

INVESTMENT SOLUTIONS & PRODUCTS

Global Macroeconomic Analysis

June 2017

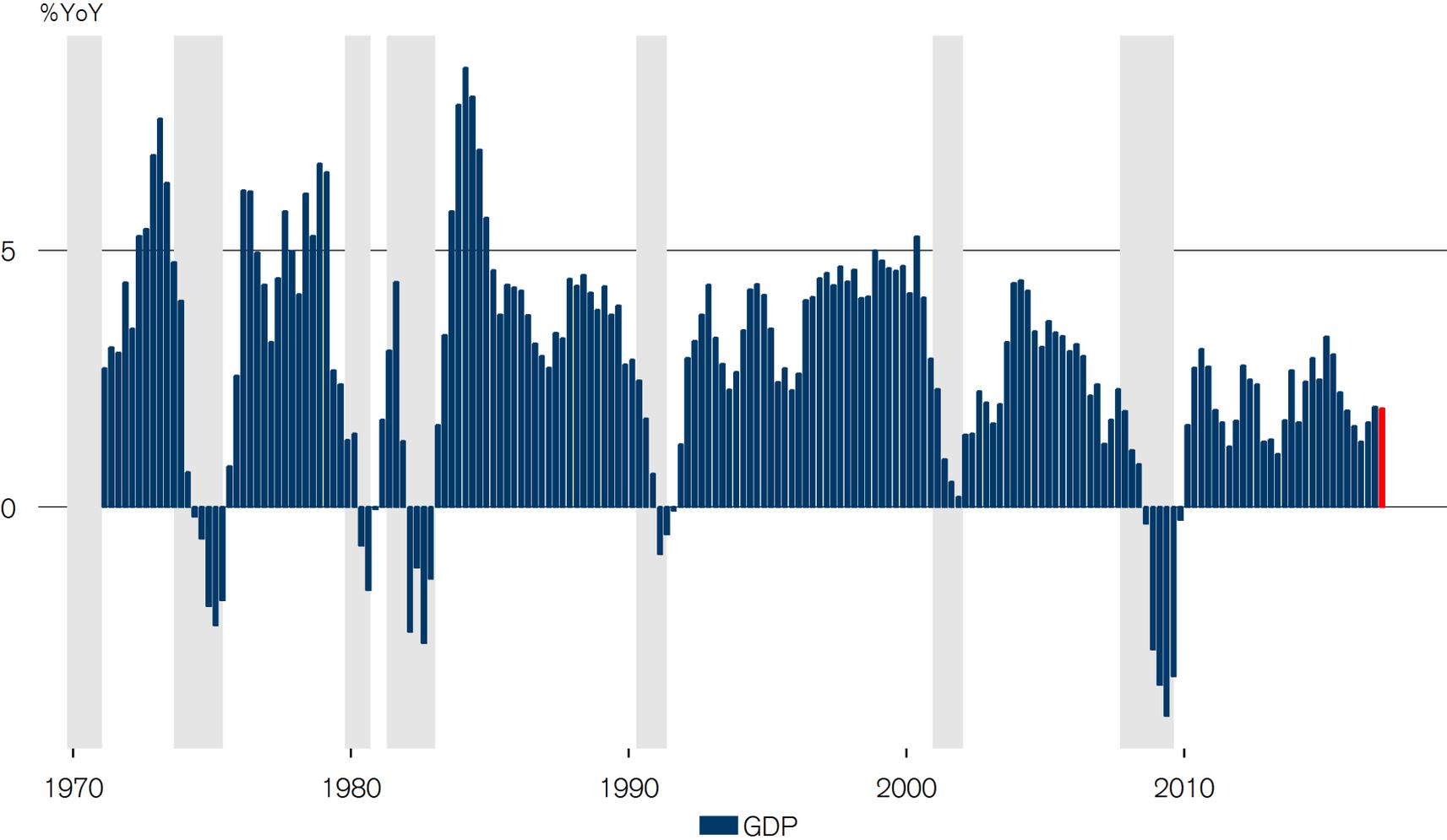
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USA: the expansion still has legs

