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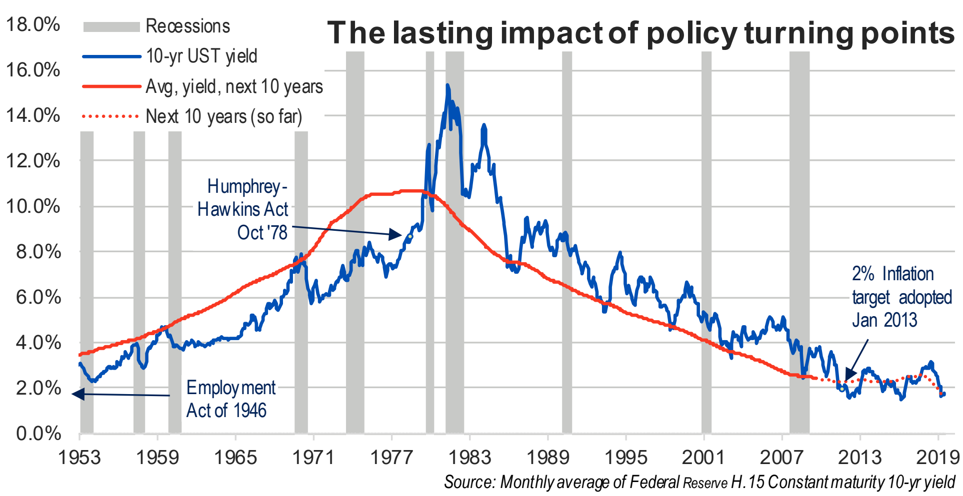
ECONOMIC WEEKLY

CONTENTS

The Long View: Why the Fed's Policy Review is a Big Deal

Since 1980, long-term Treasuries have been a buy. That is, the current yield exceeded the average yield of the next ten years. As a result, buying now has consistently outperformed buying later. The few exceptions — five cycle-low yields in 35 years — the yield was equal to the next ten year's average — a difficult test given the original purchase was rolling down the curve the whole time. Those 35 years are the mirror image of the 25 years before 1979. The turning point was Paul Volcker strictly enforcing the 1978 Humphrey-Hawkins Act, which established the dual mandate that still guides policy. The cost was a deep recession, of course, as well as business cycles repeatedly cut off at the first sign of rising inflation.

Next year's Fed sweeping policy review will not result in a new, multi-decade rising trend in rates. The Fed has made clear since 2013 it intends to find a middle ground between perpetually easy and perpetually tight policy paths. Instead, the goal is to follow a path consistent with stable yields, but at a higher level than the current range.



Source: Monthly average of Federal Reserve H.15 Constant maturity 10-yr yield

Three eras of monetary policy and next year, perhaps, a fourth:

1. 1946-1978 Fed pursues maximum employment. Inflation and interest rates rise.
2. 1978-2012 Fed pursues lower inflation. Inflation and interest rates fall.
3. 2012-2019 Fed pursues 2%, stable inflation using outdated models. Inflation and interest rates are stable, but too low.
4. 2020-? Fed adjusts policy to target inflation averaging 2% instead of 1.50-1.75%. Inflation and interest rates should be stable, but the range should be 25-50bp higher. If it works, of course.

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Three clear interest rate regimes

After World War II, millions of returning soldiers and sailors flooded the job market. The Employment Act of 1946 commanded all federal government entities, including the Federal Reserve, to promote maximum employment, production, and purchasing power. The Fed, still smarting from the series of disastrous policy decisions in the 1930s contributing to the debt-deflation trap of the Great Depression, ignored the "purchasing power" part of the mandate in favor of the maximum employment piece. The result was a sustained period of rising inflation and rising interest rates.

By the late 1970s, inflation was out of control and the public demanded a response. President Carter chose Paul Volcker to Chair the Fed in 1979. Volcker was already a legend in financial circles. He was President of the New York Fed at the time, and before that, was Treasury Undersecretary for International Monetary Affairs when Nixon closed the gold window in 1971.

In 1978, Congress passed the Humphrey-Hawkins Act, which increased Congressional control over the Fed and included a new, dual mandate to promote maximum employment and stable prices. In 1978, "stable prices" meant the same thing in Fedspeak as in English. That is, the Fed's statutory goal was zero inflation. Alan Greenspan did not redefine stable prices to mean steady, low inflation until the late 1990s.

From 1979 through 2011, the Fed followed its mandate and pursued lower inflation. As inflation fell, yields fell with it. With current yields falling, it was always better to save now than save later. The incentive to save contributed to the rate decline in a self-reinforcing manner.

