <b>2.4</b>  | 1.7        | <b>3.7</b> | 4.7        | 3.3   | 3.0 | <b>3.9</b> | 2.8        | 2.7        | -923.3              | 65.1         |
| 3/12/24 | CPI                              | 2.4        | 2.4         | 1.7        | 3.7        | 4.7        | 3.3   | 3.0 | 3.9        | 2.8        | 2.7        | -923.3              | 65.1         |
| 3/14/24 | Retail Sales                     | <b>2.3</b> | <b>2.3</b>  | <b>1.5</b> | <b>3.5</b> | 4.7        | 3.3   | 3.0 | 3.9        | 2.8        | 2.7        | -923.3              | 65.1         |
| 3/14/24 | PPI/Business Inventories         | 2.3        | 2.3         | 1.5        | 3.5        | <b>4.8</b> | 3.3   | 3.0 | 3.9        | 2.8        | 2.7        | -923.3              | <b>67.4</b>  |
| 3/14/24 | Methodological Assumptions (QSS) | <b>2.4</b> | <b>2.4</b>  | <b>1.7</b> | 3.5        | 4.8        | 3.3   | 3.0 | 3.9        | 2.8        | 2.7        | -923.3              | 67.4         |
|         | GDP tracking                     | 2.4        | 2.4         | 1.7        | 3.5        | 4.8        | 3.3   | 3.0 | 3.9        | 2.8        | 2.7        | -923.3              | 67.4         |
|         | Contribution to GDP growth (pp)  |            |             | 1.1        | 0.1        | 0.1        | 0.2   | 0.2 | 0.7        |            |            | -0.1                | 0.1          |
|         | BofA official GDP forecast       | 2.5        | 2.5         | 1.5        | 2.5        | 5.0        | 3.0   | 3.0 | 3.5        | 3.0        | 1.5        | -911.0              | 71.5         |

**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.

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