Damian Küenzi
Senior Economist

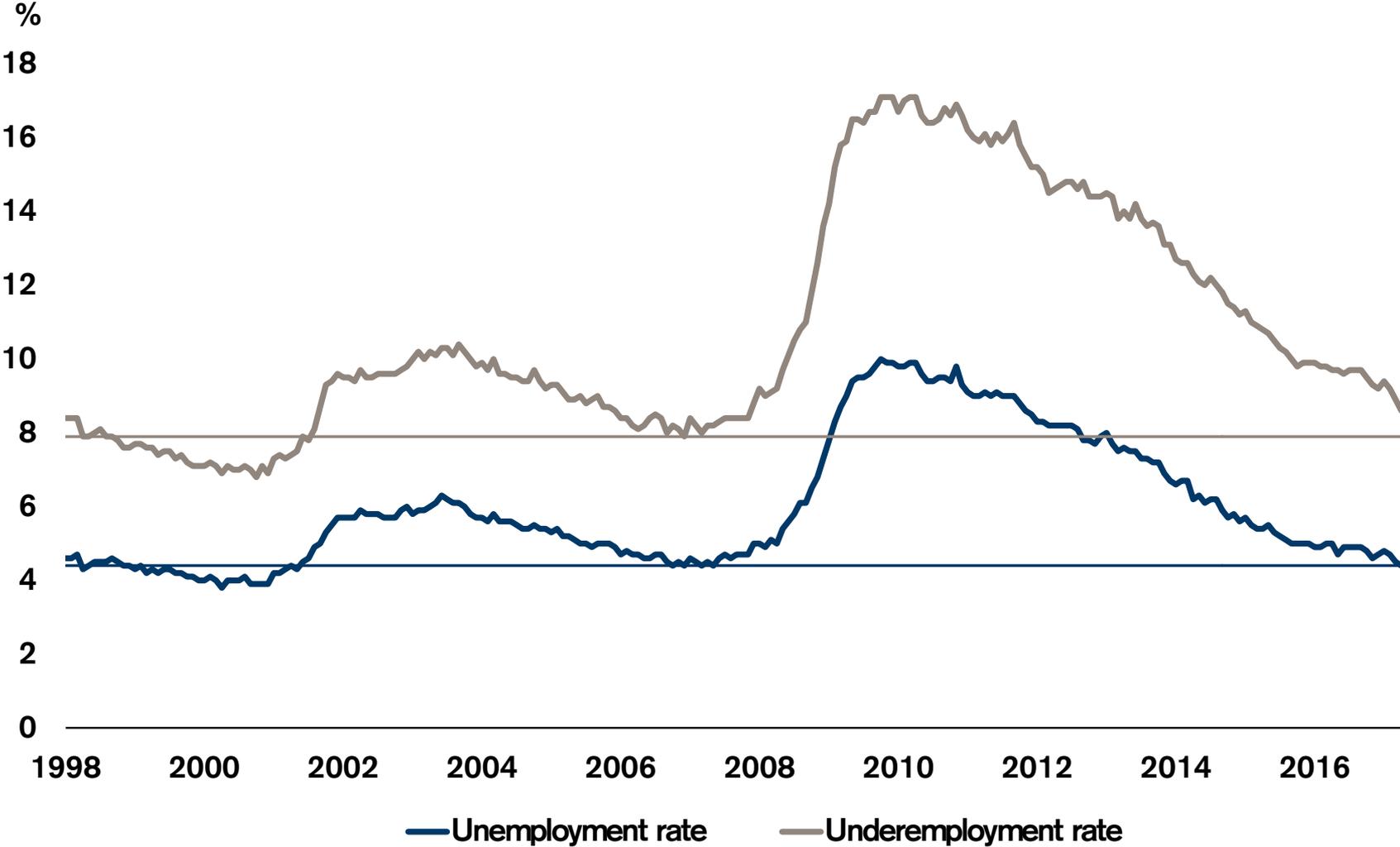
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Second-longest expansion of the past 50 years