In January 2012, the Fed once again redefined price stability, this time as 2% inflation. It appeared to be a modest tweak from the 1-2% range already targeted. Nevertheless, it was an important shift because the Fed was no longer working toward a *lower* inflation target. The FOMC had already passed its target and, technically, from that point forward, the Fed was trying to boost inflation. Yields fell in February and March 2012, but within two months, the bottom of a seven-year sideways range was established.

Policy review and Fed accountability

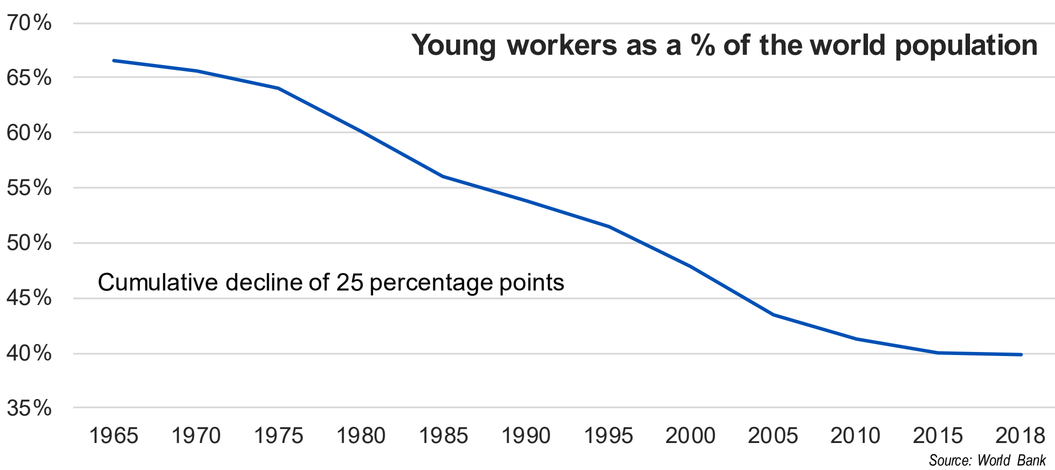
Economists have written thousands of pages about the decline of r-star, which is what they call the secular decline of interest rates that first became obvious roughly 10 years ago. FOMC participants have blamed demographics, slowing productivity growth, globalization, and even a global savings glut. Until now, however, the Fed has assiduously avoided considering the role of central bank policy. Two weeks ago, we wrote about new Fed research suggesting the Fed's approach to inflation management is in fact responsible for the perpetual inflation undershoot since the Global Financial Crisis. It's an important first step toward actually achieving the symmetrical inflation goal.

Despite relative interest rate stability in the past five or six years, the decline in r-star is not necessarily over, because a recession could quickly tip rates downward again. In the late-80s, and mid-2000s, before the financial crisis, yields stabilized and even increased for as long as five years before plunging when the economy fell into recession. In fact, recessions and the low inflation that follows accounts for most of the downward movement in yields. If the Fed is really serious about a symmetrical 2% inflation target, it means avoiding a recession until inflation and interest rates are considerably higher.

We identified a third policy regime starting with the adoption of the 2% inflation target in 2012, but it is still too soon to determine if it is actually a turning point and not the same kind of pause seen in late stages of business cycles throughout the great bull market.

As for all those non-Fed excuses for falling rates — weak productivity, the low birthrate, the global savings glut — all are at least in part attributable to decades of monetary restraint. Companies don't invest in productivity when the economy is running on fumes, people don't have babies when income growth is restricted and benefits are slashed as low inflation hurts profit margins. But just because policy contributes to these factors, it does not mean policy should not respond to them once they are unleashed. There's no excuse for allowing these things to continue reinforcing the downtrend in inflation and rates, especially demographics, where critical trends are identifiable years in advance.

