

UK Economic Output

- A long, hot summer

The Office for National Statistics estimates that the UK economy expanded by something like 0.6% during Q3 or 1.5% if you prefer the year-on-year figure. That represents a significant improvement on the 0.4% pace during Q2.

Apparently, 'real GDP growth... was driven by relatively strong growth in July'. It seems retail sales were particularly strong then.

If we recall correctly, the midday sun was hot and retailers were scrambling to sell booze to excited Englishmen while the national team flattered to deceive over in Russia.

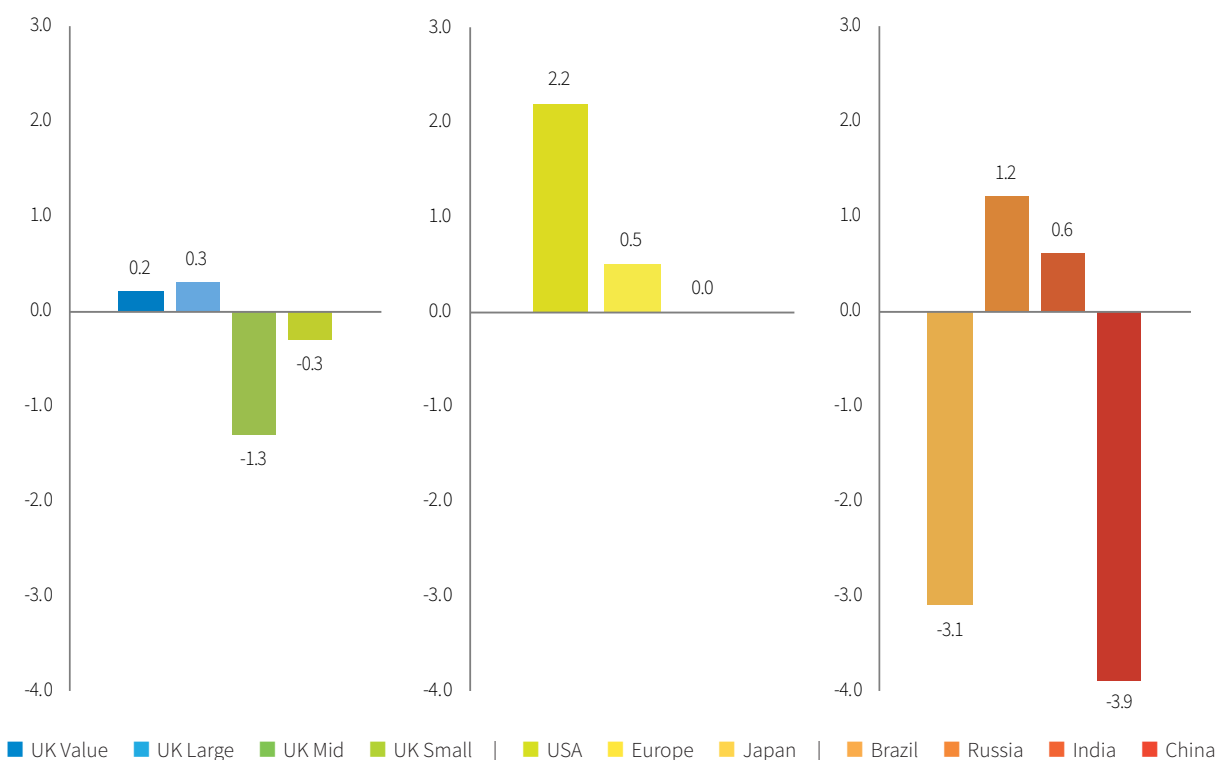
Beyond that, there is little sign of strength in the British economy. Output growth in August and September came to a virtual standstill. The consensus calls for growth in the region of 1.3% this year. That feels about right to us, though we think the risks might be to the downside depending on what happens at the top of the Conservative party in the months ahead.

Actually, we wonder what odds we can get on Gareth Southgate being the next Prime Minister.



Last Week

In Markets



Other Developments

USA Monetary Policy

Last week, the Federal Open Market Committee voted to maintain the upper limit on the target for the Fed Funds rate at 2.25%.

