

*Market Monitor – United States*
**Growth momentum remained solid**

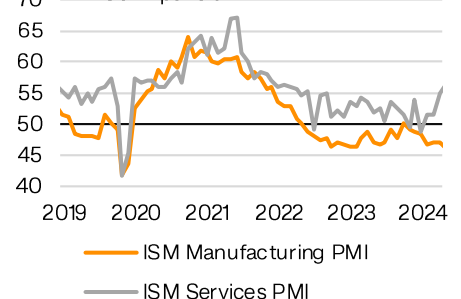

- Consumer spending revealed solid demand in October. Business surveys indicated that activity further improved in November.
- PCE inflation showed stalled progress on disinflation in October, as the Fed contemplates its next move for its 17-18 December FOMC meeting.
- President-Elect Trump started the nomination process of his cabinet.

**Recent indicators pointed to stable growth momentum**
**The second estimate of US GDP in Q3 was in line with the advance estimate.**

The second estimate reaffirmed the advance estimate that US GDP grew at a seasonally adjusted annual rate (SAAR) of 2.8% in Q3. The major differences between the two estimates can be linked to upward revisions in investments and downward revisions in imports, exports, and consumer spending, which ultimately balanced out to achieve roughly the same growth rate. Meanwhile, economic data in early Q4 pointed to solid growth momentum, especially with personal spending and personal income growing by 0.4% month-on-month (MoM) and 0.6% in October, respectively.

**Business surveys signalled that activity continued to expand in November.**

The Institute of Supply Management (ISM) and S&P Global US manufacturing PMIs increased to 48.4 and 49.7 in November, respectively. Although both figures remained in the contractionary territory (below 50), their rates of decline became narrower compared to previous months. Meanwhile, the services PMIs showed a continued expansion, albeit growing at divergent paces. The ISM services PMI decreased to 52.1 in November from 56.0 in October, with lower readings for business activity, new orders, and employment. The S&P Global US services PMI jumped to 56.1 in November from 55 in October, highlighted by increased growth in business activity and new orders, while employment grew, but at a slower pace.

**ISM Manufacturing and Services PMI**


Source: Bloomberg, data as of 05/12/2023

## Economic Research

Besides, both indices were below expectations, given that there were high hopes that strong economic growth would persist. Overall, these surveys indicated that business activity continued to expand, with stable GDP growth for Q4.

**Consumer sentiment improved slightly in November.** The University of Michigan consumer sentiment index rose from 70.5 in October to 71.8 in November, while the Conference Board consumer confidence index also increased from 109.6 in October to 111.7 in November. These surveys showed that consumers became more positive about the current economic situation, while the expectations for the future were little changed. Meanwhile, the National Federation of Independent Business (NFIB) small business optimism index rose to 93.7 in October; however, it still remained under the 50-year average of 98 for the 34<sup>th</sup> consecutive month. Going forward, small business optimism is set to improve when the Trump administration takes office in January 2025. During Trump's first term, small businesses generally held stronger optimism, driven by a friendlier business environment and a boost from tax cuts.

## Progress on disinflation stalled in October

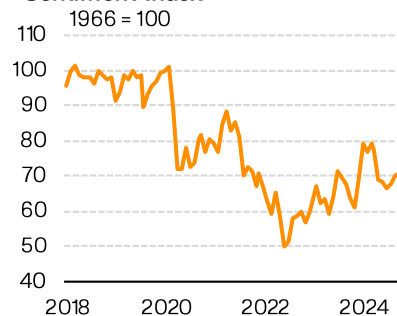
**Personal consumption expenditures (PCE) inflation remained above the Fed's 2% policy target.** In October, headline and core PCE inflation picked up to 2.3% year-on-year (YoY) and 2.8%, from 2.1% and 2.7% in September, respectively. On a monthly basis, headline PCE inflation rose by 0.2% MoM, while core PCE inflation rose by 0.3% in October; both were at the same rates as in September. Price growth for services spending remained sticky at 3.9% YoY and 0.4% MoM in October, compared to 3.7% YoY and 0.3% MoM in September. Energy prices continued to decline in October, by 5.9% YoY and 0.1% MoM, but at softer paces than in September (-8.1% YoY and -2.1% MoM). This report highlighted that there will still be bumps in the road for the future disinflation path. Furthermore, the inflation outlook remains highly uncertain, given a shift in policy agenda under the Trump presidency ahead.

