

US Macroeconomics

May 13, 2024

Troy Ludtka, Senior US Economist | 212.224.5483 | troy.ludtka@smbcnikko-si.com

SMBC US Forecasts (May 13 - May 17)						
Date	Indicator	SMBC	Market Consensus (Median)	Prior	Range of Est.	Notes:
May 14	PPI MoM	0.3%	0.3%	0.2%	0.2% - +0.4%	Upside risks due to quickly rising energy costs.
May 14	Core PPI MoM	0.3%	0.2%	0.2%	0.2% - +0.3%	
May 15	CPI MoM	0.45%	0.4%	0.4%	0.3% - +0.4%	CPI energy +2.1%. CPI food +0.2% MoM. Gasoline up +5.4%. Ag prices up 1.4%. Supercore could be soft!
May 15	CPI YoY	3.55%	3.4%	3.5%	3.2% - +3.5%	Consensus of economists has underestimated inflation in each of the last three months.
May 15	Core CPI MoM	0.36%	0.3%	0.4%	0.3% - +0.4%	Could see a modest reacceleration in rent and OERR.
May 15	Core CPI YoY	3.82%	3.6%	3.8%	3.6% - +3.7%	Watch out for highly predictive NFB (5/14) and NY Fed (5/13) data.
May 15	Retail Sales	0.8%	0.4%	0.7%	-0.2% - +0.7%	Retail sales nominally could be quite strong. High inflation + gasoline prices were up 5.4%.
May 15	Retail Sales ex autos	0.7%	0.2%	1.1%	-0.4% - +0.7%	High freq card spending data was robust across most items. Total vehicle sales were up +1.3% in April.
May 16	Housing Starts	8.0%	8.4%	-14.7%	-0.5% - +12.8%	Look out for a possible mechanical rebound following last month's 15% decline.
May 16	Industrial production	-0.3%	0.2%	0.4%	-0.2% - +0.4%	Steel production down 28%. ISM mfg production down 3.3 points (largest drop since June 2023)!

Forecasts subject to change

Source: SMBC Nikko Securities US Economics Forecasts

Indicator	2023	2024	2025	Notes:
GDP YoY	3.1	1.6	1.9	Below-trend '24 growth. Consumer default cycle picks up steam. CC and auto DLQs now at 2011 levels.
Fed's Forecast	2.6	2.1	2.0	Longest yield curve inversion on record.
Fed Funds (target)	5.38	5.13	3.13	Strong growth + hot inflation = Fed cuts pushed back. We expect a December cut. Slower liquidity drawdown bc of QT tapering.
Fed's Forecast	5.4	4.6	3.9	Fed rhetoric drifting steadily more hawkish.
Futures	5.4	4.9	4.2	
Core PCE Inflation	3.2	2.8	2.0	CPI Inflation has been reaccelerating last ~6 months.
Fed's Forecast	3.2	2.6	2.2	Cyclical sectors reaccelerating --> higher inflation.
UST 10 Year	4.0	4.1	4.0	Expect some overshoot in 2024 for treasury yields.
Unemployment	3.7	4.5	4.2	Unemployment rises reflecting below trend growth.
Fed's Forecast	3.8	4.0	4.1	<u>Sahm rule suggests 3.9% unemployment leads to recession.</u>

Source: SMBC Nikko, BLS, BEA, FRB, Census, Bloomberg, Haver

Disclaimers

This document is provided by SMBC Group (including, collectively or individually, Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities America, Inc., and their affiliates, as applicable) for informational purposes only, solely for use by the client(s) or potential client(s) to whom such document is directly addressed and delivered. This document was prepared by SMBC Group's economist(s).

This document has been prepared for and is directed at institutional investors and other market professionals, and is not intended for use by retail customers. It does not take into account any specific investment objective, financial situation, or particular need of any recipient. The information contained herein should, for whatever purpose, be used solely at the discretion and responsibility of the recipient. SMBC Group does not accept any liability or responsibility for any results in connection with the use of such information. Recipients are responsible for making final investment decisions and should do so at their own discretion following their own independent analysis and assessment of the merits of any transaction prior to execution, after conducting a careful examination of all documentation delivered, explanatory documents pertaining to listed securities, prospectuses, and other relevant documents. The financial instruments discussed may be speculative and may involve risks to principal and interest.

Conflicts of Interest Disclosures

The views, statements, assumptions and forecasts expressed herein may differ from those expressed in globally branded research produced by SMBC Group. The trading desks of SMBC Group trade or may trade as principal in the financial instruments that are the subject of this material, and the author(s) of this document may have consulted with the trading desks while preparing this document. The proprietary interests of SMBC Group may conflict with those of the recipient. SMBC Group may seek to do business with the companies mentioned in this material and the trading desks may accumulate, be in the process of accumulating or have accumulated, long or short positions in the financial instruments mentioned and may have acquired them at prices no longer available. The trading desks may also have or take positions inconsistent with the views expressed in this document or may have already traded on those views.

This material is not a research report, and neither this material nor its author(s) is subject to policies and procedures that apply to the globally branded research reports and research analysts of SMBC Group or to legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research. This means that on the date of this document, SMBC Group, and its directors, representatives, or employees, may have a long or short position in any of the instruments mentioned in this document and may make a market or trade in instruments economically related to the securities, derivatives or other underlying assets mentioned herein, in each case either as principal or as agent.

No part of the author(s) compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed herein. The personal views of authors may differ from one another.

This document is the property of SMBC Group, subject to copyright. Any reproduction of this document, in whole or in part, is prohibited, and you may not release this document to any person, except to your advisors and professionals to assist you in evaluating the document, provided that they are obligated, by law or agreement, to keep the document confidential. Distribution, possession or delivery of this document in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are required to inform themselves of and comply with all such restrictions or prohibitions.

© 2024 SMBC Group. All rights reserved.