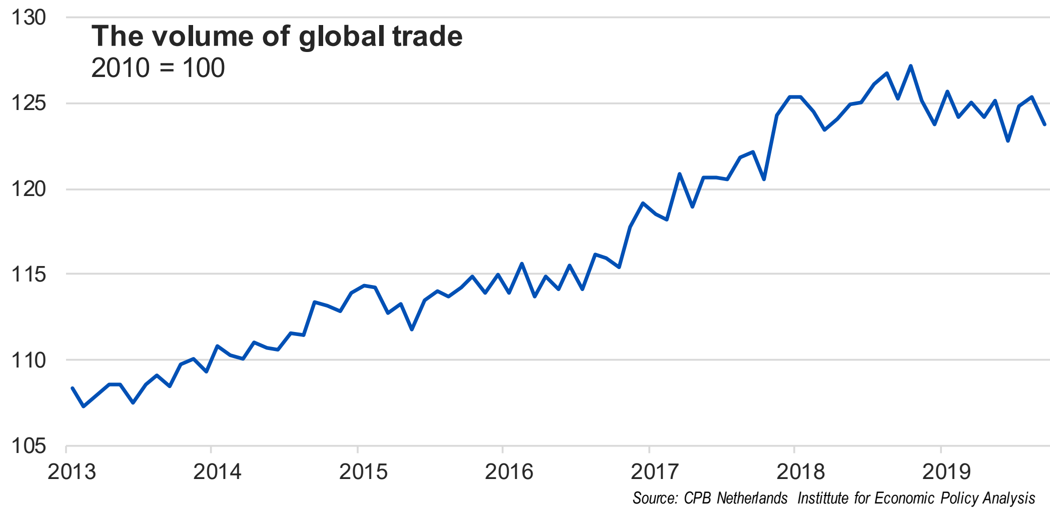
Economists well understand the risks associated with an aging population after watching Japan and Western Europe's experience in the '80s and '90s. When a smaller percentage of the population works, per-capita GDP must accelerate to keep overall GDP from shrinking. If GDP shrinks, government debt-to-GDP ratios rise, inflation retreats, and rates not only bump against, but can actually fall below, zero.



China turned the demographic corner from rising to falling working-age population in 2015. Russia's demographics are so ugly, military experts think it explains Putin's increasingly risky behavior in Syria and Crimea. Making trouble is the best way to stay internationally relevant as the Russian economy shrinks.[1]

[1] As Hal Brands, the Henry Kissinger Distinguished Professor at Johns Hopkins University's School of Advanced International Studies, recently wrote for *Bloomberg News*, "Russia faces its own problems. Its population is around 144 million today. But due to numerous factors — the lingering demographic damage caused by World War II, low birth rates and levels of immigration, and a relatively short life expectancy — the population may be as small as 119 million by 2050. The working-age population will decline from 60 percent to less than 50 percent of the overall population during this same period, compounding Russia's long-term economic decline. The implications are already becoming clear: Russia will face a Hobson's choice between pouring scarce resources into old-age pensions and inviting the political tumults that austerity could easily bring. Nuclear weapons and the capacity to create mischief through information warfare will keep Moscow in the game, but Russia's underlying geopolitical potential will continue bleeding away."

Inflation is global. As long as someone, somewhere is growing fast enough to offset countries in decline, demand will keep pace with capacity, offsetting the deflationary effects of population shrinkage. Global population is still rising, especially in Africa, India, and parts of Latin America. Advanced economies like the US can escape the demographic trap with vibrant trade and immigration. Unfortunately, global trade is falling as trade barriers rise around the world. And immigration has slowed as the President has made prevention of illegal immigration a prerequisite to reforming legal immigration, while congressional Democrats have made easier illegal immigration a prerequisite to reforming the legal immigration process, resulting in an impasse.



Bottom line: A modest change is all that's needed

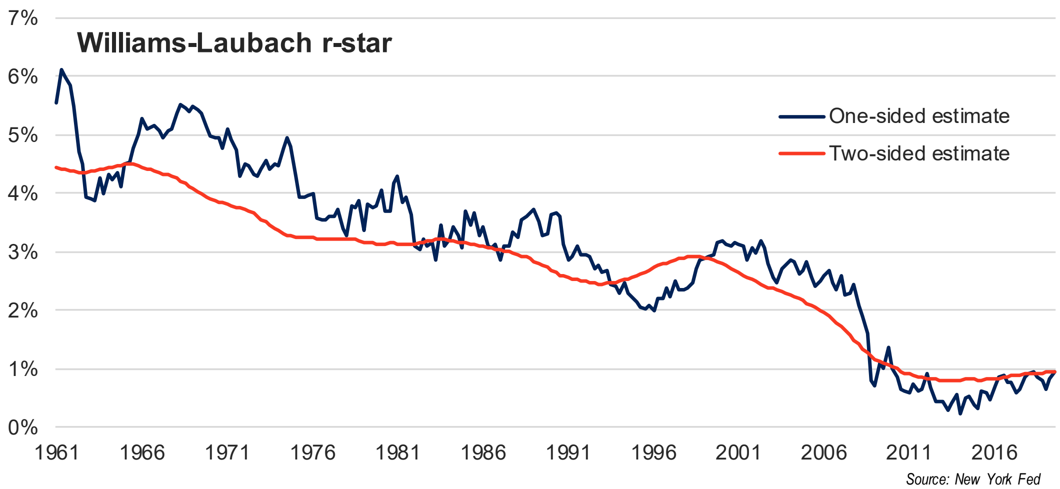
In the past 75 years, the Fed pursued full employment for 30 years, waged war against inflation for 40 years, and has targeted stable inflation for five years. The result was a 30-year bear market for bonds, followed by a 40-year bull market and six years of generally sideways interest rates.