The requisite statement cites continued strength in the labour market coincident with strong economic activity and core inflation consistent with the 2.0% target. Assuming those conditions persist for another 6 weeks or so, it seems very likely that the Fed will raise rates at the December meeting to bring about a fourth rate rise this year. Indeed, the market currently prices the likelihood of a December rate rise at 76%.

Actually, in our view, the market is underestimating the likelihood of a hike in December. We'd be more comfortable if prices reflected an 85% probability. We're nit-picking, mind. On balance, we are now much more comfortable with market-based measures of interest rate expectations. As it stands, futures prices infer a 31% chance of rates hitting 3.25% during 2019, up from about 10% at the end Q3. And for that reason, we think October's equity market volatility has played out reasonably well and we expect asset prices to display fewer sharp movements in the remainder of 2018.

Venezuela's annual inflation rate accelerated to 833,000% in October, underscoring the country's plunge into economic chaos and President Nicolás Maduro's unsuccessful efforts to tame the world's fastest-rising prices, lawmakers said Wednesday. A monthly report released by the Venezuelan legislature's finance commission showed the 12-month inflation rate rose from 488,000% recorded in September, putting the embattled South American nation on track to meet the International Monetary Fund's estimate for 2018 inflation to top 1,300,000%.

Wall Street Journal
07 November 2018

This Week

Tuesday

UK employment situation

Germany ZEW economic sentiment

Japan GDP

Wednesday

Germany GDP

UK inflation

Euro Area GDP








US Inflation

Thursday

Australia employment

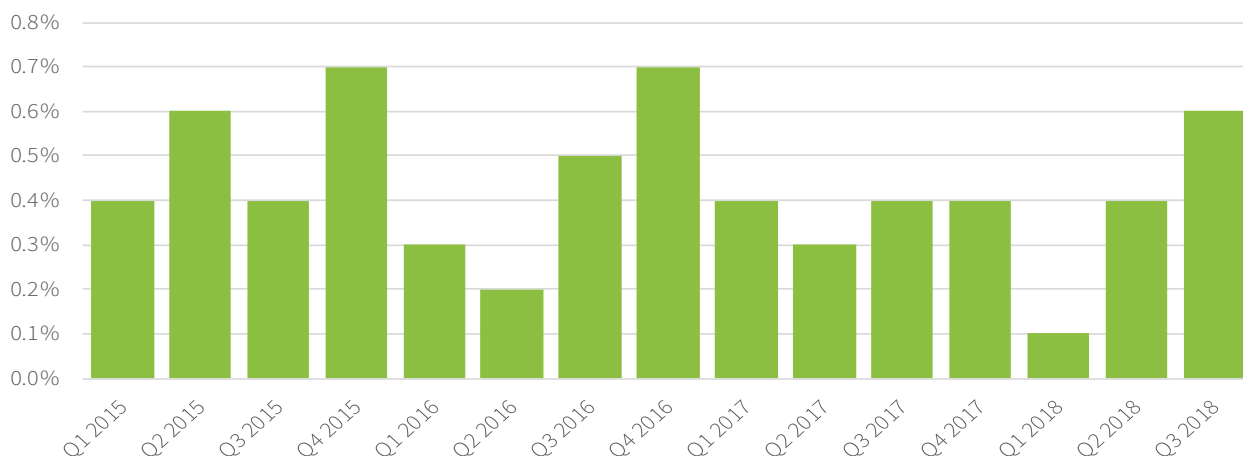
US retail sales

Market Dashboard

	Bank Base Rate	-	0.75%
	Inflation (Y-o-Y)	-	2.4%
	Unemployment Rate	-	4.0%
	Wage Growth	-	2.7%
	House Prices	-	£214,534
	3 Month Trade (£B)	-	-2.8
	GDP (Y-o-Y)	▲	1.5%

Market Data	
Equity Index Levels	
FTSE 100	▲ 7,105
S&P 500	▲ 2,781
Stoxx Euro 600	▲ 366
Nikkei 225	▲ 22,250
Bond Yields	
10 year UK Gilt	- 1.49
10 year US Treasury	▲ 3.18
10 year German Bund	▼ 0.41
10 year Japanese GB	- 0.13
Commodity Prices (\$)	
Brent Crude	▼ 69.9
Gold Bullion (per t oz)	- 1,210

UK GDP



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