Last data point: 15 Feb 2017. Source: Datastream, Credit Suisse

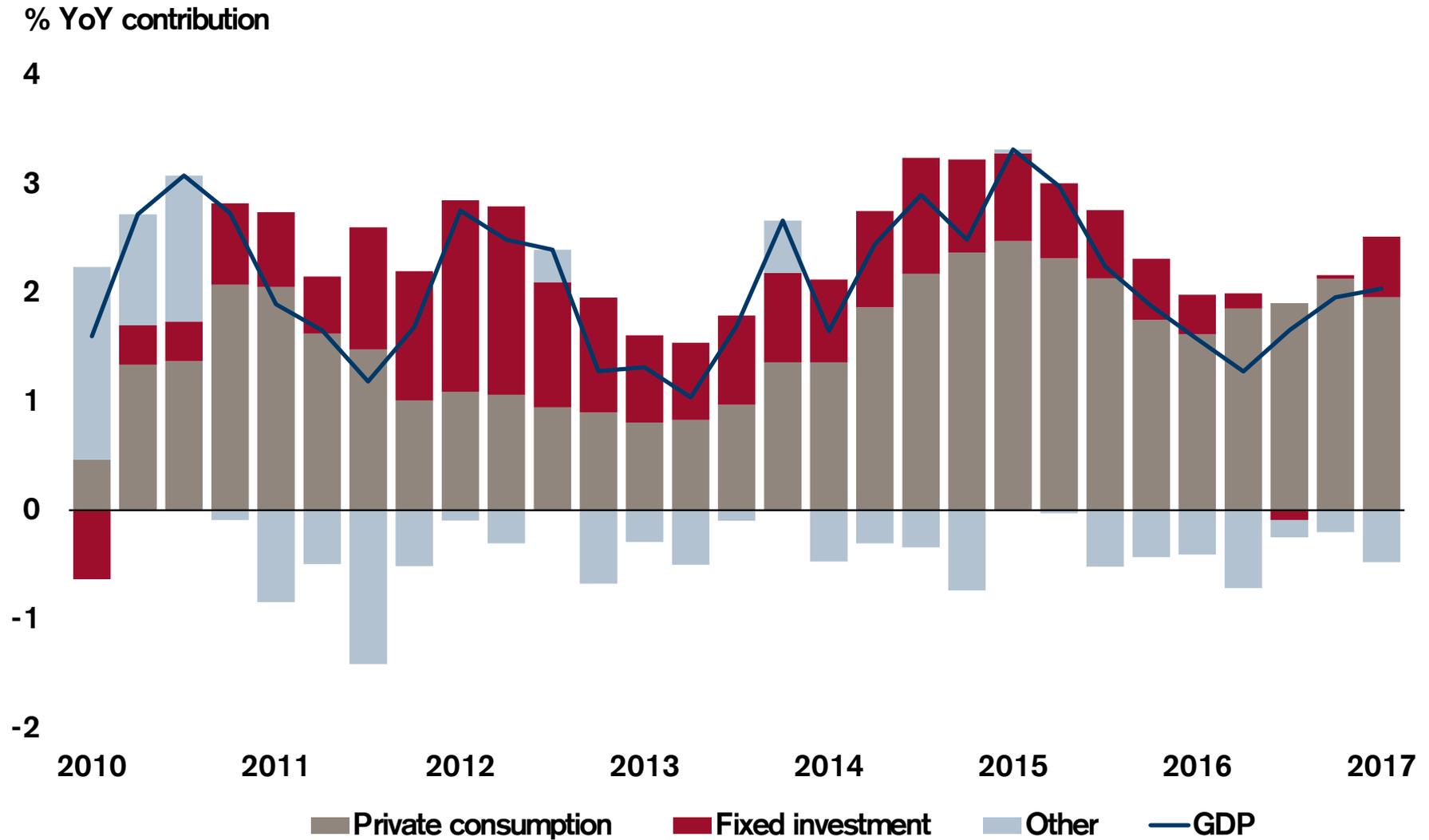
Unemployment rate has reached pre-crisis low