In its policy review, the Fed is determined not to usher in a new bond bear market. They are well aware that post-WWII policy promoted too much inflation. Besides, the current strategy has achieved one of two goals: inflation and rates are relatively stable. They just happen to be stable at a lower than desirable level.

In SIFMA's year-end economic survey, roughly half of the 26 economists surveyed expect the Fed will alter its inflation framework around the middle of next year. (They split evenly between those expecting a change before the end of the second quarter and those expecting it after.) Thirty-one percent believe there will be no change, while the rest are not sure.

What's striking, as we watch the review process unfold, is the change in attitude at the top of the Fed regarding reform. Chair Powell has transformed from skeptic to supporter. Maybe that's because he trusted the PhDs on the FOMC to guide policy decisions last year — as he told Congress he would — and they convinced him the neutral fed funds rate was north of 3%. Oops.

The latest Williams-Laubach natural rate estimate, calculated from third quarter data, rose 11bp from Q2 to 0.94%. Add back 1.59% for core PCE inflation and it suggests the neutral funds rate is 2.53%. That's why the dot plot next Wednesday will continue to show rate hikes in 2021 and 2022.



Step back and view a longer perspective, however, and the Williams-Laubach r-star has not really changed since 2012, when it stopped falling in the wake of the financial crisis. Adjust it for fiscal stimulus and global factors, as suggested in recent papers by Rachel and Summers and Kiley et al., and the message is clear. Find the neutral fed funds rate — probably 25-50bp lower than fed funds today — and leave it there. Inflation pressures really are that subdued. The result will be a modestly steeper curve, mostly thanks to lower rates at the front end, with slightly higher, but stable inflation expectations close to 2%.

– Chris Low, Chief Economist

Fed Preview: Victory Lap

The FOMC's rate-setting discussion will be brief in December. The FOMC declared rates on hold after the October rate cut, and Powell will reassert the on-hold message on Wednesday. After the November employment report, he is likely to do so with confidence.

A short discussion on the last statement of 2019 means more time to talk about other things. The FOMC is likely to discuss a permanent repo facility and continue conversation on the ongoing policy review and disposition of the balance sheet. If so, we will have to wait for the minutes except in the unlikely event the FOMC makes any 2020 decisions next week. These discussions have repeatedly bogged down as participants and staff raise the same issues time and again.

The December meeting is one of four each year when the FOMC publishes an updated Summary of Economic Projections. We do not expect any significant changes in the SEP economic projections. The 2019 core PCE forecast will have to come down from 1.8% to at least 1.7%, if not 1.6%, where it was in October, and the unemployment rate forecast should drop from 3.7% to 3.5%. Otherwise, there is no reason to change the GDP forecast.

The dot plot will reflect the October rate cut, with all 17 2019 dots sitting at 1.5%-1.75%. Because the FOMC failed to anticipate the October rate cut, the unchanged median in 2020 now looks like a quarter-point hike. **It will only take one dot falling below 1.75% to restore the 2020 median to show no change in rates, which is likely.** The 2021, 2022**,** and longer-run medians are not likely to change much, however. As long as the Fed continues to rely on old policy tools, the dot plot will always include rate increases except during recessions.

September's median for 2021 median was 2-2.25%, a 50bp hike from year-end 2019. Two dots would have to drop below the 2% line to keep the hike to just one. It's possible, but it's not really all that important. The story will be the Fed's intention to stay on hold in an election year, especially because the dots from 2021 and beyond are moot in the sense that the long-run policy review will conclude next year and should change the ensuing dots.

The longer-run forecast is very unlikely to change. There are currently eight dots at 2.5% and seven would have to fall to pull the median down. Of course, the median will fall eventually if the FOMC buys into the staff's policy review recommendations, but that is a decision the FOMC plans to defer until the middle of next year. For now, 2.5% is exactly in line with the Laubach-Williams neutral rate estimate.

