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BMO CAPITAL MARKETS ECONOMICS

Focus

A weekly financial digest

Douglas Porter, CFA, Chief Economist, BMO Financial Group

December 21, 2018

Happy Holidays!

Fed Hikes 25 bps but Signals Slower Path Ahead

TSX Hits Two-Year Low

Nasdaq Close to Bear Market

Oil Drops to 17-Month Low

BoE, BoJ on Hold; Mexico, Sweden Hike

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Next Issue: Friday, January 4, 2019

Markets in a *Powell* Mood

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It's been a long December, to quote Counting Crows. Normally, this final Thought is dedicated to summarizing the year, and highlighting key emerging trends. All those niceties have been overwhelmed by the extremely sour financial markets to end 2018, with equities, oil, and bond yields all caught in a tailspin. Just as one prime example, the S&P 500 is currently down almost 11% for the month (and still five trading days left!), on pace for its worst single month since 2009 and its worst December since 1931. And, it's not as if the market was coming off an immediate high, having dropped heavily in October as well, so Q4 is now down nearly 16% and on course for the worst quarter in a decade.

The **root cause of the market's angst** is the **prospect for slower growth both globally and in the U.S. in 2019**. But the mild cooling that we, and the consensus, look for can hardly explain the market trauma. Loaded on top have been the nagging concerns about the U.S./China trade showdown, steady Fed tightening, a variety of geopolitical hotspots, and now a potential U.S. government shutdown. A partial shutdown itself has almost no real-world economic impact. But the sense of political paralysis, coming even *before* the Democrats officially take back the House, is weighing on sentiment.

The latest sell-off can also be traced to a different corner of Washington, as stocks took another leg lower following the FOMC meeting. While the latest rate hike to a 2.25%-to-2.50% range was no surprise, the Statement and Chair Powell's comments were deemed insufficiently less hawkish than anticipated, even as the Fed broadly scaled back its view on where rates were going. In particular, the market all but rebelled at Powell's (seemingly innocuous) remark that the balance-sheet unwind was going smoothly and would remain in place. Notably, one of the President's pre-meeting tweet/harangues had specifically griped about the potential $50 billion of liquidity removal per month. (For reference, the Fed's balance sheet has dropped $360 billion in the past year, or a bit more than 8%, to a measly sum just above $4 trillion—versus less than $1 trillion in the pre-crisis years.)

Meantime, the combination of sagging stocks and the oil market's air-pocket (WTI is now down 38% from the October peak) has dragged down bond yields globally. After topping out as recently as early November, Treasury yields have come tumbling down, with every maturity from 3-years and out falling by at least 40 bps from the highs. Example: 10s hit a seven-year high on November 9 at 3.24%, and have since plunged 44 bps to 2.80%. That's still up almost 40 bps since the start of the year, but leaves the annual back-up much more subdued.

We certainly would not want to end 2018 on a down note, especially since there were **so many positive things to say about this year's overall economic performance**. After all, **global growth** had another above-average year, **jobless rates** fell to multi-decade lows across much of the industrialized world, and **the inflation ghost of cycles past** again failed to rear its ugly head. Simply put, we believe that much of the current negativity in financial markets is overdone, and is quite simply exaggerating the downside. Here are just some of the supportive factors we would point to when considering next year's economic outlook, as a partial antidote to the market weakness:

- The slide in oil prices will trim inflation, and leave more money in consumers' pockets. Canadian inflation and the U.S. PCE deflator both already dipped below 2% in November.
- Income growth remains solid, with U.S. real disposable income up almost 3% in the past year, which will help support spending.
- Businesses are operating near capacity and are still looking to hire and to invest, as evidenced by the solid Business Outlook Survey from the BoC.
- Trade uncertainty, at least within North America, will be reduced next year, assuming the USMCA is ratified by Congress in coming months.
- Fiscal policy on both sides of the border will add modestly to growth, although admittedly less so than in 2018 for the U.S.
- The interest rate environment now looks much less threatening for growth, with expectations of further rate increases pulling back sharply in recent weeks for the Fed and the Bank of Canada. While we are officially looking for two rate increases in the coming year from both central banks, it's clear that the risks to that call are to the low side. Just one example of how dramatically rates have shifted recently, 10-year Canadian government bond yields have dropped back to around 2% and are now down from where they started 2018.

The point is that with inflation pressures cooling off, and chilled further by the slide in oil prices, central banks have the flexibility to stop their rate-hike campaign if financial markets weaken further and/or if growth slows more than expected. So, overall, while there are clear reasons to believe that growth will cool in both Canada and the U.S. in 2019, we believe that there are still plenty of supportive factors for the economy, and that much of the negativity in markets is overdone.

As the song continues… *it's been a long December, and there's reason to believe, maybe this* (coming) *year will be better than the last.*

Fed Shifts into a Lower Rate-hike Gear Bracing for Economic Speed Bumps

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The FOMC raised the fed funds target range by 25 bps to 2.25%-to-2.50% (2.375% midpoint) on December 19, marking the fifth consecutive quarterly move and fourth straight December action, as was widely anticipated. And, the Fed signaled that it was adopting a slower, more occasional rate hike cadence ahead. This, too, was broadly expected, but the oxymoronic "dovish hike" was obviously not dovish enough for equity markets as the "worst December in decades" for stock returns drove on. Markets were hoping for a bit more tentativeness in the Fed's apparent willingness to continue the policy normalization process, both for rates and the balance sheet. Nevertheless, among the Statement, partial Summary of Economic Projections (SEP) and press conference, it was evident the Fed was shifting rate-hike gears (and could easily downshift again).

In the Statement, the FOMC modified its forward-looking language. The word *"some"* was inserted in front of *"further gradual increases"*. And, the risk assessment included *"global economic and financial developments"*, for the first time in more than 1½ years. Indeed, the phrase that it will *"monitor global economic and financial developments and assess their implications for the economic outlook"* was eerily similar to what was newly inserted back in January 2016, which presaged a year-long policy pause.

In the SEP, participants lowered their policy rate expectations by 25 bps including the longer-run. The medians of the projections for the fed funds rate were 2.875% in 2019 (now implying two rate hikes instead of three), 3.125% in 2020 (one as before), and 3.125% in 2021 (none as before). Importantly, it will now take only one at-the-median call changing to dial back the rate hike in 2020. Come the March SEP, there's a chance "two and through" could characterize the dot plot… "one and done" requires three participants to change their calls (which isn't a tall order).

The longer-run fed funds rate is now 2.75%, with the lower-bound of the central tendency range dropping a quarter-point to 2.5% to 3.0%. The latter is critically important because, with the new target range at 2.25%-to-2.50%, it means policy caution that was bound to occur as the Fed began traipsing the range of neutral rates will now kick in one rate hike sooner.