Last data point: April 2017

Source: Datastream, Credit Suisse

1. Growth has become more broad-based...



Last data point: Q1 2017

Source: Datastream, Credit Suisse

... and the manufacturing sector is back on track

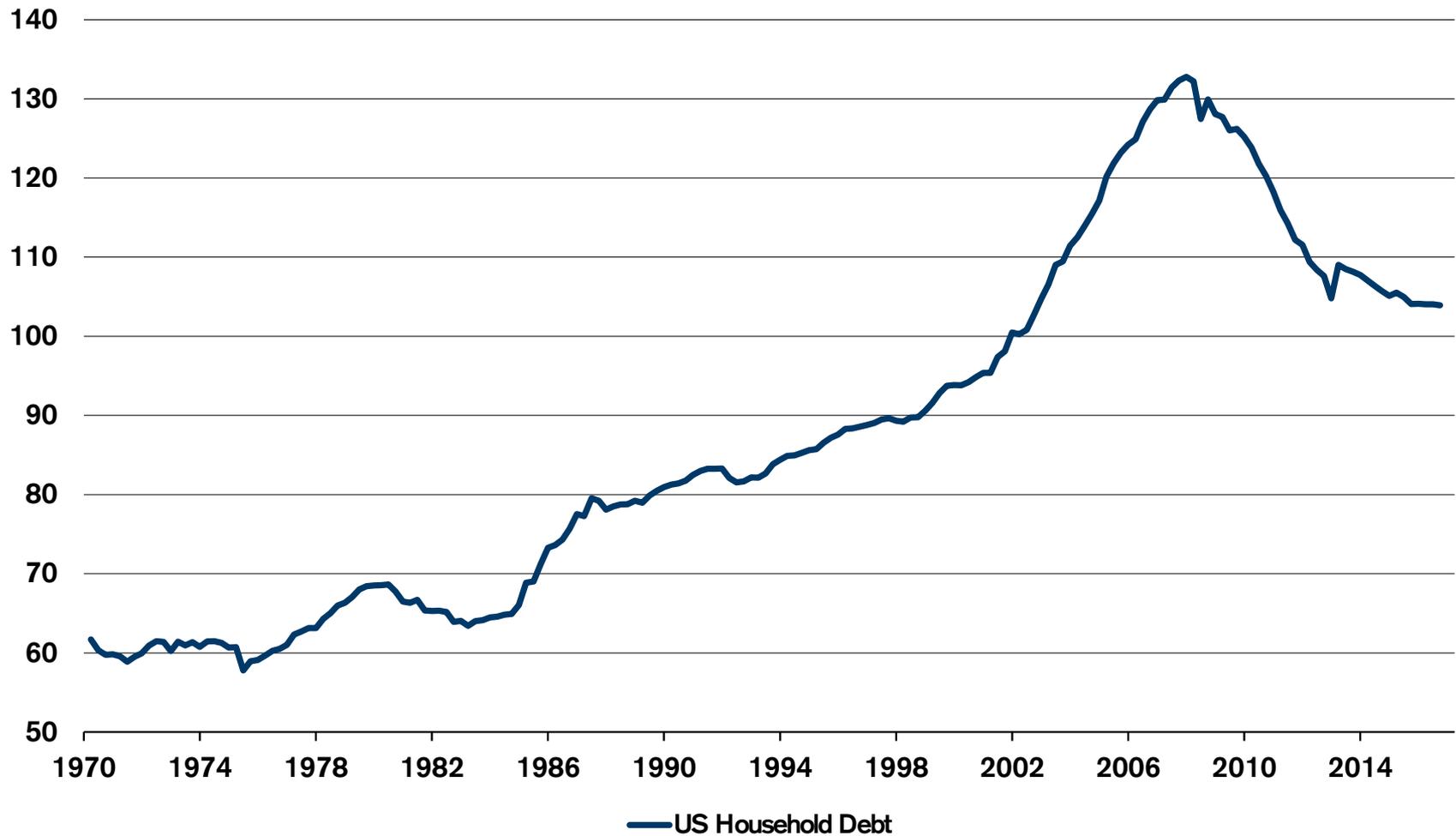