– Chris Low, Chief Economist

The Week Ahead

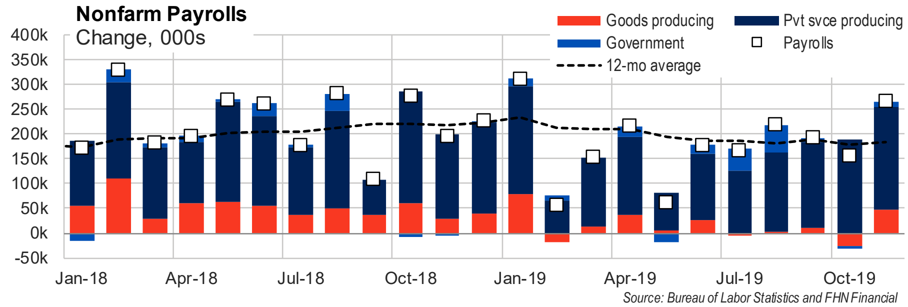
This Week's Numbers

		CONSENSUS				
		PRIOR	HIGH	LOW	MEDIAN	FHN
Tuesday, December 10	NFIB Small Business Optimism - Nov	102.4	103.1	102.8	103.0	**103.0**
	Nonfarm Productivity - 3Q F	-0.3%	1.0%	-0.3%	-0.1%	**-0.2%**
	Unit Labor Costs - 3Q F	3.6%	3.6%	2.7%	3.4%	**3.0%**
Wednesday, December 11	CPI MoM - Nov	0.4%	0.3%	0.1%	0.2%	**0.2%**
	CPI Ex Food and Energy MoM - Nov	0.2%	0.3%	0.1%	0.2%	**0.2%**
	CPI YoY - Nov	1.8%	2.1%	1.8%	2.0%	**1.9%**
	FOMC Rate Decision (Upper Bound)	1.75%	1.75%	1.75%	1.75%	**1.75%**
	FOMC Rate Decision (Lower Bound)	1.5%	1.5%	1.5%	1.5%	**1.5%**
	Interest Rate on Excess Reserves	1.6%	--	--	--	**1.6%**
	Monthly Budget Statement - Nov	-$134.5b	--	--	--	
Thursday, December 12	PPI Final Demand MoM - Nov	0.4%	0.2%	0.1%	0.2%	**0.2%**
	PPI Ex Food and Energy MoM - Nov	0.3%	0.2%	0.1%	0.2%	**0.2%**
	PPI Ex Food, Energy, Trade MoM - Nov	0.1%	0.2%	0.0%	0.1%	**0.2%**
	PPI Final Demand YoY - Nov	1.1%	1.7%	1.2%	1.2%	**1.1%**
	PPI Ex Food and Energy YoY - Nov	1.6%	1.7%	1.6%	1.7%	**1.6%**
	Household Change in Net Worth - 3Q	$1830b	--	--	--	
Friday, December 13	Import Price Index MoM - Nov	-0.5%	0.2%	0.1%	0.2%	**0.2%**
	Import Price Index ex Petroleum MoM	-0.1%	--	--	--	**-0.2%**
	Import Price Index YoY - Nov	-3.0%	--	--	--	**-2.8%**
	Export Price Index MoM - Nov	-0.1%	0.1%	0.1%	0.1%	**-0.1%**
	Export Price Index YoY - Nov	-2.2%	--	--	--	**-2.3%**
	Retail Sales Advance MoM - Nov	0.3%	0.6%	0.3%	0.4%	**0.5%**
	Retail Sales Ex Auto MoM - Nov	0.2%	0.7%	0.2%	0.4%	**0.5%**
	Retail Sales Ex Auto and Gas - Nov	0.1%	0.6%	0.2%	0.4%	**0.4%**
	Retail Sales Control Group - Nov	0.3%	0.5%	0.2%	0.4%	**0.4%**
	Business Inventories - Oct	0.0%	0.3%	0.1%	0.2%	**0.4%**

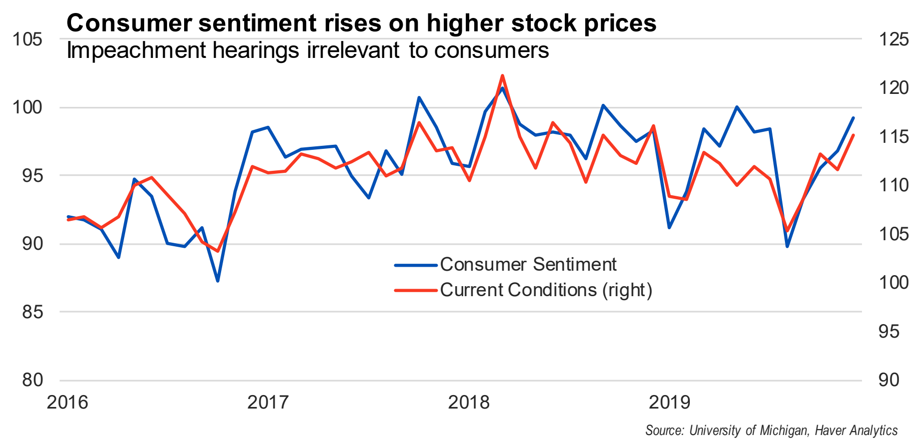
Review

This week, US manufacturing and non-manufacturing PMIs both contracted, nonfarm payrolls beat all forecasts, and President Trump restored tariffs on steel and aluminum imports from Argentina and Brazil while imposing retaliatory tariffs on French goods.

