

Morning Market Tidbits

Has economic momentum carried over into the new year?

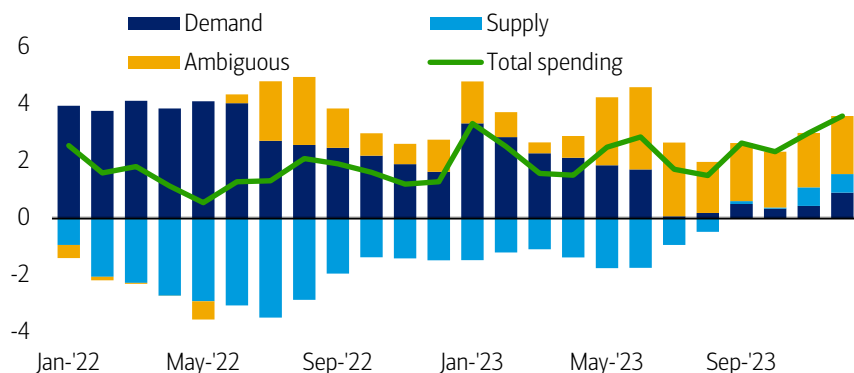
In focus

In our latest [US Economic Weekly](#), we review the recent incoming data and risks of the US economy re-accelerating. After blockbuster growth in 2H 2023, the January data flow generally points to continued economic momentum in January. The inflation outlook is mixed: we see downside risks to housing and used cars in coming months, but upside risks to growth could mean slower disinflation. Our analysis suggests that most of the recent strength in consumer spending has been due to supply expansion. That is good news, if it continues.

In our latest [Global Economic Weekly](#), we discuss the current differential global growth dynamics. The main actors in the global economy continue to grow apart. The US still shows remarkable resilience, European growth remains weak, and confidence is yet to rebound in China. Coupled with ongoing changes in global trade and supply chains, equity valuations are reflective of this. In the US, there are concerns about commercial real estate, but there are reasons to believe risks should remain contained.

Exhibit 1: Supply and demand drivers of real spending growth (% 6m annualized)

Recent strong spending growth has been mostly due to supply expansion



Source: BofA Global Research, BEA, Haver, Federal Reserve Bank of San Francisco

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GDP: Gross Domestic Product

FOMC: Federal Open Market Committee

ECB: European Central Bank

BoJ: Bank of Japan

NIRP: Negative Interest Rate Policy

YCC: Yield Curve Control

QT: Quantitative Tightening

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Timestamp: 12 February 2024 08:02AM EST

Market Action

The Asian equity markets that we cover were mostly closed overnight. Looking at individual markets, the Indian Sensex fell 0.7%, while the Hang Seng, the Korean Kospi, the Shanghai Composite and the Nikkei were closed.

As of 7:00 am ET, aggregate European stocks are up 0.3% and S&P500 futures came in flat. In the bond markets, 10-year Treasury yields are down 2bp to 4.15% and German Bund yields are down 5bp to 2.33%. The dollar index is up \$0.04 to \$104.15. WTI crude oil prices are \$0.95 lower at \$75.89/bbl, and gold prices are at \$2021.73/oz.

Data review

CPI Revisions

We had expected the CPI revisions to not be very substantial mostly because the big changes last year were more of an outlier and not the norm. They were due to methodological changes more than change in seasonals. In line with that, the CPI revisions showed little change to the inflation trajectory. And, what's most relevant for the Fed is the recent sequential path of inflation, so, we focus on the revisions to the 3-month annualized December rate. The 3-month annualized rate for core services was revised down a little while core goods was revised up a little which is generally good news but not a big mover on our Fed outlook.

Data preview

February 12th

Monthly Budget Statement

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
2/12/24	14:00	Monthly Budget Statement	Jan	-\$40bn	—	-\$129.4bn

Source: BofA Global Research, Bloomberg

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US GDP Tracking

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

4Q US GDP tracking is unchanged at 3.5% q/q saar largely due to the upward revisions in December payrolls offset by the lower-than-expected print for manufacturing inventories and core capital goods orders and shipments in December

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
1/25/24	4Q (A) GDP	3.3	2.7	2.8	1.1	3.2	1.0	2.1	3.3	6.3	1.9	-908.2	82.7
2/1/24	Construction Spending	3.5	3.0	2.8	1.5	5.8	1.0	2.1	4.1	6.3	1.9	-908.2	82.7
2/2/24	Payrolls	3.5	3.0	2.8	1.9	5.8	1.0	2.1	4.1	6.3	1.9	-908.2	82.7
2/2/24	Factory Orders	3.5	3.0	2.8	1.9	5.8	0.9	2.1	4.1	6.3	1.9	-908.2	80.7
2/7/23	Trade Balance	3.5	3.0	2.8	1.9	5.8	0.9	2.1	4.1	6.7	2.4	-910.0	80.7
	GDP tracking	3.5	3.0	2.8	1.9	5.8	0.9	2.1	4.1	6.7	2.4	-910.0	80.7
	Contribution to GDP growth (pp)			1.9	0.1	0.2	0.0	0.1	0.7			0.4	0.1
	BofA official GDP forecast	1.5	2.5	2.0	1.0	3.5	2.5	2.5	2.0	2.5	2.0	-929.0	29.5

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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