Last data point: Q1 2017

Source: Datastream, Credit Suisse

2. Households' balance sheets remain healthy...

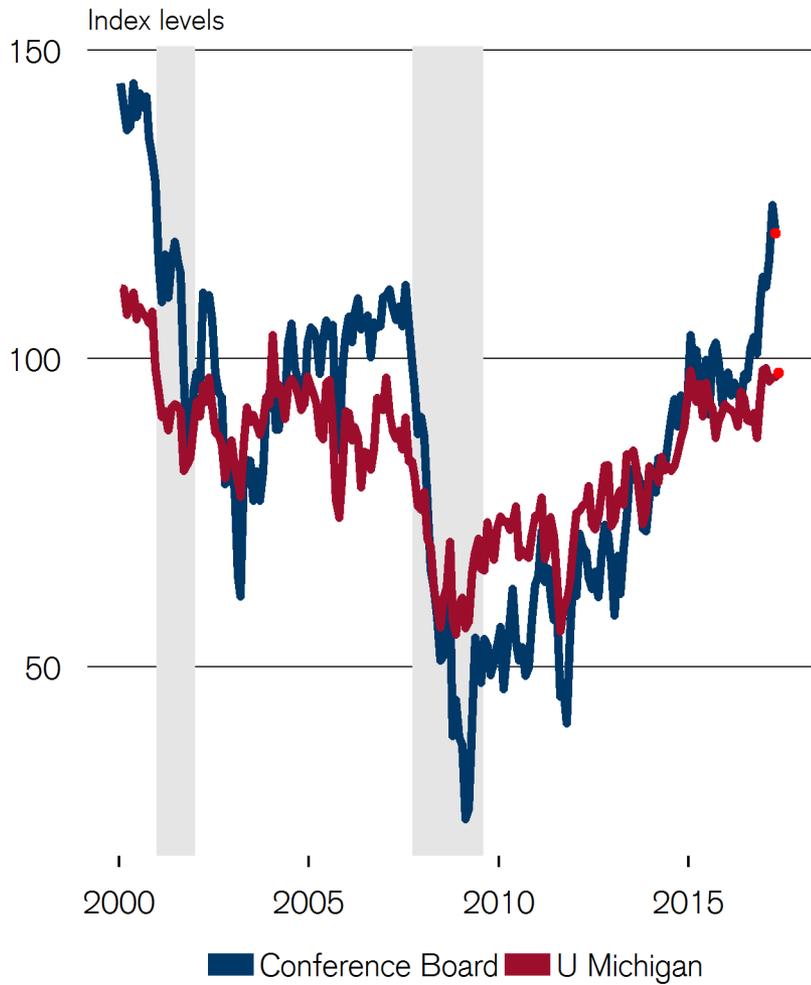
% of Disp. Income



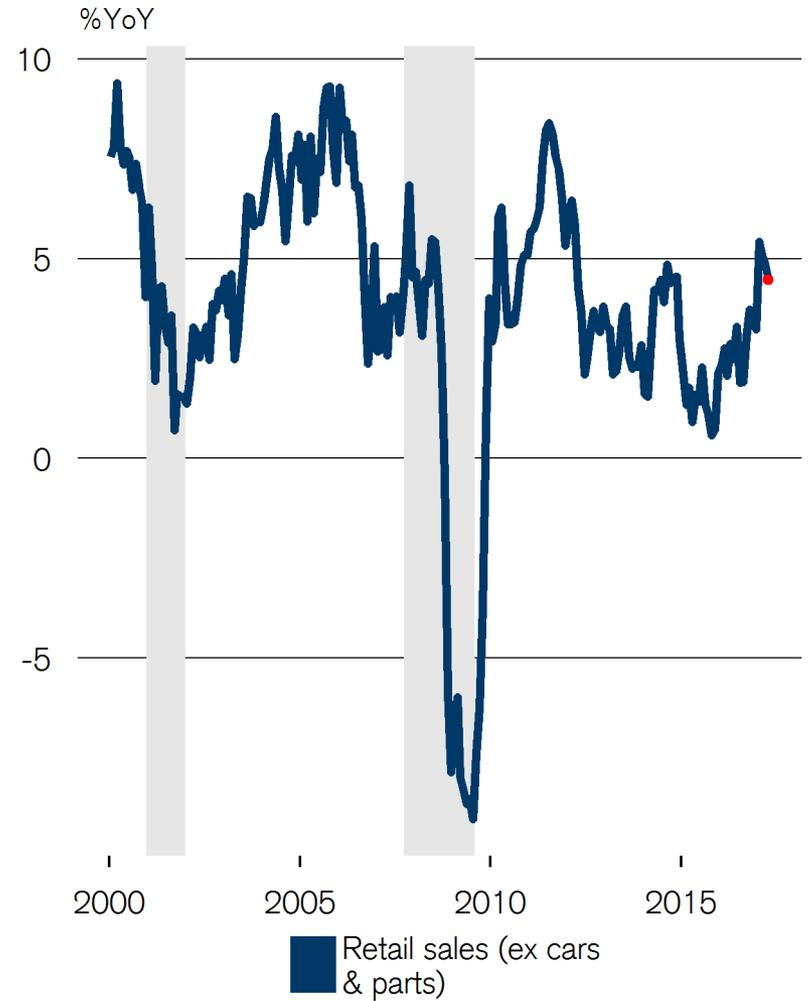
Last data point: 15.05.2017