Chair Powell began the presser acknowledging that since mid-September *"some crosscurrents have emerged"* and that the FOMC was *"incorporating those crosscurrents into our judgments about the outlook and the appropriate course of policy"*, but obviously not *"incorporating"* enough for the market's liking. Powell mentioned that while the median projection was calling for two rate hikes next year, the actual outcome was not preset… it could end up being one, none or three (or even more). It all depends on how economic performance and the risks surrounding the outlook unfold. To emphasize the point, Powell reminded that the Fed did less than projected in 2016, exactly as projected in 2017, and did more than projected in 2018. Next year could easily follow any of the past three years.

Powell also reiterated that it was the Fed's preference to *"have the balance sheet runoff on automatic pilot and use monetary policy, rate policy, to adjust to incoming data… and I don't see us changing that"*. We judge it's more than coincidence that recent equity market weakness commenced just as balance sheet reduction reached its maximum permissible pace to start October. Recall that the purpose of quantitative easing in the first place was to lower longer-term yields and stoke the demand for risky assets, so debt and wealth accumulation could prod economic growth. If you believe it worked (we do), then the best you can hope for is that the unwinding of QE will be neutral. And, it appears that the "best" is not happening. While balance sheet reduction is on autopilot, rate hikes are not. The weaker equity markets become and tighten broader financial conditions along the way, the greater is the chance that this week's rate hike will be the Fed's finale. MJG

Buddy, It's Bearish Outside (Sung to the tune of… oh I think you know…)

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(An investor debates with a close friend the merits of diversifying out of the TSX and into global equities.)

I really can't say— *Precisely why it's bearish outside;*
I've got to sell right away—
Umm, well not Canada, it's bearish outside;
This year had mostly been— *Been hoping that you'd buy in;*
Not very nice—*I'll hold your tech stocks, they're now like ice;*
My broker is starting to worry— *Beautiful what's your hurry?*
My central banker is pacing the floor—*Listen to the VIX roar;*
So really I'd better scurry— *Beautiful please don't hurry;*
But maybe just a half a pipeline more—
Put some pot stocks in the door.

The neighbors might think— *Buddy, it's bad out there;*
Say what's going down the sink?
No Uber IPOs to be had out there;
I wish I knew how— *Your rails are like starlight now;*
To break this spell— *I'll take your hat, you're best not to sell;*
I ought to say, no, no, no sir—
You should leave things as they were;
At least I'm gonna say that I tried—
What's the sense in diversify-in'?
I really can't stay— *Oh buddy don't move assets out;*
But buddy, it's bearish outside.

I simply must go— *But buddy, it's bearish outside;*
The answer is no more Canadian holdings—
But buddy, it's bearish outside;
Your welcome has been— *How lucky that you bought in;*
So nice and warm— *Look out at returns below norm;*
My gains in Brazil won't be suspicious—
Gosh your banks look delicious;
My assets will be moving out the door—
Risks upon the tropical shore;
My mining losses here were vicious—
Gosh your banks are delicious;
But maybe just a potash stock more—
Never such a blizzard before.

I've gotta leave home—*But buddy, you'd freeze out there;*
Say extend me a loan— *It's up to your knees out there;*
You've really been grand—*I thrill when you buy oilsands;*
But don't you see?
How can you sell consumer discretionary?
There's bound to be a DAX rally tomorrow—
Think of the lifelong sorrow;
At least there will be volatility implied—
If you got Brexit and were fried;
I really must take profits off the home table—
Get over that old fable;
Buddy, it's bearish,
Buddy, it's bearish outside.

The Most Wonderful Time Of The Fiscal Year

(Sung to the tune of "*It's The Most Wonderful Time Of The Year*")

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It's the most wonderful time of the fiscal year;
With Ontario's debt swelling,
And Doug and Vic telling you,
"Balance is near,"
It's the most wonderful time of the fiscal year.

In Quebec, parties for surplus boasting,
Tax cuts and toasting and
Debt falling like the snow;
Alberta tells scary oil price stories and
Tales of the glories of fiscal years
long, long ago.

It's the most wonderful time of the fiscal year;
Ottawa's deficit reduction tip-toeing
so that cash is still flowing,
when the election draws near;
It's the most wonderful time of the fiscal year.

Jingle Bells, Bank's On Hold (Sung to the tune of "*Jingle Bells*")

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Jingle bells, Bank's on hold;
Holding all the way;
Oh what fun it is to ride
In a data-dependent day.

Jingle bells, Bank's on hold;
Holding all the way;
Oh what fun it is to ride
With no forward guide today.

Dashing like we know
What will happen beyond today;
Through the data we go
Laughing all the way;
Bells on yield curve ring,
Giving some folks fright;
More bad news WCS will bring
A forecast change tonight.

Jingle bells, Bank's on hold;
Holding all the way;
Oh what fun it is to ride
In a data-dependent day, hey.

Jingle bells, Bank's on hold;
Holding all the way;
Oh what fun it is to ride
With no forward guide today.

Dashing through trade wars
With a tweet storm again today;
Tariffs at the doors
Rising all the way;
Yields on 10-years fall,
Giving traders fright;
Some now think GDP could stall
And forecasts change tonight.

Jingle bells, Bank's on hold;
Holding all the way;
It's no fun to now decide
Hawkish talk has gone away, hey.

Jingle bells, Bank's on hold;
Holding all the way;
Oh it's no fun to have no guide
When the outlook changes each day.

We Thee Kings Of Policy Are (Sung to the tune of "*We Three Kings Of Orient Are*")

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We thee kings of policy are
Repealing gifts we traverse afar;
From field and money fountain,
to moor and debt mountain,
Following yonder R-star.

R-star of wonder, star of night,
Star with hazy foggy sight,
Wayward leading, still us feeling,
Guide us to thy neutral Light.

Born a Chair on Washington's plain,
Mold Boss bring to taunt Him again;
King not forever, smiling ever
Over us no longer to reign.

Fed star of wonder, star of right,
Star with unfailing perfect sight,
Upward leaning, still proceeding,
Yield curve warning of my plight.

Frankenstein created have I;
Incensed is the Deity nigh;
Higher and raising all rates rising;
Banish Him, Chair on high.

Star of plunder, star of blight,
Star with such political might,
Downward leading, Midterms bleeding,
Tide us to thy 2020 fight.

Grrrr is mine: it's bitter perfume;
See an outlook of economic doom;
Slowing, sagging, ending, dying,
Sowed in a mahogany Board-room.

Y-star of wonder, star of night,
Star with eternal restraining might,
Recession leading, still me pleading,
Guide us to thy 3% Light.