- **November nonfarm payrolls rose** 266k, with 48k coming from goods producers (41k were GM strikers returning to work) and 206k coming from private services. (Healthcare accounted for 60k, leisure and hospitality for 45k, and business services for 38k.) Clothing stores lost 18k jobs and mining and mining support services lost 13k. September was revised up 13k to 193k, and October was revised up 28k to 156k. On a 12-month average, total job gains are 184k, down from November 2018's 219k average.
    - Headline unemployment (U3) ticked down a tenth to 3.5%, and the unemployment rate for marginally attached and part-time workers (U6) fell a tenth from 7.0% to 6.9%,
    - Average hourly earnings rose three-tenths to a 3.1% y/y rate. It was driven by a 0.17% m/m rise to 0.41% m/m rise in November, which reflects negotiated wage increases of the four-year UAW-GM contract.
    - Labor force participation ticked down a tenth, from 63.3 to 63.2.



- **December's University of Michigan Consumer Sentiment Survey rose 2.4 points to 99.2** from 96.8. Current conditions drove the increase (+3.6 to 115.2) as "nearly all of the early December gain was among upper income households" reporting record wealth gains driven by increased stock prices coupled with a decrease in inflation expectations. Media reports of impeachment did not make their way into the survey at all: "virtually no consumer spontaneously mentioned impeachment in response to any question in early December."



- **ISM Manufacturing** ticked lower from October's 48.3 to 48.1 in November. Inventories, which were already low fell -3.4 to 45.5) leading the decline, along with new orders (-1.9 to 47.2) and employment (-1.1 to 46.6).

  Three sub-indices—customers' inventories (-3.4 to 45.5), new exports orders (-2.5 to 47.9), and order backlogs (-1.1 to 43.0)—contracted further indicating firms are not replenishing inventories and further weakness is coming. Survey comments from the wood and plastics and rubber industries said, "heading into the holiday season, we are seeing the backlog decrease as new orders for 2020 seem lighter than in past years" and "markets have downshifted further...the general economy is slowing down."

  Companies are less confident inventories will be purchased in a reasonable time, even as producer prices have been falling for six straight month. (Computer, electronic, and miscellaneous manufacturing industries reported an increase, while 12 industries reported falling prices.) Some industries are waiting until early 2020 to see if customers restock orders, before making capital spending decisions, while petro and coal firms have started revising capital spending plans lower.

- **ISM Non-Manufacturing NMI fell** 0.8 points from 54.7 to 53.9 in November as business activity plunged (-5.4 points to 51.6) and fewer industries reported growth (12 out of 18). Prices rose as tariffs made their way into delivery services. Suppliers reported looking for alternative manufacturing locations outside of China, but "with limited success so far." On the upside, employment rose (+ 1.8 points to 55.5) and new orders rose (+1.5 to 57.1).

- Monday, President Trump restored steel and aluminum tariffs on imports from Argentina and Brazil. Tuesday, he announced he would impose tariffs on French goods in retaliation for France taxing US tech firms.

The Atlanta Fed's Q4 GDPNow forecast rose from 1.7% last Friday to 2.0%. The ISM manufacturing index knocked it down, but auto sales and employment lifted it half a point. The NY Fed's GDP Nowcast fell from 0.77% to 0.58%, reflecting the ISMs.

Next week, a slew of central banks hold policy meetings. Wednesday, the FOMC is expected to keep rates unchanged as no material risks to their economic outlook have surfaced since the last FOMC. Focus will be on year-end term repo operations, plans for a standing repo facility, as well as major shifts in policy expected in the 2H of 2020.

Thursday, the ECB holds its first meeting with Christine Lagarde as President. Rates will likely remain unchanged and focus will be on encouraging fiscal spending among member countries. The ECB will also update growth and inflation forecasts. The Swiss National Bank holds its policy meeting Thursday and is expected to keep rates unchanged. Turkey, Russia, and Ukraine holds policy meetings Thursday as well.

The UK holds its general election Thursday, so expect volatility. Boris Johnson and the Tories have a comfortable lead in polls, but polling data was not reliable in the last election. China's National Statistics Office is expected to release trade data during the week (possibly December 9 China time) and the PBOC is expected to release new yuan loans and aggregate financing data during the week (TBD).

