

## Morning Market Tidbits

## Resilient activity and further disinflation

## In focus

In our most recent [US Economic Weekly](#), we review the latest 4Q GDP data and discuss our views for the FOMC meeting this week. While the advance estimate of 4Q GDP surprised sharply to the upside, rising 3.3% q/q saar against our expectation for a 1.5% increase, the mix of activity came in as we expected (Exhibit 1). Growth held up due to a resilient consumer, but other sectors of the economy moderated. Overall, growth in economic activity cooled but not nearly as much as we expected. The US economy continues to defy expectations.

As we noted in our preview (see [January FOMC preview: Playing for time](#)), we expect the Fed to remain on hold in January while pleased with the progress made in returning inflation towards the 2% target without a significant rise in the unemployment rate. However, we think that the Fed will remain coy about its intentions regarding the timing of policy normalization. We think that it prefers to see more data before making any decision on whether to start reducing rates in March, as we currently expect.

In our latest [Global Economic Weekly](#), we discuss how the US GDP keeps surprising on the upside. Strong activity and a still tight labor market raise questions about whether the goods disinflation may have run its course and if we are expecting too much from services. Meanwhile, we expect the ECB to cut in June and BoJ to exit NIRP/YCC in April. Red Sea disruptions remain another inflation risk.

**Exhibit 1: BEA's advance estimate of 4Q US GDP (q/q % saar and pp contribution)**

Robust growth on the back of a resilient consumer, strong government spending, and net exports

	% q/q saar q/q saar	Contribution to real GDP (pp)	% q/q saar	Contribution to real GDP (pp)
GDP	4.9		3.3	
Consumer Spending	3.1	2.1	2.8	1.9
Residential Investment	6.7	0.3	1.0	0.0
Structures	11.2	0.3	3.2	0.1
Equipment	-4.4	-0.2	1.0	0.1
Intellectual Property Products	1.8	0.1	2.1	0.1
Government	5.8	1.0	3.3	0.6
Exports	5.4	0.6	6.3	0.7
Imports	4.2	-0.6	1.9	-0.3
Net Exports (Bil 2012\$)	-931	0.0	-908	0.4
Inventory Accumulation (Bil 2012\$)	77.8	1.3	82.7	0.1
Final Sales	3.6		3.2	
Domestic Final Sales	3.5		2.7	

Source: Haver Analytics, BEA

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BoJ: Bank of Japan

ECB: European Central Bank

FOMC: Federal Open Market  
Committee

GDP: Gross Domestic Product

NIRP: Negative Interest Rate Policy

saar: seasonally adjusted annual rate

YCC: Yield Curve Control

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## Market Action

The Asian equity markets that we cover closed mostly positive overnight. Looking at individual markets, we note that the Shanghai Composite was down 0.9%, the Nikkei and the Hang Seng added 0.8% each, while the Korean Kospi and the Indian Sensex rose 0.9% and 1.8%, respectively.

As of 7:00 am ET, aggregate European stocks are flat, and S&P 500 futures are up 0.1%. In the bond markets, 10-year Treasury yields are down 3bp to 4.10%, and German Bund yields are down 6bp to 2.34%. The dollar index is up \$0.18 to \$103.62. West Texas Intermediate (WTI) crude oil prices are \$0.08 lower at \$78.09/barrel, and gold prices are at \$2028.24/ounce.

## US GDP Tracking

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

The advance print of 4Q US GDP came in at 3.3% q/q saar. The main differences from our tracker were largely the higher-than-expected rise in consumption and the volatile net exports and inventory component.

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
1/11/24	CPI	1.3	2.0	1.9	-0.2	3.3	2.8	2.5	2.3	2.2	2.2	-935.5	26.5
1/12/24	PPI	1.3	2.0	1.9	-0.2	<b>3.6</b>	2.8	2.5	2.3	2.2	2.2	-935.5	<b>27.0</b>
1/17/24	Retail Sales	<b>1.4</b>	<b>2.1</b>	<b>2.0</b>	<b>0.2</b>	3.6	2.8	2.5	2.3	2.2	2.2	-935.5	27.0
1/17/24	Industrial Production, Business Inventories	<b>1.3</b>	2.1	2.0	0.2	<b>3.5</b>	<b>2.5</b>	2.5	2.3	2.2	2.2	-935.5	<b>26.3</b>
1/17/24	Import and Export Prices	<b>1.4</b>	2.1	2.0	0.2	3.5	2.5	2.5	2.3	<b>2.4</b>	<b>1.8</b>	<b>-930.8</b>	26.3
1/18/24	Housing Starts and Permits	<b>1.5</b>	<b>2.2</b>	2.0	<b>0.6</b>	3.5	2.5	2.5	2.3	2.4	1.8	-930.8	26.3
1/25/24	4Q US GDP Advance Print	<b>3.3</b>	<b>2.7</b>	<b>2.8</b>	1.0	3.2	<b>1.1</b>	2.1	<b>3.3</b>	<b>6.3</b>	1.9	<b>-908.0</b>	<b>82.7</b>
	GDP tracking	3.3	2.7	2.8	1.0	3.2	1.1	2.1	3.3	6.3	1.9	-908.0	82.7
	Contribution to GDP growth (pp)			1.9	0.0	0.1	0.1	0.1	0.6			0.4	0.1

**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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