Source: Bloomberg, Datastream, Credit Suisse / IDC

... and consumer sentiment buoyant

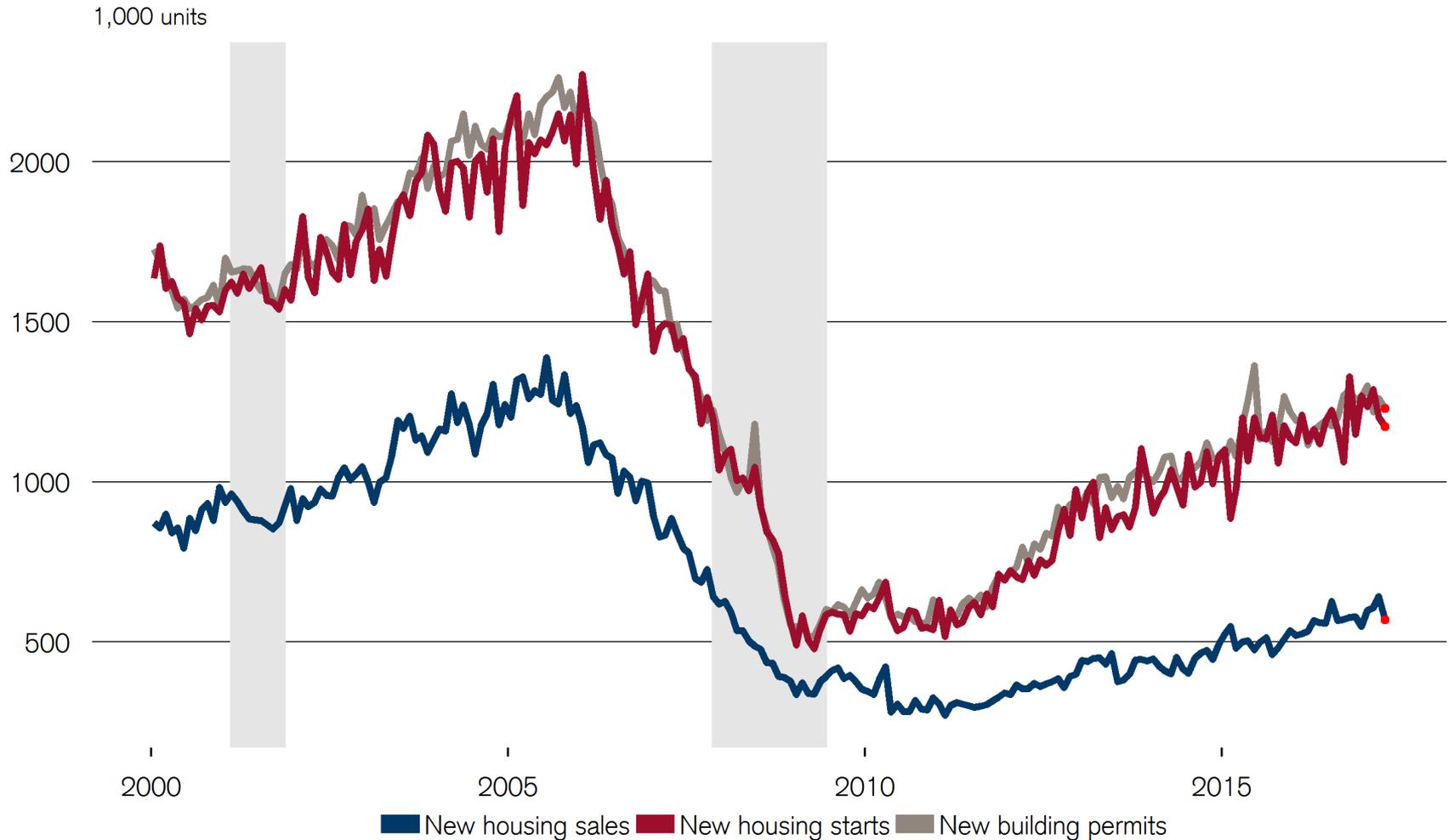


Last data point: 15 May 2017. Source: Datastream, Credit Suisse



Last data point: 15 Apr 2017. Source: Datastream, Credit Suisse