Preview

Note: ★ = High Impact Event
All times Eastern

Sunday, December 8

★ *(Tentative) – China:*

- Foreign Reserve – Nov (Last: $3.1t; Con: $3.1t)
- Imports – Nov (Last: -6.4% y/y USD; Con: -1.4% y/y USD)
- Imports – Nov (Last: -3.5% y/y CNY; Con: 0.9% y/y USD)
- Exports – Nov (Last: -0.9% y/y; Con: -0.8% y/y)
- Exports – Nov (Last: 2.1% y/y CNY; Con: 1.9% y/y CNY)
- Trade Balance – Nov (Last: $42.81b; Con: $44.5b)
- Trade Balance – Nov (Last: ¥301.28b; Con: ¥300.3b)

- ★ 6:50pm – Japan:
  - GDP – Q3 F (Q3 P: 0.1% q/q; Con: 0.2% q/q)
  - GDP – Q3 F (Q3 P: 0.2% Annualized q/q; Con: 0.6% Annualized q/q)
  - GDP – Q3 F (Q3 P: 0.3% nominal q/q; Con: 0.4% nominal q/q)
  - GDP Deflator – Q3 F (Q3 P: 0.6% y/y)
  - Current Account – Oct (Last: ¥1.6t; Con: ¥1.8t)
  - Trade Balance – Oct (Last: ¥1.1b; Con: ¥138.8b)

Monday, December 9

- ★ Japan: Prime Minister Shinzo Abe is expected to win approval for the US-Japan trade deal just before Japan's current parliament session ends.
- 2:00am – Germany:
  - Trade Balance – Oct (Last: €21.1b; Con: €19.3b)
  - Current Account Balance – Oct (Last: €25.5b; Con: €20.0b)
  - Exports – Oct (Last: 1.5% m/m; Con: -0.3% m/m)
  - Imports – Oct (Last: 1.3% m/m; Con: -0.1% m/m)
- 8:15am – Canada: Housing Starts – Nov (Last: 202.2k)
- 8:30am – Canada: Building Permits – Oct (Last: -6.5% m/m)
- ★ 8:30pm – China:
  - CPI – Nov (Last: 3.8% y/y; Con: 4.4% y/y)
  - PPI – Nov (Last: -1.6% y/y; Con: -1.5% y/y)

Tuesday, December 10

- US: BlackRock's Larry Fink speaks at the Economic Club of New York.
- 1:00am – Japan: Machine Tool Orders – Nov P (Last: -37.4%)
- 2:45am – France:
  - Industrial Production – Oct (Last: 0.3% m/m; Con: 0.2% m/m)
  - Industrial Production – Oct (Last: 0.1% y/y; Con: -0.4% y/y)
  - Manufacturing Production – Oct (Last: 0.6% m/m; Con: 0.4% m/m)
  - Manufacturing Production – Oct (Last: 0.4% y/y; Con: -0.2% y/y)
- 4:00am – Italy:
  - Industrial Production – Oct (Last: -0.4% m/m; Con: -0.2% m/m)
  - Industrial Production – Oct (Last: -2.1% WDA y/y; Con: -2.1% y/y)
- 4:30am – UK:
  - Industrial Production – Oct (Last: -0.3% m/m; Con: 0.2% m/m)
  - Industrial Production – Oct (Last: -1.4% y/y; Con: -1.2% y/y)
  - Manufacturing Production – Oct (Last: -0.4% m/m; Con: 0.0% m/m)
  - Manufacturing Production – Oct (Last: -1.8% y/y; Con: -1.4% y/y)
  - Trade Balance – Oct
- ★ 5:00am – Germany:
  - ZEW Current Situation – Dec (Last: -24.7; Con: -22.1)
  - ZEW Expectations – Dec (Last: -2.1; Con: 0.0)

- 6:00am – US: NFIB Small Business Optimism – Nov (Last: 102.4; Con: 103.0)
- 8:30am – US:
  - Nonfarm Productivity – Q3 F (Q3 P: -0.3% q/q; Con: -0.1% q/q/)
  - Unit Labor Costs – Q3 F (Q3 P: 3.6% q/q; Con: 3.4% q/q)
- 6:50pm – Japan:
  - PPI – Nov (Last: 1.1% m/m; Con: 0.1% m/m)
  - PPI – Nov (Last: -0.4% y/y; Con: 0.0% y/y)

Wednesday, December 11

- 8:30am – US:
  - CPI – Nov (Last: 0.4% m/m; Con: 0.2% m/m)
  - Core CPI – Nov (Last: 0.2% m/m; Con: 0.2% m/m)
  - CPI – Nov (Last: 1.8% y/y; Con: 2.0% y/y)
  - Core CPI – Nov (Last: 2.3% y/y; Con: 2.3% y/y)
  - Real Average Hourly Earnings – Nov (Last: 1.2% y/y)
- 8:30am – Canada: Capacity Utilization – Q3 (Last: 83.3%)
- 2:00pm – US: Treasury Monthly Budget Statement – Nov (Last: -$134.5b)
- ★ 2:00pm – US: FOMC Meeting
- ★ 2:30pm – US: Chair Powell Post Meeting Press Conference
- ★ 6:50pm – Japan:
  - Core Machine Orders – Oct (Last: -2.9% m/m; Con: 0.7% m/m)
  - Core Machine Orders – Oct (Last: 5.1% y/y; Con: -1.7% y/y)
  - Foreign Bond/Stock Purchases – Dec 6
  - Japan Purchases Foreign Bonds/Stocks – Dec 6
- 8:30pm – Japan: BOJ Deputy Governor Amamiya speaks.

