



What you need to know for the week ahead

Monday	Release	Forecast	Previous	Consensus
10:00 AM	Leading indicators (Dec)	-0.4%	-0.5%	-0.3%

Source: Bloomberg Finance LP, Deutsche Bank

Commentary for Monday: With Fed officials preparing for the January 31 FOMC meeting, the data docket will do most of the talking. The main events will be Thursday's advance Q4 real GDP release and Friday's personal income and spending report for December. For both releases, the recent trends in core PCE inflation will be heavily scrutinized.

Regarding Q4 real GDP (+2.3% forecast vs. +4.9% previously), better-than-expected December retail sales resulted in a 30bps upward revision to our prior estimate as we now anticipate real PCE to have expanded 2.7% annualized last quarter. If we are wrong on Q4 consumer spending, Friday's personal consumption (+0.6% vs. +0.2%) and income (+0.2% vs. +0.3%) release will provide the intra-quarter details. Unfortunately, forecasters will not have the luxury of seeing December durable goods orders (+1.0% headline / +0.2% ex-transportation / +0.1% core) as well as the advanced goods trade balance (-\$88.0 vs. -\$90.3) to inform their estimates for GDP. Hence, there may be greater scope for Q4 inflation-adjusted output growth to surprise in either direction. Our current forecast assumes continued cooling in the pace of nonresidential fixed investment (+1.0% vs. +1.5%), driven mainly by equipment spending (-3.1% vs. -4.4%). However, residential investment (+5.5% vs. +6.7%) is likely to post its second consecutive quarterly gain as the worst of the fallout from the Fed's tightening campaign may be in the rear view mirror. Government spending (+3.0% vs. +5.8%) should also remain a bright spot given the substantial hiring gains at the state and local level over the past several months.

Assuming no meaningful surprises in the growth data, investors are likely to focus heavily on the Q4 core PCE inflation print on Thursday (+2.0% vs. +2.0%) as well as the intra-quarter details provided on Friday. At present, the CPI and PPI components that inform core PCE inflation forecasts for December came in soft, implying that December core PCE will rise by +0.15% from November, causing the year-over-year rate to drop by 30bps to 2.9% (see "[December inflation recap: Spring easing hopes sprung by CPI/PPI data](#)").

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Policy Speeches

There are no monetary policy speeches scheduled for Monday.

2024 Economic/Financial Projections

Real GDP growth:	+0.3% Q4/Q4
	0.9% Annual average
Core CPI:	2.6% Q4/Q4
Unemployment:	4.5% Q4
Fed target rate:	3.625% year end

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To be sure, core PCE inflation, which is what the Fed targets, is normalizing faster than expected and could justify bringing forward rate cuts in order to prevent real rates from becoming too restrictive. As we argued recently (see "[Data DBrief: The real deal on passive policy tightening](#)"), for a Fed targeting PCE inflation, our forecasts for the real policy stance point to the potential need for earlier rate cuts to ensure that policy does not passively overtighten. Hence, recent inflation data, and in particular the implications for the real fed funds rate over the coming months, have added to risks of an earlier rate cutting cycle beginning in March (see "[How soon and how far? Alternative '24 cutting paths](#)").

In summary, with financial conditions soaring amidst the euphoria of potential Fed easing this year, upside risks to our H1 outlook are mounting. Though this week's index of leading economic indicators (-0.3% vs. -0.5%) may remain soft, in year-over-year terms, it should show further improvement. With the labor market seemingly teflon to monetary tightening, the Fed may be close to pulling off the "soft landing" that had eluded policy makers in prior cycles. This time may really be different.

Please see the following pages for a summary of our preliminary estimates of the upcoming US high-frequency data over the next several weeks.

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Figure 1: Data and Events Calendar