Smooth Brexit (Sung to the tune of "*White Christmas*")

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I'm dreaming of a smooth Brexit,
Just like the one we'll never know,
Where the borders glisten and MPs listen
So trade deals can start to flow.

I'm dreaming of a smooth Brexit,
With every 'no deal' plan I write;
May your fallback be easy, not tight,
And may all your contingencies be all right.

Rockin' Around The End Of QE (Sung to the tune of "*Rockin' Around The Christmas Tree*")

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Rockin' around the end of QE
At the ECB's council hop;
Sovereign bonds hung where you can see;
Council members try to stop.

Rockin' around the end of QE
But they'll keep reinvesting;
Later we'll raise some interest rates
And do some tightening.

Salvini will get a sentimental feeling when he hears
Voices singing; let's be jolly;
Duck Italian bonds, by golly.

Rockin' around the end of QE,
Yet LTROs are here to stay;
Draghi's dancin' merrily;
He's done in 300 days.

Macron will get a sentimental feeling when he hears
Voices singing, melancholy;
Yellow Vests will hurt GDP, by golly.

Rockin' around the end of QE;
The balance of risks are moving down, they say;
No one's really dancin' merrily;
This is the new old-fashioned way!

Xi's Grown-Up Christmas List (Sung to the tune of "*Grown-Up Christmas List*")

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Do you remember Xi,
And his Thoughts that he decreed,
Last year to all the CPP.

Well he's more powerful now,
And still needs help somehow,
To make 'Belt and Road' real and not a dream.

So here's his lifelong wish,
His grown-up Christmas list,
Not for himself but China's future needs.

CNY traders please take heart;
Trade wars would never start
And Trump would change his heart.

No one would ever have to bend,
And tariffs would never win;
Shadow banks will then end;
This is Xi's grown-up Christmas list.

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	Good News	Bad News
Canada ▪ TSX hits a fresh two-year low ▪ BoC Gov. Poloz says brace for volatility but not a recession in 2019 ▪ BoC's BOS still points to positive business sentiment	**Real GDP at Basic Prices** +0.3% (Oct.) **Manufacturing Sales Volumes** +0.2% (Oct.) **Manufacturing New Orders** +2.4% (Oct.) **Wholesale Trade Volumes** +0.9% (Oct.) **Consumer Prices** +1.7% y/y (Nov.) **ADP Employment** +39,067 (Nov.) **SEPH Average Hourly Wages** +3.4% y/y (Oct.) **MLS Home Prices** +2.0% y/y (Nov.) **Global Investors** bought a net $4.0 bln in Canadian securities (Oct.) **Ottawa** posted a $0.1 bln budget surplus (Apr.-to-Oct.)—versus $6.6 bln deficit a year ago	**Retail Sales Volumes** unch (Oct.) **BOS Indicator** -0.63 pts to 2.19 (Q4) **Existing Home Sales** -2.3% (Nov.)
United States ▪ FOMC hikes 25 bps; signals slower rate hikes ahead ▪ Equity sell-off; Nasdaq flirts with bear market ▪ Government shutdown possible after Pres. Trump threatens not to sign spending bill	**Real GDP** revised down to a still-strong +3.4% a.r. (Q3) **Real Personal Spending** +0.3% (Nov.) **Personal Income** +0.2% (Nov.) **Core PCE Deflator** +1.9% y/y (Nov.) **Existing Home Sales** +1.9% to 5.32 mln a.r. (Nov.) **Housing Starts** +3.2% to 1.256 mln a.r. (Nov.) **Building Permits** +5.0% to 1.328 mln a.r. (Nov.) **Leading Indicator** +0.2% (Nov.) **U of M Consumer Sentiment** revised higher to 98.3 (Dec.)	**Core Durable Goods Orders** -0.6% (Nov.) **Empire State Manufacturing Survey** -0.6 pts to 57.2; **Philly Fed Index** -1.2 pts to 54.6 (Dec.)—both on an ISM-adjusted basis **NAHB Housing Market Index** -4 pts to 56 (Dec.) **Current Account Deficit** widened to $124.8 bln (Q3) **Global Investors** sold a net $6.6 bln in U.S. securities (Oct.) **Initial Claims** +8k to 214k (Dec. 15 week)
Japan ▪ BoJ on hold as economy slows	**Imports** +12.5% y/y (Nov.) **All-Industry Activity Index** +1.9% (Oct.)	**Consumer Prices** +0.8% y/y (Nov.) **Department Store Sales** -0.6% y/y (Nov.) **Exports** slowed to +0.1% y/y (Nov.)
Europe ▪ Italy reaches budget agreement with Brussels, averting penalties ▪ BoE on hold amid Brexit risks ▪ Riksbank hikes 25 bps to -0.25%	**Germany—GfK Consumer Confidence** steady at 10.4 (Jan.) **U.K.—Consumer Prices** +2.3% y/y (Nov.) **U.K.—Retail Sales (incl. Fuel)** +1.4% (Nov.)	**Euro Area—Consumer Prices** revised down a tick to +1.9% y/y (Nov.) **Euro Area—Trade Surplus** narrowed to €12.5 bln (Oct.) **Euro Area—Consumer Confidence** -2.3 pts to -6.2 (Dec. A) **Germany—Ifo Business Climate** -1 pt to 101.0 (Dec.) **France—Real GDP** revised down to +0.3% q/q (Q3) **France—Consumer Spending** -0.3% (Nov.) **Italy—Consumer Confidence** -1.6 pts to 113.1 (Dec.) **U.K.—Rightmove House Prices** -1.5% (Dec.)
Other ▪ PBoC drops *"neutral"* in monetary policy statement as economy slows ▪ Oil drops to 17-month low ▪ Mexico hikes 25 bps to 8.25%, highest since 2008	**Australia—Employment** +37,000 (Nov.)—but all part-time	**Australia—Jobless Rate** +0.1 ppts to 5.1% (Nov.) **New Zealand—Real GDP** slowed to +2.6% y/y (Q3)

Indications of stronger growth and a move toward price stability are good news for the economy.

