

US Inflation to Provide Guidance Ahead of December FOMC

The USD had cut a clear path head of the December 16 Federal Open Market Committee (FOMC). The October FOMC statement clearly put the December meeting as an important cross roads as Fed members jawboned the high possibility of a rate hike announcement. Fed Chair Janet Yellen called the December meeting a “live possibility” of a rate hike. A stellar employment report crushing expectations at 271,000 jobs and a decline of the unemployment rate to 5 percent restored a pillar of economic recovery needed to raise rates. The CME FedWatch Tool based on the 30-day Fed fund futures prices points to a 67.8 percent probability of a rate hike in the next FOMC meeting. The U.S. retail sales hurdle was cleared, not as convincingly as the jobs indicator, with tepid growth of 0.1 percent missing the expectations of a 0.3 percent rise due to a loss of pace of auto sales. Core retail sales were also below expectations at 0.2 percent, but not enough to put serious doubts in the outcome of the December FOMC. Next up for the Federal Reserve Rate Hike is the release of the U.S. CPI.

G20 Reaction to Paris Attacks The leaders of the twenty largest economies were due to speak about the current global economic slowdown, but instead the conversation was dictated by the Paris attacks a few days earlier. Immigration and security became the top discussion points as all members of G20 condemned the attacks and praised the resilience of the French people and sent their condolences to the families of the victims. Central banks have dominated market volatility and after the Swiss National Bank shock

announcement in January, the U.S. Federal Reserve will close a year to remember in monetary policy annals with a possible interest rate hike on December 16. While G20 leaders stressed cooperation one of the biggest risk factors this year has been a break of ranks by central banks that were once operating in lock step. The United States and the United Kingdom appear to be carving a different path than that of Europe and Japan, where monetary easing is still needed and in fact might be announced beyond current historic levels. Forex market events to watch this week: **Tuesday, November 17** 4:30 am GBP CPI y/y 5:00 am EUR German ZEW Economic Sentiment 8:30 am USD CPI m/m 8:30 am USD Core CPI m/m Tentative NZD GDT Price Index **Wednesday, November 18** 8:30 am USD Building Permits 2:00 pm USD FOMC Meeting Minutes Tentative JPY Monetary Policy Statement **Thursday, November 19** Tentative JPY BOJ Press Conference 4:30 am GBP Retail Sales m/m 8:30 am USD Unemployment Claims 10:00 am USD Philly Fed Manufacturing Index **Friday, November 20** 3:00 am EUR ECB President Draghi Speaks 8:30 am CAD Core CPI m/m 8:30 am CAD Core Retail Sales m/m
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