**The Fed minutes revealed its officials are no longer in a rush to lower rates.** Records from the minutes of November's Federal Open Market Committee (FOMC) meeting stated that Fed officials saw a lesser urgency to cut rates rapidly, due to stronger-than-anticipated economic performance, reduced concerns over the labour market, and the potential for inflation to stay elevated. While the markets have mostly priced in that the Fed will cut rates by another 25 basis points (bps) in its December meeting, the situation is still data dependent, and a pause in rate cut could be warranted if upcoming data shows an unexpected acceleration in inflation.

**Donald Trump nominated several cabinet members for his next term.** In the weeks after being elected, Trump began choosing various people to fill out his cabinet. Of the cabinet positions, the Secretary of State, the Secretary of Defense, the Secretary of the Treasury, and the Attorney General are considered the most vital positions. Trump nominated current Florida Senator Marco Rubio for Secretary of State, who is under China's sanctions. For Secretary of Defense,

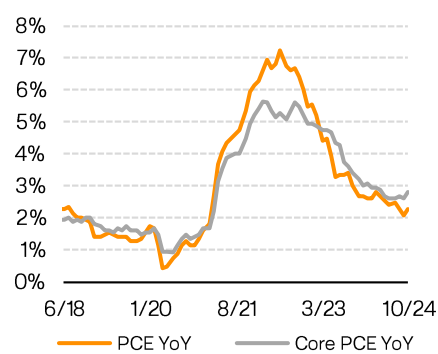
## December 2024

### University of Michigan Consumer Sentiment Index



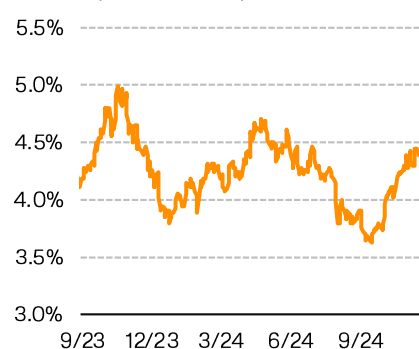
Source: Bloomberg

### US PCE Inflation



Source: Bloomberg, data as of 29/11/2024

### US 10-year Treasury Yield



Source: Bloomberg, data as of 29/11/2024

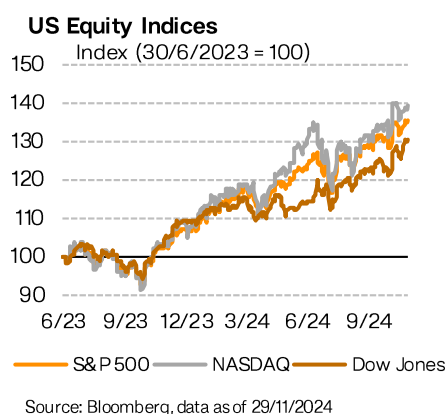
## Economic Research

December 2024

Trump nominated Fox News host Pete Hegseth, who is an army veteran. For Attorney General, Trump nominated Merrick Garland, a former federal judge and prosecutor. For Secretary of the Treasury, Trump nominated Scott Bessent, who is a billionaire hedge fund manager. Meanwhile, Trump threatened to impose a 25% tariff on all imports from Canada and Mexico and separately outlined an additional tariff of 10% on all imports from China. These proposals were mentioned as necessary to clamp down on migrants and illegal drugs flowing into the US.

### Major US equity indices surged in November

**Major US equity indices posted strong gains in November.** After declining in October, the S&P 500, the Nasdaq, and the Dow Jones all surged in November, by 5.7%, 6.2%, and 7.5% MoM, respectively. The S&P 500 and Dow Jones closed their best month of the year on record highs, while the Nasdaq also hit its record high during the month. Notably, Tesla shares surged in November by over 38%, partially due to Elon Musk's close support of Trump, while financial services stocks also rose on hopes of a less restrictive regulatory environment under Trump's second presidency. Meanwhile, 10-year US treasury yields fell to 4.17%, while the US dollar index rose by 1.7% to 105.74 in November.



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