5 Defining Factoids for 2018, 5 Defiant Forecasts for 2019

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Despite a late-year whirlwind of financial market volatility and a bevy of geopolitical risks, **2018 unfolded reasonably close to plan from an economic and central bank perspective**. Probably the biggest "surprise" was the **mismatch between still-healthy economic growth**—especially in the U.S.—and **weakness in stocks and commodities**. A key feature was the **clear separation** between a stimulus-buoyed U.S. economy and somewhat slower growth almost everywhere else. That divergence was also largely reflected in monetary policies, and thus exchange rates, as the **U.S. dollar rose against all currencies**, save the yen. **Trade tensions** dominated the year, morphing from U.S. metals tariffs, then to NAFTA cum USMCA, and finally to the U.S./China showdown—none of which have been fully resolved yet. Canadian equities just couldn't find satisfaction; even as trade woes were finally soothed, oil prices cracked and then global growth questions mounted. In Europe, just as concerns over Italy's budget finally faded, France was wracked by the raucous Yellow Vest protests. Meanwhile, **Brexit** moved closer to a cliff-edge solution, keeping U.K. markets and the economy dangling. And, finally, **bitcoin** was one asset that actually went about as many expected, tanking over 80% from its peak a year ago. Besides the bitcoin bubble bursting, **here are five more important facts that defined 2018**:

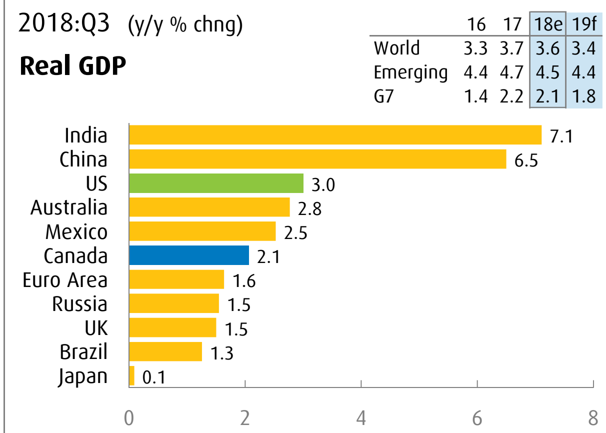
1. **We are headed for the first year of losses for both the S&P 500 and the 10-year Treasury in modern times.** With a handful of trading days left, either bonds or stocks could pull out a last-minute revival (10s are close to even), but both are poised to lose money this year. The pain spread beyond the two big liquid-asset classes, as there were few places to hide in this year's challenging markets. It's no coincidence that financial assets struggled heavily when the Fed's unwinding of QE hit its stride. The hurt was especially acute for U.S.-based investors, as declines in overseas markets were compounded by weakness in most currencies against the dollar. Example: Brazilian stocks had a world-leading 12% gain in local-currency terms, but were down 4% in US$-terms. In other words, **it was the rare year when cash literally was king**. A fair point is that the negative outing for almost all financial markets in 2018 was almost a reversal of the unbelievably calm and robust conditions in the prior year.

2. **Some bond yields fell in 2018.** Yields sagged sharply to end the year amid the Q4 equity market correction and sliding oil prices. While the focus was on a possible Treasury curve inversion, in some markets this was enough to chop yields below end-'17 levels. Two prime cases—Canada and Germany. Even with three BoC rate hikes, **10-year GoC yields are now below where they started 2018**, while 30s are down 9 bps. Meantime, Bund yields are well down amid a flight to quality within the Euro Area, and due to the fact that the ECB is still at least nine months from even starting to raise rates. We can't say the same for the Treasury market where 100 bps of tightening, a swollen budget deficit and a declining Fed balance sheet have pushed up all yields by at least 30 bps this year.

3. **Commodity prices declined almost across the board, even as global growth topped potential and core inflation pressures rose.** Some of the pullback

reflected relentless North American supply gains for oil, some a surprisingly strong U.S. dollar, and some commodity-specific factors. But the big picture is that resource prices dipped broadly, with all five sectors of the BoC's Commodity Price Index dropping this year. Perhaps **the most spectacular example was lumber**, which fired up 45% to a record high above $650/mbf in May amid U.S. tariffs, only to be chopped in half by October amid the U.S. housing slowdown. On net, lumber prices are now down almost 30% since the start of the year, despite the fact that U.S. housing starts did manage to rise modestly to their best average level in a decade.

Chart 1
Global GDP: Past the 'Best Before'



Sources: BMO Economics, Haver Analytics

4. **The U.S. dollar was up against almost every major currency in the world in 2018.** A record trade deficit? Prospects for a $1 trillion budget deficit? Ongoing political drama, a possible government shutdown and the likelihood of gridlock next year? Coming off a tough 2017, many of the stars seemed to line up poorly for the U.S. dollar at the start of the year. But the fiscal-juiced growth bounce, a determined Fed, and some cooling in much of the rest of the world was all the greenback needed to get back in rally mode. Notably, **the U.S. was a rarity among all the major economies, with growth accelerating in 2018**—the only others that likely managed that feat were Australia, Switzerland, Israel and Greece(!). (For trivia buffs, Ireland will probably post the fastest growth in the OECD at almost 6%, but that marked a slowdown from 7.2% in 2017.) It was an especially tough year for emerging market currencies, low-lighted by runs on Argentina and Turkey, which saw losses of 50% and 30%, respectively, this year.

5. **Canada's population posted the largest increase in more than 60 years.** Favourite factoid for 2018: the population of Canada rose by more than one person per minute in the past year (there are 525,600 minutes in a non-leap year), the largest increase since 1957. In percentage terms, the rise was less staggering at 1.44% y/y, but that's still the fastest since the early 1990s. And, yet, there was no surge in spending—auto sales fell on an annual basis for the first time since 2009, while home sales had their second biggest slide in the past 20 years. The rapid population increases put a duller glow on Canada's recent GDP gains, with the per capita advances actually near the back of the G7 pack in the past year.

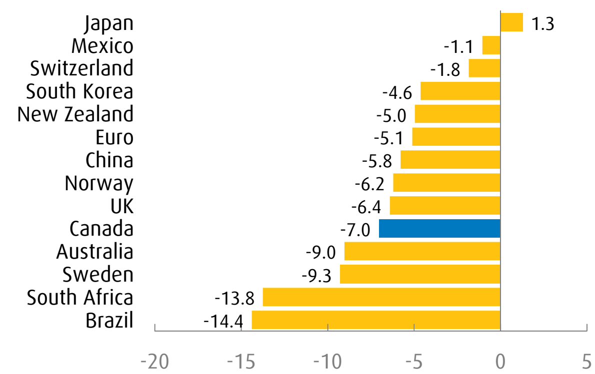
Before turning to the forecasts for 2019, note that we scored either 7 or 8 out of 10 on the calls last year (judges still disputing one, see sidebar). **Here are five major trends we see unfolding over the next year, and five associated forecast reaches**:

1. **The U.S. expansion will become the longest on record** (since at least 1850), surpassing the 10-year upturn from 1991-2001. This is not as obvious a call as it may have looked just a few short weeks ago, given the sudden spate of recession chatter. But, we still believe the economy will manage to keep growing beyond July, setting a new record for cycle longevity. Growth in 2019 will need to overcome: a) the financial turbulence that has whipped up since early October; b) less push from fiscal stimulus; c) deeper political drama; and, d) trade tiffs. Note that the reported annual average growth rates (2.9% in 2018 and 2.4% for 2019) mask a sharper slowdown in the quarterly pattern, with GDP likely dipping just

below 2% in the second half of next year. **Stretch call:** Not only will the U.S. again lead the G7 growth ranks next year, but it will have the best gains for the decade (even topping Canada, which stumbled after a strong early lead).

