

Morning Market Tidbits

Household balance sheets continue to support consumer resilience

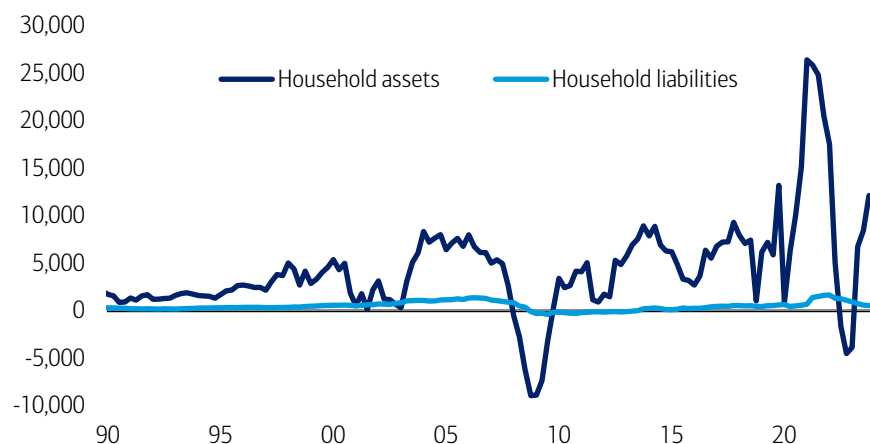
In focus

In our latest [US Economic Weekly](#), we discuss the household balance sheet and consumption dynamics in the US. Household net worth surged by \$4.8tn in 4Q 23, more than reversing its 3Q decline. Rising asset prices boost consumption through the wealth effect. The data also suggest households have more room to draw down on excess saving. Overall, consumption appears well supported by rising asset prices and still-elevated holdings of liquid assets. A retrenchment in consumption remains unlikely.

In our latest [Global Economic Weekly](#), we discuss the implications of Chair Powell's testimony to the Congress. We think he didn't offer much guidance and the speech was not a market moving event. Market pricing and the progress in disinflation still suggest three cuts starting in June as the path of least resistance. But growth above potential, upside inflation risks and elections suggest higher for longer might be appropriate.

Exhibit 1: Four-quarter change in household assets and liabilities, \$bn

Household assets rebounded sharply in 4Q 2023



Source: Federal Reserve, Haver Analytics, BofA Global Research

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Market Action

The Asian equity markets that we cover closed mixed overnight. Looking at individual markets, the Nikkei fell 2.2%, while the Indian Sensex and the Korean Kospi were down 0.8% each. On the flipside, the Shanghai Composite and the Hang Seng added 0.7% and 1.4% respectively.

As of 7:00 am ET, aggregate European stocks are down 0.4% and S&P500 futures are down 0.1%. In the bond markets, US Bond yields are flat at 4.08%, and German Bund yields are up 1bp to 2.27%. The dollar index is down \$0.03 to \$102.69. WTI crude oil prices are \$0.16 lower at \$77.85/bbl, and gold prices are at \$2177.73/oz.

(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 down two-tenths to 2.3% q/q saar from our official forecast change to 2.5% q/q saar largely due to a wider than expected trade deficit in January along with downward revisions to January wholesale inventories

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
2/29/24	Alignment to official forecast change	2.5	2.5	1.5	2.5	5.0	3.0	3.0	3.5	3.0	1.5	-911.0	71.5
3/1/24	Construction Spending	2.4	2.2	1.5	2.3	4.7	3.0	3.0	3.6	3.0	1.5	-909.0	71.5
3/5/24	Factory Orders, Vehicle Sales	2.5	2.3	1.7	2.3	4.7	3.3	3.0	3.6	3.0	1.5	-909.0	70.2
3/6/24	Wholesale Inventories	2.4	2.3	1.7	2.3	4.7	3.3	3.0	3.6	3.0	1.5	-909.0	65.1
3/7/24	Trade Balance	2.3	2.3	1.7	2.3	4.7	3.3	3.0	3.6	2.8	2.7	-923.3	65.1
	GDP tracking	2.3	2.3	1.7	2.3	4.7	3.3	3.0	3.6	2.8	2.7	-923.3	65.1
	Contribution to GDP growth (pp)			1.1	0.1	0.1	0.2	0.2	0.6			-0.1	0.0
	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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Data review

Employment report

Nonfarm payrolls rose by 275k in February, above our expectation for a 215k increase, but employment growth over the prior two months were lower by 167k. We think these revisions validate our view that some of the strength of the January report was statistical noise rather than signal. Job gains continue to be driven by sectors that lagged the broader employment recovery. Service sectors added 204k jobs owing to a 91k increase in education & health, and a 58k rise in leisure & hospitality. Average weekly hours ticked higher to 34.3 from an upwardly revised 34.2 in January, while average hourly earnings were up a soft 0.1%. Earnings for January were also revised lower to 0.5% from 0.6% previously. In the household survey, the U3-unemployment rate ticked higher to 3.9% (3.857% to three decimals) while the participation rate held steady at 62.5%.

The February employment report eased concerns that the labor market was tightening and wage inflation was accelerating. Strength of hiring and nominal income growth also suggest labor market fundamentals remain supportive of consumption. We think the data should incrementally increase the confidence of the Fed. We maintain our outlook for the first cut in June.

Overseas data

Norway

Underlying inflation came in at 4.9% in February, well below market consensus and Norges expectations, even weaker than BofA below-consensus forecast of 5.1%. Our Europe economists note that food prices, which are included there, have played a very important role in this downside surprise - significant discounts at supermarket chains created a prices drop in February.

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