Jan-15 Martin Luther King Jr. Day (all markets closed)	Jan-16 NY Fed Empire State Survey 8:30AM Nov: +9.1 Dec: -14.5 Jan: -43.7 NAHB Housing Market Index 10:00 AM Nov: 34 Dec: 37 Jan: 44 Fed's Beige Book 20 Yr Bond Auction \$13bn	Jan-17 Retail Sales 8:30AM Oct: Nov: Dec: Total -0.2% +0.3 Ex Autos Unch. +0.2 Control Unch. +0.4 Industrial Production 9:15AM Oct: -0.8% 78.7% Nov: Unch. 78.6 Dec: +0.1 78.6 Cap. Util Business Inventories 10:00 AM Sep: +0.2% Oct: -0.1 Nov: -0.1	Jan-18 Initial Claims 8:30AM Dec-30 203k -17k Jan-06 203 Unch. Jan-13 187 -16 Housing Starts 8:30AM Oct: 1.376M 1.498M Nov: 1.525 1.467 Dec: 1.460 1.495 Permits Philadelphia Fed 08:30AM Nov: -8.0 Dec: -12.8 Jan: -10.6	Jan-19 Consumer Sentiment 10:00 AM Nov: 61.3 Dec: 69.7 Prelim: Jan: 78.8 Existing Home Sales 10:00 AM Oct: 3.79M Nov: 3.82 Dec: 3.78 2 Yr Note Announcement \$60bn 5 Yr Note Announcement \$61bn 7 Yr Note Announcement \$41bn 10 Yr TIPS Auction \$18bn 2 Yr FRN Announcement \$28bn
FORECAST				
Jan-22 Leading Economic Indicators 10:00AM Oct: -1.0% Nov: -0.5 Dec: -0.3	Jan-23 2 Yr Note Auction \$60bn	Jan-24 5 Yr Note Auction \$61bn 2 Yr FRN Auction \$28bn Durable Goods Orders 8:30 AM Oct: Nov: Dec: Headline -5.1% +5.4 +1.0 Ex-Trans. -0.3% +0.4 +0.2 Core -0.6% +0.8 +0.1 New Home Sales 10:00 AM Oct: 672k Nov: 590 Dec: 650 7 Yr Note Auction \$41bn	Jan-25 Initial Claims 8:30AM Jan-06 203k Unch. Jan-13 187 -16 Jan-20 197 +10 Real GDP 8:30 AM 2Q23: +2.1% +1.7% 3Q23: +4.9 +3.3 Adv: 4Q23: +2.3 +2.7 Deflator Advance Goods Trade Balance 8:30 AM Oct: -\$89.8B Nov: -90.3 Dec: -98.0	Jan-26 Personal Income 8:30 AM Oct: Nov: Dec: Income +0.3% +0.4 +0.2 Consump. +0.1% +0.2 +0.6 Core PCE +0.1% +0.1 +0.1 Pending Home Sales Index 10:00 AM Oct: -1.2% Nov: Unch. Dec: +1.0
Jan-29	Jan-30 Consumer Confidence 10:00 AM Nov: 101.0 Dec: 110.7 Jan: 111.1 December JOLTS data released	Jan-31 ADP Employment Report 8:15 AM Nov: +101k Dec: +164 Jan: +130 Employment Cost Index 8:30AM Q223: +1.0% Q323: +1.1 Q423: +0.8 Chicago PMI 9:45 AM Nov: 55.6 Dec: 47.2 Jan: 49.0 FOMC Meeting Fed Chair Powell to speak at post-FOMC meeting press conference 3 Yr Note Announcement \$54bn 10 Yr Note Announcement \$42bn 30 Yr Bond Announcement \$25bn	Feb-01 Productivity 8:30AM 2Q23: +3.6% +2.6% 3Q23: +5.2 -1.2 Prelim: 4Q23: +1.9 +1.6 ULCs Construction Spending 10:00 AM Oct: +1.2% Nov: +0.4 Dec: +0.7 Manufacturing ISM Index 10:00 AM Nov: 46.7 Dec: 47.4 Jan: 48.1 Unit motor vehicle sales Nov: 15.3M Dec: 15.8 Jan: 15.7	Feb-02 Employment 8:30 AM Nov: Dec: Jan: Payrolls +173k +216 +150 Private +136k +164 +130 UnRate 3.7% 3.7 3.8 Hrly Enrgs +0.4% +0.4 +0.3 Workwkw 34.4 34.3 34.4 Factory Orders 10:00 AM Oct: -3.4% Nov: +2.6 Dec: +0.5 Consumer Sentiment 10:00 AM Nov: 61.3 Dec: 69.7 Final: Jan: 78.8
Feb-05 ISM Services 10:00 AM Nov: 52.7 Dec: 50.6 Jan: 51.1	Feb-06 3 Yr Note Auction \$54bn	Feb-07 International Trade Balance 8:30 AM Oct: -\$64.5B Nov: -63.2 Dec: -61.2 Consumer Credit 3:00 PM Oct: +\$5.8B Nov: +23.8 Dec: +22.0 10 Yr Note Auction \$42bn	Feb-08 Wholesale Inventories 10:00 AM Oct: -0.3% Nov: -0.2 Dec: -0.1 30 Yr Bond Auction \$25bn	Feb-09

Source : Deutsche Bank

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Appendix 1

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