2. **The U.S. will post its lowest misery index in more than 60 years.** With both inflation and the unemployment rate poised to ease in 2019, the misery index (the simple sum of the two) could drop below 5.5% next year (2% CPI inflation and a 3.5% jobless rate). The lowest since the 1950s was an average of 5.4% in 2015 (when oil prices crashed, crushing inflation), and a monthly reading of 5.0% that September. With crude skidding again, we could challenge both those levels in 2019. **Stretch call:** The news darkens later in the year, as the U.S./China trade battle reheats—we don't agree with the apparent consensus that this issue gets resolved in 2019.

Chart 2
Global Currencies: All Fall
Since End-2017 (% chng vs US$: as of Dec. 21, 2018, 10:30 am)



Sources: BMO Economics, Bloomberg

3. **The U.S. dollar pulls another 180, and begins to weaken through 2019.** This is driven by cooling U.S. growth, prospects for the end of Fed tightening, and global growth stabilizing. **Stretch call:** The **pound will rebound in the second half of 2019.** This is not an optimistic call on Brexit per se, but instead reflects the reality that a lot of bad news is already built into the pound—the certainty of a bad outcome may be better than the current endless uncertainty. Moreover, the economy will have three quarters to work its way through even the worst outcome for Brexit. We look for the pound to edge up near $1.30 by year-end.

4. **The Fed and BoC hike more than the market expects in 2019.** Given how markets have rapidly peeled back the amount of expected tightening for next year in recent weeks, this is no giant leap. Markets now look for less than one rate hike from each of the central banks, so even one hike apiece will hurdle this low bar! We look for two hikes from each, which would leave rates at the low end of neutral (2.5%-to-3.5%) for the Fed and a shade below for the Bank of Canada. **Stretch call:** These are the only rate hikes in the industrialized world. Okay, not much of a stretch with only the BoE, Norges Bank and Riksbank joining the Fed and the BoC in 2018; but, given oil's slide, trade frictions, and Brexit uncertainty, it could be another year of sidelined short-term rates globally.

5. **The TSX outperforms the S&P 500.** Admittedly, this may be a case of winning by not losing; but, after a double-digit decline in the TSX this year, we look for a small turnaround. From trade uncertainty, to a housing cooldown, to record WCS differentials, it was a challenging year for Toronto equities (although many markets suffered even mightier setbacks). In fact, the TSX has underperformed the S&P in seven of the past eight years, with only 2016 the outlier. But this drought followed a long stretch of outperformance; i.e., there is persistence. Typically, it's fairly straightforward—when real commodity prices are rising, the TSX shines. However, with trade uncertainty reduced (USMCA) and a lot of bad news on energy factored in, next year could see a rare win for the TSX, at least on a relative basis. **Stretch call:** We would be remiss to ignore the fact that 2019 is an election year in Canada (Alberta in May, Federal in October). We would not dare to opine on that front, but will simply say that both will matter for markets.

Judging last year's calls, briefly:

1. *OECD jobless rates will hit a record low, and wages will finally waken.* Yes, and sort of in the U.S.
2. *The Fed will again do at least what they say, maybe more.* Yes, four hikes were more than expected a year ago.
3. *NAFTA founders, the BoC trails the Fed, the C$ suffers.* The latter two were correct; NAFTA lives on as the USMCA, presumably.
4. *The U.S. trade deficit will widen, to a record high, despite protectionist measures.* Bullseye.
5. *Alberta bonds will outperform, while Quebec jobless rates will hit the lowest in the country.* Still a close call and almost.

Economic Forecast Summary for December 21, 2018

BMO Capital Markets Economic Research

	2018				2019				Annual		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018	2019
CANADA											
Real GDP (q/q % chng : a.r.)	1.7	2.9	2.0	1.5	1.0	2.5	2.2	1.9	3.0	2.1	1.8
Consumer Price Index (y/y % chng)	2.1	2.3	2.7	1.9 ↓	1.4 ↓	1.7 ↓	1.6 ↓	2.0 ↓	1.6	2.2	1.7 ↓
Unemployment Rate (percent)	5.8	5.9	5.9	5.7	5.7	5.6	5.6	5.5	6.3	5.8	5.6
Housing Starts (000s : a.r.)	225	219	197	211	210	207	204	200	220	213	205
Current Account Balance ($blns : a.r.)	-69.3	-66.7	-41.4	-56.7	-56.3	-56.7	-58.0	-58.9	-60.1	-58.5	-57.5
Interest Rates	(average for the quarter : %)										
Overnight Rate	1.25	1.25	1.50	1.75	1.75	2.00	2.00	2.25	0.71	1.44	2.00
3-month Treasury Bill	1.14	1.21	1.47	1.65	1.70	1.90	2.00	2.15	0.69	1.35	1.95
10-year Bond	2.24	2.28	2.28	2.30	2.15	2.25	2.40	2.50	1.78	2.30	2.35
Canada-U.S. Interest Rate Spreads	(average for the quarter : bps)										
90-day	-44	-66	-61	-70	-71	-79	-90	-89	-26	-60	-82
10-year	-52	-64	-65	-72	-78	-76	-73	-71	-55	-63	-75
UNITED STATES											
Real GDP (q/q % chng : a.r.)	2.2	4.2	3.4	2.6	1.9	2.4	2.0	1.9	2.2	2.9	2.4
Consumer Price Index (y/y % chng)	2.3	2.6	2.6	2.2	1.8	2.0	2.0	2.1	2.1	2.4	2.0
Unemployment Rate (percent)	4.1	3.9	3.8	3.7	3.6	3.5	3.5	3.5	4.4	3.9	3.5
Housing Starts (mlns : a.r.)	1.32	1.26	1.23	1.24	1.26	1.24	1.23	1.21	1.21	1.26	1.24
Current Account Balance ($blns : a.r.)	-487	-405	-499	-509 ↓	-535 ↓	-547 ↓	-563 ↓	-573 ↓	-449	-475 ↑	-555 ↓
Interest Rates	(average for the quarter : %)										
Fed Funds Target Rate	1.46	1.71	1.96	2.21	2.38	2.54	2.71	2.88	1.00	1.83	2.63
3-month Treasury Bill	1.58	1.87	2.08	2.35	2.45	2.70	2.90	3.05	0.95	1.95	2.75
10-year Note	2.76	2.92	2.93	3.05	2.90	3.00	3.15	3.25	2.33	2.90	3.10
EXCHANGE RATES	(average for the quarter)										
US¢/C$	79.1	77.5	76.5	75.8	74.3	74.2	74.5	74.7	77.1	77.2	74.4
C$/US$	1.27	1.29	1.31	1.32	1.35	1.35	1.34	1.34	1.30	1.30	1.34
¥/US$	108	109	112	113	113	112	111	110	112	110	111
US$/Euro	1.23	1.19	1.16	1.14	1.14	1.13	1.14	1.16	1.13	1.18	1.14
US$/£	1.39	1.36	1.30	1.28	1.24	1.23	1.26	1.29	1.29	1.34	1.26