Thursday, December 12

- ★ UK: The UK holds its general election.
- 2:00am – Germany:
  - CPI – Nov F (Nov P: -0.8% m/m)
  - CPI – Nov F (Nov P: 1.1% y/y)
  - CPIH – Nov F (Nov P: -0.8% m/m)
  - CPIH – Nov F (Nov P: -1.2% y/y)
- 2:45am – France:
  - CPI – Nov F (Nov P: 0.1% m/m)
  - CPI – Nov F (Nov P: 1.0% y/y)
  - CPIH – Nov F (Nov P: 0.1% m/m)
  - CPIH – Nov F (Nov P: 1.2% y/y)
- 3:30am – Switzerland: Swiss National Bank holds its policy meeting. Rates are expected to remain unchanged at -0.75%.

- 4:00am – Italy:
  - Industrial Orders – Oct (Last: 1.0% m/m)
  - Industrial Sales – Oct (Last: 0.3% m/m)
- 5:00am – EU:
  - Industrial Production – Oct (Last: 0.1% m/m)
  - Industrial Production – Oct (Last: -1.7% y/y)
- ★ 7:45am – EU: ECB Monetary Policy Meeting
- ★ 8:30am – EU: ECB President Christine Lagarde speaks in Frankfurt at first press conference as ECB President.
- 8:30am – US:
  - PPI Final Demand – Nov (Last: 0.4% m/m; Con: 0.2% m/m)
  - PPI Final Demand – Nov (Last: 1.1% y/y; Con: 1.3% y/y)
  - Core PPI – Nov (Last: 0.3% m/m; Con: 0.2% m/m)
  - Core PPI – Nov (Last: 1.6% y/y; Con: 1.7% y/y)
  - PPI Ex Food, Energy, and Trade – Nov (Last: 0.1% m/m; Con: 0.1% m/m)
  - PPI Ex Food, Energy, and Trade – Nov (Last: 1.5% y/y)
- 8:30am – Canada:
  - New Housing Prices – Oct (Last: 0.2% m/m)
  - New Housing Prices – Oct (Last: -0.1% y/y)
- 12:00pm – US: Changes in Household Net Worth – Q3 (Last: $1.83t)
- 12:30pm – Canada: BOC Governor Poloz speaks.
- ★ 6:50pm – Japan: Tankan Survey – Q4
- 11:30pm – Japan:
  - Industrial Production – Oct F (Oct P: -4.2% m/m)
  - Industrial Production – Oct F (Oct P: -7.4% y/y)
  - Capacity Utilization – Oct (Last: 1.0% m/m)

Friday, December 13

- 2:45am – France: Wages – Q3 F (Q3 P: 0.3% q/q; Con: 0.3% q/q)
- 3:30am – Hong Kong:
  - Industrial Production – Q3 (Last: 0.3% y/y)
  - PPI – Q3 (Last: 0.8% y/y)
- 4:00am – EU: ECB Member Richard Holzmann presents economic outlook.
- ★ 8:30am – US:
  - Retail Sales – Nov (Last: 0.3% m/m; Con: 0.4% m/m)
  - Retail Sales Ex Autos – Nov (Last: 0.2% m/m; Con: 0.4% m/m)
  - Core Retail Sales – Nov (Last: 0.1% m/m; Con: 0.4% m/m)
  - Retail Sales Control Group – Nov (Last: 0.3% m/m; Con: 0.4% m/m)
  - Import Price Index – Nov (Last: -0.5% m/m; Con; 0.2% m/m)
  - Import Price Index – Nov (Last: -3.0% y/y)
  - Import Price Index Ex Petroleum – Nov (Last: -0.1% m/m)
  - Export Price Index – Nov (Last: -0.1% m/m; Con: 0.1% m/m)
  - Export Price Index – Nov (Last: -2.2% y/y)

- 10:00am – US: Business Inventories – Oct (Last: 0.0% m/m; Con: 0.2% m/m)
- ★ 11:00am – US: New York Fed President John Williams Speaks on Monetary Policy at CUNY Event. (FOMC voter)

– Rebecca Kooshak, Economic Analyst