

## Divergent economic data

- ◆ The long awaited US elections are now behind us but may result in higher policy uncertainty
- ◆ Global activity data remain steady in aggregate but varied by geography and sector
- ◆ Inflation continues to grind lower, but there are risks from labour markets and commodity prices

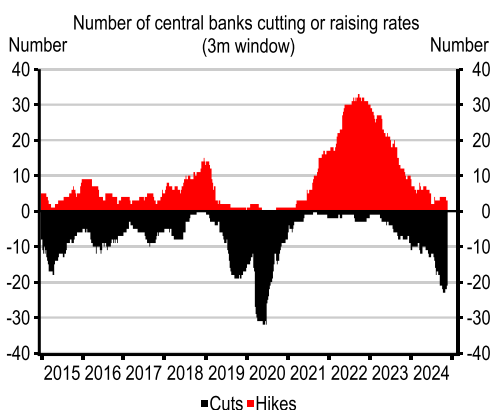
The recent US election news is likely to dominate headlines for coming weeks – with the second term of President Trump set to add to global policy uncertainty. Which policies are implemented, to what degree and when, remains uncertain – with **trade policy likely to be a key area of focus.**

### Rates heading lower

Despite this uncertainty, many central banks across the world are continuing (or starting) **their interest rate cutting cycles**. The Federal Reserve lowered rates for a second time in November – and we expect further easing in December – while the Bank of England and European Central Bank have also delivered rate cuts in recent weeks (charts 1 & 2). There is also a growing group of central banks seemingly in a race to neutral – with Sweden’s Riksbank and the Reserve Bank of New Zealand joining the Bank of Canada in stepping up the pace of monetary easing.

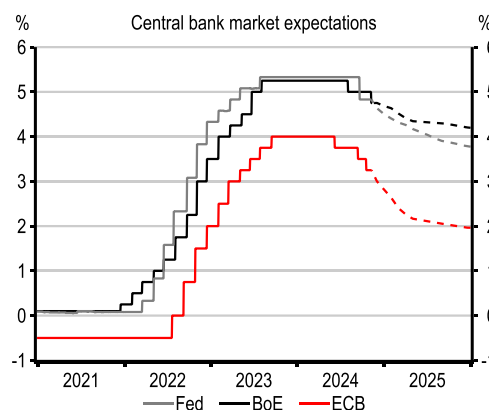
**More central banks are cutting interest rates...**

#### 1. More central banks are cutting rates



Source: Macrobond

#### 2. Major central banks expected to cut further



Source: Macrobond

In the emerging world, more central banks in Asia are starting to ease – with Thailand the latest to join in. In Latin America, **Brazil stands out in turning back towards rate increases** and is worth watching – potentially a warning sign of what could happen elsewhere if growth and/or inflation pick up.

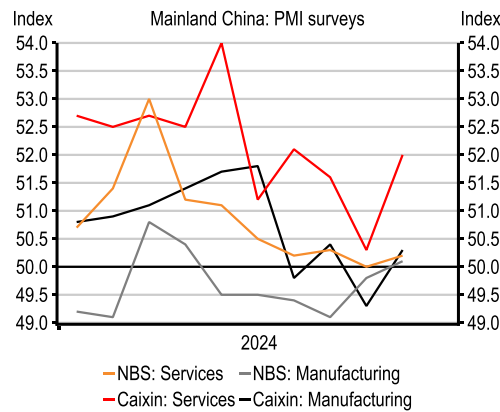
**...although Brazil is eyeing off rate increases**

**The latest set of data China data show promise**

**Economic data picking up**

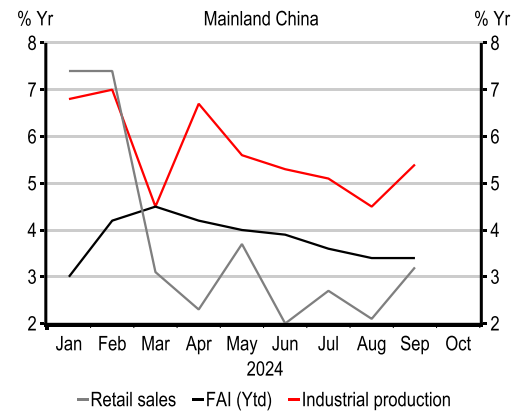
The global economic data are also faring reasonably well. Although the outlook is still decidedly mixed between geographies and sectors, we saw a **pick-up in the latest set of global PMI data** and the latest rounds of stimulus appear to be having a positive impact on some of the Chinese data (charts 3 & 4). Weak spots remain in Europe, but even there we saw some upside surprises to Q3 GDP and some better survey data.

**3. China's October survey data were better...**



Source: Wind

**4. ...and there have been some positive signs in the latest monthly data**



Source: Macrobond. Note: FAI is Fixed Asset Investment

**House prices and transaction volumes could pick up**

Sectorally, one area yet to recover is property. As rate cuts build, **we could see house prices** – which have already begun to rise in major developed markets – **push higher**, and we could see transaction volumes and construction activity improve from very depressed levels further down the line.

**Inflation risks remain**

**Labour market and demand outlook remains resilient**

Inflation data have continued along a more favourable trajectory across the world, but risks are still there. Many commodity prices have risen in recent months and labour markets are showing more resilience than they were a few months ago. Although things are clearly softening a touch, a **more resilient labour market and demand outlook** could make policy makers question the pace and magnitude of their easing cycles in the coming months.

**Key recent releases**

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
30 Oct	US	Real GDP (quarter, annualised)	Q3, 1 <sup>st</sup> rel.	2.8%	2.9%	3.0%	↓
31 Oct	Eurozone	HICP (year)	Oct, flash	2.0%	1.9%	1.75%	↑
1 Nov	Mainland China	Caixin Manufacturing PMI (Index)	Oct	50.3	49.7	49.3	↑
1 Nov	US	Nonfarm payrolls, monthly change (000s)	Oct	12	100	223	↓
5 Nov	Mainland China	Caixin services PMI (Index)	Oct	52.0	50.5	50.3	↑
5 Nov	US	ISM services (Index)	Oct	56.0	53.8	54.9	↑
7 Nov	UK	Bank of England Bank Rate	-	4.75%	4.75%	5.00%	→
7 Nov	US	FOMC rate decision	-	4.50-4.75%	4.50-4.75%	4.75-5.00%	→

Source: Bloomberg, HSBC

↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

**Key upcoming events**

Date	Market	Release	Period
15 Nov	Mainland China	Retail sales	Oct
15 Nov	UK	GDP	Sep
15 Nov	US	Retail sales	Oct
20 Nov	Mainland China	People's Bank of China interest rate announcement	-
20 Nov	UK	CPI	Oct
22 Nov	UK	Retail sales	Oct
22 Nov	EU / UK / US	PMIs	Nov
29 Nov	Eurozone	HICP	Nov
30 Nov	Mainland China	NBS Manufacturing PMI	Nov
6 Dec	US	Non-farm payrolls	Nov
9 Dec	Mainland China	PPI / CPI	Nov
11 Dec	US	CPI	Nov

Source: LSEG Eikon, HSBC

# Disclosure appendix

## Additional disclosures

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