Blocked areas represent BMO Capital Markets forecasts
Up and down arrows indicate changes to the forecast ↑↓

Spreads may differ due to rounding

Canada

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Employment
Friday, January 4, 8:30 am

Dec. (e)	**+0.1% (+20,000)**
Nov.	+0.5% (+94,100)
	Unemployment Rate
Dec. (e)	**5.7%**
Nov.	5.6%
	Average Hourly Wages
Dec. (e)	**+1.7% y/y**
Nov.	+1.7% y/y

The Labour Force Survey reported huge job gains from September to November (+168.6k, the third biggest three-month increase in the post-recession period), and markets are anxious to see if the positive trend continues given the broadly negative sentiment building around the outlook. Note that last year also saw a November job surge, and December still saw a big rise in employment, though there was some payback in January. The average gain in the 12 months to November was 18.2k, consistent with the decent pace of GDP growth. We're looking for a 20,000 (or 0.1%) increase in December, but wouldn't be shocked by a huge print either way.

Perhaps the more interesting issue is the divergence between the LFS and SEPH surveys. For October, the LFS showed employment up 1.1% y/y, while the SEPH rose 2.4% y/y. Either the LFS is poised to accelerate (if January is half decent, the base effect alone will provide a chunky boost), or the SEPH is going down. It's possible that multiple job holders (appearing on multiple payrolls) are pushing the SEPH higher, but that's hard to prove. Something's gotta give.

Despite our headline call, the jobless rate looks to rise a tick to 5.7%, since it was just barely 5.6% in November. Wage growth should hold steady at a modest 1.7% y/y. Note that there were solid gains in the first half of 2018 (thanks in part to minimum wage hikes), suggesting it will be tough to get much upward momentum in the near term.

United States

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New Home Sales
Thursday, December 27, 10:00 am

Nov. (e)	**556,000 a.r. (+2.2%)**
Consensus	*569,000 a.r. (+4.6%)*
Oct.	544,000 a.r. (-8.9%)

The back-to-back decline in the NAHB homebuilders' index at year-end was the second largest on record (dating back to the mid-1980s), and a testament of the weak market fundamentals underpinning new home sales. Demand has been dampened by deteriorating affordability and increasing availability of existing homes for sale (after hitting a record seasonally-adjusted low in December, inventories are up 6.0% in the past 11 months). Meanwhile, the months' supply of new homes spiked to 7.4 in October, the highest in more than 7½ years, capping a five-month increase that was the second largest in more than 29 years (surpassed only in the Great Recession). All this said, we still look for new home sales to rise 2.2% in November to 556,000 units annualized, recovering from October's hurricane-impacted 8.9% drop. Mortgage applications for purchases also rose in the month. However, this is more a technical rebound than a turnaround.

Manufacturing ISM (PMI)
Thursday, January 3, 10:00 am

Dec. (e)	**58.3**
Consensus	*58.0*
Nov.	59.3

The ISM factory index has been remarkably stable at a relatively high level. For the past 16 months, it has bounced between 57.3 and 61.3, with the November reading smack dab in the middle at 59.3. Up to this point, support has been provided by sturdy business fixed investment (incented by late-cycle capacity constraints and corporate tax cuts) and consumer spending (prodded by job growth and personal tax cuts). However, factory activity is poised to slow as domestic demand ebbs in the face of fading fiscal stimulus and tightening financial conditions. Also, there's the double-whammy of tariffs on imports (e.g., on steel, aluminum and intermediate goods from China) and retaliatory tariffs on exports (with slowing global economic growth to boot). We expect the index to first drift down within the range—to 58.3 in December—before eventually breaching the bottom.

Nonfarm Payrolls

Friday, January 4, 8:30 am

Dec. (e)	**+190,000**	
Consensus	*+180,000*	
Nov.	+155,000	
	Unemployment Rate	
Dec. (e)	**3.7%**	
Consensus	*3.7%*	
Nov.	3.7%	
	Average Hourly Earnings	
Dec. (e)	**+0.3%**	**+3.0% y/y**
Consensus	*+0.3%*	*+3.0% y/y*
Nov.	+0.2%	+3.1% y/y

Though slowing recently, growth in nonfarm payrolls quickened this year, averaging 206,200 in the first 11 months versus 182,300 in 2017. And fewer jobless claims flag a solid payrolls gain of 190,000 in December, partly reflecting post-hurricane rebuilding efforts. The increased pace of hiring should hold the jobless rate at a 49-year low of 3.7%, with an outside chance of seeing the second lowest rate (3.5%) since 1953 if workforce participation slips. The part rate has recently clung to the high end of a very narrow range (62.7% to 63.0%) since May 2016. Labour shortages likely lifted average hourly earnings by 0.3% following a tepid advance in November (despite some nudging from Amazon's minimum wage hike). While the yearly rate for earnings could slip a notch from nine-year highs to 3.0%, this would mark an upturn from 2.5% in 2017. The mystery isn't why wage growth has turned up, it's why hasn't it risen fast enough to spark inflation. Two words: automation anxiety.

