

## Morning Market Tidbits

## Signal or noise

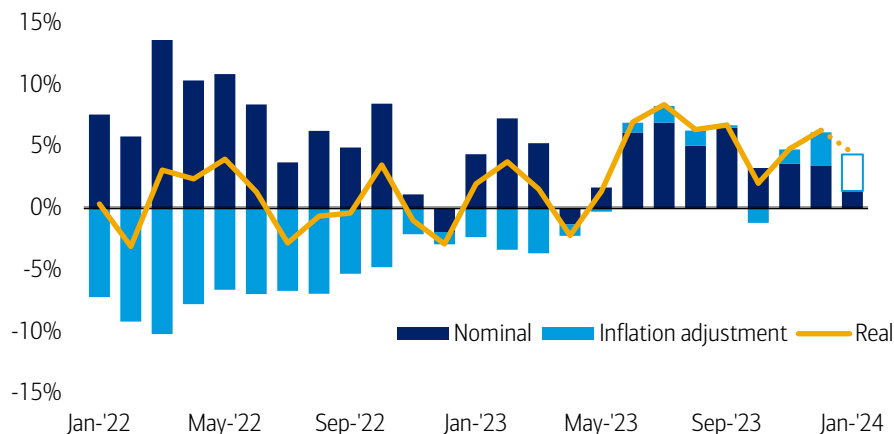
## In focus

In our latest [US Economic Weekly](#), we review how the data flow at the turn of the year has been choppy and confusing. Large beats in GDP, jobs and CPI inflation raised risks of economic overheating. Markets responded by meaningfully pricing out Fed cuts. However, very weak retail sales and IP data changed the narrative. On balance, we think the data surprises in both directions are a combination of signal and noise. For now, risks to our growth forecasts are slightly to the upside. If this leads to stickier inflation, Fed cuts could be delayed. Still, we are comfortable with our base case of three cuts starting in June. Markets are pricing about 95bp of cuts: this seems fair to us given the large scope for easing in the event of a negative shock.

In our latest [Global Economic Weekly](#), we highlight how before the January Fed meeting, we cautioned against complacency in claiming victory over inflation. At the time, we pointed to upside inflation risks in the US. In a nutshell, the economy is at full employment; the labor market is tight; consumption remains resilient; fiscal policy is too pro-cyclical and disinflation has been mostly driven by supply factors.

**Exhibit 1: Core control retail sales (3 month annualized % change)**

Three-month growth in real core control retail sales will most likely remain solid in January, aided by ongoing deflation in the corresponding spending categories



**Source:** BofA Global Research, Bureau of Economic Analysis, Census Bureau, Haver Analytics. The projection for January assumes that the core control deflator reported by Haver Analytics will be flat on the month.

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(Continued on next page)

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Economics  
United StatesUS Economics  
BofASMichael Gapen  
US Economist  
BofAS  
[michael.gapen@bofa.com](mailto:michael.gapen@bofa.com)Jeseo Park  
US Economist  
BofAS  
[jeseo.park@bofa.com](mailto:jeseo.park@bofa.com)Global Economics Team  
BofASClaudio Irigoyen  
Global Economist  
BofAS  
[claudio.irigoyen@bofa.com](mailto:claudio.irigoyen@bofa.com)

See Team Page for List of Analysts

IP: Industrial Production

CPI: Consumer Price Index

GDP: Gross Domestic Product

FOMC: Federal Open Market  
Committee

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Timestamp: 20 February 2024 07:49AM EST

## Market Action

The Asian equity markets that we cover closed mostly positive overnight. Looking at individual markets, the Korean Kospi and the Nikkei fell 0.8% and 0.3% respectively. On the flipside, the Shanghai Composite, the Indian Sensex and the Hang Seng added 0.4%, 0.5% and 0.6% respectively.

As of 7:00 am ET, aggregate European stocks are flat and S&P500 futures are down 0.3%. In the bond markets, the US market was closed due to the President's Day holiday, and German Bund yields are down 2bp to 2.39%. The dollar index is at \$104.16. WTI crude oil prices are \$0.36 lower at \$78.83/bbl, and gold prices are at \$2027.02/oz.

## US GDP Tracking

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

1Q GDP tracking down a tenth from the official forecast to 0.9% q/q saar & 4Q down three-tenths to 3.1% q/q saar largely due to lower-than-expected January retail sales and downward revisions to November and December

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	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>-0.9</b>	-1.0	1.0	2.0	1.0	1.0	1.5	-915.8	66.6
2/15/24	Industrial Production	<b>0.9</b>	<b>1.2</b>	<b>1.3</b>	-0.9	<b>-1.2</b>	<b>0.9</b>	2.0	1.0	1.0	1.5	-915.8	66.6
2/15/24	Retail Inventories, Import Export Prices	0.9	<b>1.1</b>	1.3	-1.4	-1.5	0.8	2.0	1.0	<b>0.2</b>	<b>1.4</b>	<b>-924.6</b>	<b>73.8</b>
	GDP tracking	0.9	1.1	1.3	-1.4	-1.5	0.8	2.0	1.0	0.2	1.4	-924.6	73.8
	Contribution to GDP growth (pp)			0.8	-0.1	0.0	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.

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## Research Analysts

---

**Michael Gapen**

US Economist

BofAS

[michael.gapen@bofa.com](mailto:michael.gapen@bofa.com)

**Aditya Bhave**

US Economist

BofAS

[aditya.bhave@bofa.com](mailto:aditya.bhave@bofa.com)

**Stephen Juneau**

US Economist

BofAS

[stephen.juneau@bofa.com](mailto:stephen.juneau@bofa.com)

**Jeseo Park**

US Economist

BofAS

[jeseo.park@bofa.com](mailto:jeseo.park@bofa.com)

**US Economics**