		Dec 21 [1]	Dec 14	Week Ago	4 Weeks Ago	Dec. 31, 2017
				(basis point change)		
Canadian Money Market	Call Money	1.75	1.75	0	0	75
	Prime Rate	3.95	3.95	0	0	75
U.S. Money Market	Fed Funds (effective)	2.50	2.25	25	25	100
	Prime Rate	5.50	5.25	25	25	100
3-Month Rates	Canada	1.62	1.64	-2	-7	56
	United States	2.37	2.41	-4	-3	99
	Japan	-0.23	-0.25	2	7	-7
	Eurozone	-0.31	-0.31	0	1	2
	United Kingdom	0.91	0.90	1	2	39
	Australia	2.07	2.02	5	13	29
2-Year Bonds	Canada	1.94	2.02	-8	-29	25
	United States	2.66	2.73	-7	-15	78
10-Year Bonds	Canada	2.01	2.10	-9	-32	-3
	United States	2.80	2.89	-9	-24	39
	Japan	0.04	0.03	1	-5	0
	Germany	0.25	0.25	-1	-9	-18
	United Kingdom	1.32	1.24	8	-6	13
	Australia	2.39	2.46	-8	-26	-24
Risk Indicators	VIX	26.3	21.6	4.7 pts	4.8 pts	15.3 pts
	TED Spread	45	39	6	16	13
	Inv. Grade CDS Spread [2]	89	78	10	9	39
	High Yield CDS Spread [2]	461	415	46	44	155
				(percent change)		
Currencies	US¢/C$	73.95	74.72	-1.0	-2.1	-7.0
	C$/US$	1.352	1.338	—	—	—
	¥/US$	111.23	113.39	-1.9	-1.5	-1.3
	US$/€	1.1388	1.1306	0.7	0.4	-5.1
	US$/£	1.264	1.258	0.5	-1.3	-6.4
	US¢/A$	71.02	71.72	-1.0	-1.8	-9.1
Commodities	CRB Futures Index	172.01	180.31	-4.6	-4.2	-11.3
	Oil (generic contract)	46.03	51.47	-10.6	-8.7	-23.8
	Natural Gas (generic contract)	3.67	3.83	-4.0	-14.7	24.4
	Gold (spot price)	1,259.46	1,238.45	1.7	3.0	-3.3
Equities	S&P/TSX Composite	14,139	14,595	-3.1	-5.8	-12.8
	S&P 500	2,494	2,600	-4.1	-5.2	-6.7
	Nasdaq	6,563	6,911	-5.0	-5.4	-4.9
	Dow Jones Industrial	23,139	24,101	-4.0	-4.7	-6.4
	Nikkei	20,166	21,375	-5.7	-6.8	-11.4
	Frankfurt DAX	10,627	10,866	-2.2	-5.1	-17.7
	London FT100	6,716	6,845	-1.9	-3.4	-12.6
	France CAC40	4,687	4,854	-3.4	-5.2	-11.8
	S&P ASX 200	5,468	5,602	-2.4	-4.3	-9.9

[1] = as of 10:30 am [2] = One day delay

Global Calendar
December 24 – December 28

BMO Capital Markets®

	Monday December 24	Tuesday December 25	Wednesday December 26	Thursday December 27	Friday December 28
Japan	Markets Closed		BoJ Minutes from Oct. 30-31 meeting		**Jobless Rate** **Nov. (e) 2.4%** Oct. 2.4% **Industrial Production** **Nov. P (e) -1.7% +0.4% y/y** Oct. +2.9% +4.2% y/y **Retail Sales** **Nov. (e) -0.4% +2.1% y/y** Oct. +1.3% +3.6% y/y BoJ Summary of Opinions from Dec. 19-20 meeting
Euro Area	GERMANY Markets Closed	EURO AREA Markets Closed	EURO AREA Markets Closed	EURO AREA ECB Economic Bulletin	GERMANY **Consumer Price Index** **Dec. P (e) +0.4% +1.9% y/y** Nov. +0.1% +2.2% y/y
U.K.	Markets Closed	Markets Closed	Markets Closed		
Other		AUSTRALIA Markets Closed	AUSTRALIA Markets Closed		

Upcoming Policy Meetings | BoE: Feb. 7, Mar. 21, May 2 | ECB: Jan. 24, Mar. 7, Apr. 10

Global Calendar
December 31 – January 4

BMO Capital Markets®

Japan

Monday December 31 – Thursday January 3: Markets Closed

Friday January 4

Manufacturing PMI

Dec. F (e)	**52.4**	
Nov.	52.2	

Euro Area

Monday December 31

GERMANY: Markets Closed

ITALY: Markets Closed

Tuesday January 1

EURO AREA: Markets Closed

Wednesday January 2

EURO AREA

Manufacturing PMI

Dec. F (e)	**51.4**	
Nov.	51.8	

GERMANY

Retail Sales [D]

Nov. (e)	**+0.4%**	**-0.9% y/y**
Oct.	+0.1%	+5.0% y/y

Thursday January 3

EURO AREA

M3 Money Supply

Nov. (e)	**+3.8% y/y**
Oct.	+3.9% y/y

Friday January 4

EURO AREA

Consumer Price Index

Dec. A (e)	**+1.8% y/y**
Nov.	+1.9% y/y

Core CPI

Dec. A (e)	**+1.0% y/y**
Nov.	+1.0% y/y

Producer Price Index

Nov. (e)	**-0.2%**	**+4.1% y/y**
Oct.	+0.8%	+4.9% y/y

Services PMI

Dec. F (e)	**51.4**
Nov.	53.4

Composite PMI

Dec. F (e)	**51.3**
Nov.	52.7

GERMANY

	Unemploy.	**Jobless Rate**
Dec. (e)	**-13,000**	**5.0%**
Nov.	-16,000	5.0%

FRANCE

Consumer Price Index

Dec. P (e)	**+0.2%**	**+2.0% y/y**
Nov.	-0.2%	+2.2% y/y

ITALY

Consumer Price Index

Dec. P (e)	**+0.1%**	**+1.5% y/y**
Nov.	-0.3%	+1.6% y/y

U.K.

Tuesday January 1: Markets Closed

Wednesday January 2

Manufacturing PMI

Dec. (e)	**52.5**
Nov.	53.1

Thursday January 3

Construction PMI

Dec. (e)	**52.9**
Nov.	53.4

Friday January 4

Services PMI

Dec. (e)	**50.7**
Nov.	50.4

Composite PMI

Dec. (e)	**50.8**
Nov.	50.7

Nationwide House Prices

Dec. (e)	**+0.1%**	**+1.5% y/y**
Nov.	+0.3%	+1.9% y/y

Other

Monday December 31 – Tuesday January 1

CHINA: Markets Closed

Monday December 31

CHINA

PMI	**Mfg.**	**Non-mfg.**
Dec. (e)	**50.0**	**53.1**
Nov.	50.0	53.4

Tuesday January 1

AUSTRALIA: Markets Closed

Wednesday January 2

CHINA

Caixin Manufacturing PMI

Dec. (e)	**50.1**
Nov.	50.2

Friday January 4

CHINA

Caixin Services PMI

Dec.	
Nov.	53.8

Caixin Composite PMI

Dec.	
Nov.	51.9

[D] = date approximate

Upcoming Policy Meetings | BoE: Feb. 7, Mar. 21, May 2 | ECB: Jan. 24, Mar. 7, Apr. 10

North American Calendar
December 24 – December 28

BMO Capital Markets®

Monday December 24

Canada

Markets close early

United States

Possible U.S. government shutdown will delay some economic releases

Markets close early

8:30 am	**Chicago Fed National Activity Index**	
Nov. (e)	**+0.20**	
Oct.	+0.24	
10:00 am	13- & 26-week bill auction $75 bln	
11:00 am	4- & 8-week bill auction announcements	
11:30 am	2-year note auction $40 bln	

Tuesday December 25

Canada

Christmas Day (markets closed)

United States

Christmas Day (markets closed)

Wednesday December 26

Canada

Boxing Day (markets closed)

United States

9:00 am	**S&P Case-Shiller Home Price Index (20 city)**	
Oct. (e)	**+0.2%**	**+4.7% y/y**
Consensus	*+0.3%*	*+4.8% y/y*
Sep.	+0.3%	+5.1% y/y
10:00 am	**Richmond Fed Manufacturing Index**	
Dec. (e)	**15**	
Consensus	*16*	
Nov.	14	
11:30 am	2-year FRN auction $18 bln	
1:00 pm	5-year note auction $41 bln	

Thursday December 27

United States

8:30 am	**Initial Claims**	
Dec. 22 (e)	**216k (+2k)**[c]	
Dec. 15	214k (+8k)	
8:30 am	**Continuing Claims**	
Dec. 15		
Dec. 8	1,688k (+27k)	
9:00 am	**FHFA House Price Index**	
Oct. (e)	**+0.2%**	**+5.5% y/y**
Consensus	*+0.3%*	*+5.6% y/y*
Sep.	+0.2%	+6.0% y/y
10:00 am	**New Home Sales**	
Nov. (e)	**556,000 a.r. (+2.2%)**	
Consensus	*569,000 a.r. (+4.6%)*	
Oct.	544,000 a.r. (-8.9%)	
10:00 am	**Conference Board Consumer Confidence Index**	
Dec. (e)	**135.0**	
Consensus	*133.2*	
Nov.	135.7	
11:00 am	13-, 26- & 52-week bill auction announcements	
11:30 am	4- & 8-week bill auction	
1:00 pm	7-year note auction $32 bln	

Friday December 28

United States

8:30 am	**Goods Trade Deficit**
Nov. A (e)	**$76.0 bln**
Consensus	*$75.5 bln*
Oct.	$77.0 bln
8:30 am	**Wholesale and Retail Inventories (Nov. A)**
9:45 am	**Chicago PMI**
Dec. (e)	**62.0**
Consensus	*61.0*
Nov.	66.4
10:00 am	**Pending Home Sales**
Nov. (e)	**+1.0%**
Consensus	*+1.0%*
Oct.	-2.6%

[c] = consensus

Upcoming Policy Meetings | Bank of Canada: Jan. 9, Mar. 6, Apr. 24 | FOMC: Jan. 29-30, Mar. 19-20, Apr. 30-May 1

North American Calendar
December 31 – January 4

BMO Capital Markets®

Canada

Monday December 31
Bond markets close early

Tuesday January 1
New Year's Day (markets closed)

Wednesday January 2
9:30 am — **Markit Manufacturing PMI**
Dec.
Nov. 54.9

Thursday January 3
Auto Sales[D]
Dec.
Nov. -9.4% y/y

2-year bond auction announcement

Friday January 4
8:30 am — **Employment**
Dec. (e) **+0.1% (+20,000)**
Nov. +0.5% (+94,100)

8:30 am — **Unemployment Rate**
Dec. (e) **5.7%**
Nov. 5.6%

8:30 am — **Average Hourly Wages**
Dec. (e) **+1.7% y/y**
Nov. +1.7% y/y

8:30 am

	Industrial Product Price Index	Raw Materials Price Index
Nov. (e)	**-0.5%**	**-7.0%**
Oct.	+0.2%	-2.4%

United States

Monday December 31
Possible U.S. government shutdown will delay some economic releases

Bond markets close early

10:30 am — **Dallas Fed Mfg. Activity**
Dec. (e) **17.0**
Consensus *17.6*
Nov. 17.6

10:00 am[T] 13- & 26-week bill auction
11:00 am 4- & 8-week bill auction announcements[D]
11:30 am[T] 52-week bill auction

Tuesday January 1
New Year's Day (markets closed)

Wednesday January 2
9:45 am — **Markit Manufacturing PMI (Dec. F)**

Thursday January 3
7:00 am — **MBA Mortgage Apps —Dec. 21st and 28th weeks**

7:30 am — **Challenger Layoff Report**
Dec.
Nov. +51.5% y/y

8:15 am — **ADP National Employment Report**
Dec. (e) **+180,000**
Consensus *+175,000*
Nov. +179,000

8:30 am — **Initial Claims —Dec. 29th week**

8:30 am — **Continuing Claims —Dec. 22nd week**

10:00 am — **Manufacturing ISM (PMI)**
Dec. (e) **58.3**
Consensus *58.0*
Nov. 59.3

10:00 am — **Construction Spending**
Nov. (e) **+0.4%**
Consensus *+0.3%*
Oct. -0.1%

10:00 am — **Conference Board CEO Confidence Index (Q4)**[D]

Ward's Total Vehicle Sales[D]
Dec. (e) **17.2 mln a.r.**
Consensus *17.4 mln a.r.*
Nov. 17.4 mln a.r.

11:00 am 13- & 26-week bill, 3- & 10[R]-year note, 30[R]-year bond auction announcements
11:30 am 4- & 8-week bill auction

Friday January 4
8:30 am — **Nonfarm Payrolls (and revisions to household survey data)**
Dec. (e) **+190,000**
Consensus *+180,000*
Nov. +155,000

8:30 am — **Unemployment Rate**
Dec. (e) **3.7%**
Consensus *3.7%*
Nov. 3.7%

8:30 am — **Average Hourly Earnings**
Dec. (e) **+0.3%** **+3.0% y/y**
Consensus *+0.3%* *+3.0% y/y*
Nov. +0.2% +3.1% y/y

9:45 am — **Markit Services/Composite PMI (Dec. F)**

10:15 am — **Fed Chair Powell joins a panel in Atlanta for the American Economic Association**

Fed Speaker: Atlanta's Bostic (10:15 am)

Saturday January 5
Fed Speakers: New York's Williams (8:00 am); Atlanta's Bostic (10:15 am); San Francisco's Daly (12:30 am)

[D] = date approximate [T] = time and offering amount subject to auction announcements at 11:00 am on Thursday, December 27; see www.treasurydirect.gov for more details

Upcoming Policy Meetings | Bank of Canada: Jan. 9, Mar. 6, Apr. 24 | FOMC: Jan. 29-30, Mar. 19-20, Apr. 30-May 1