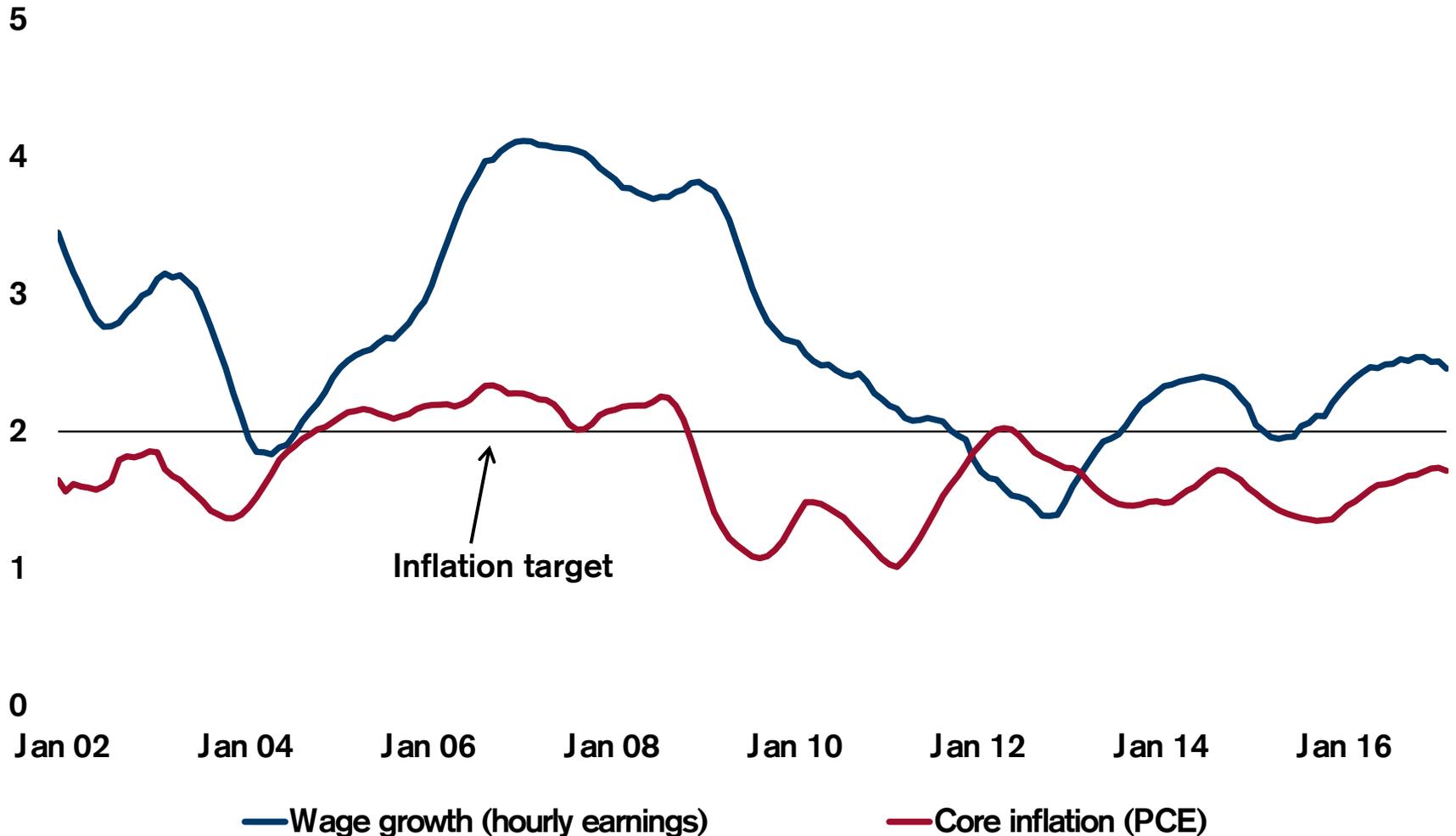
3. Housing market not showing signs of overheating



Last data point: 15 Apr 2017. Source: Datastream, Credit Suisse

4. Benign inflation puts Fed in comfortable position...

% YoY (3-month average)

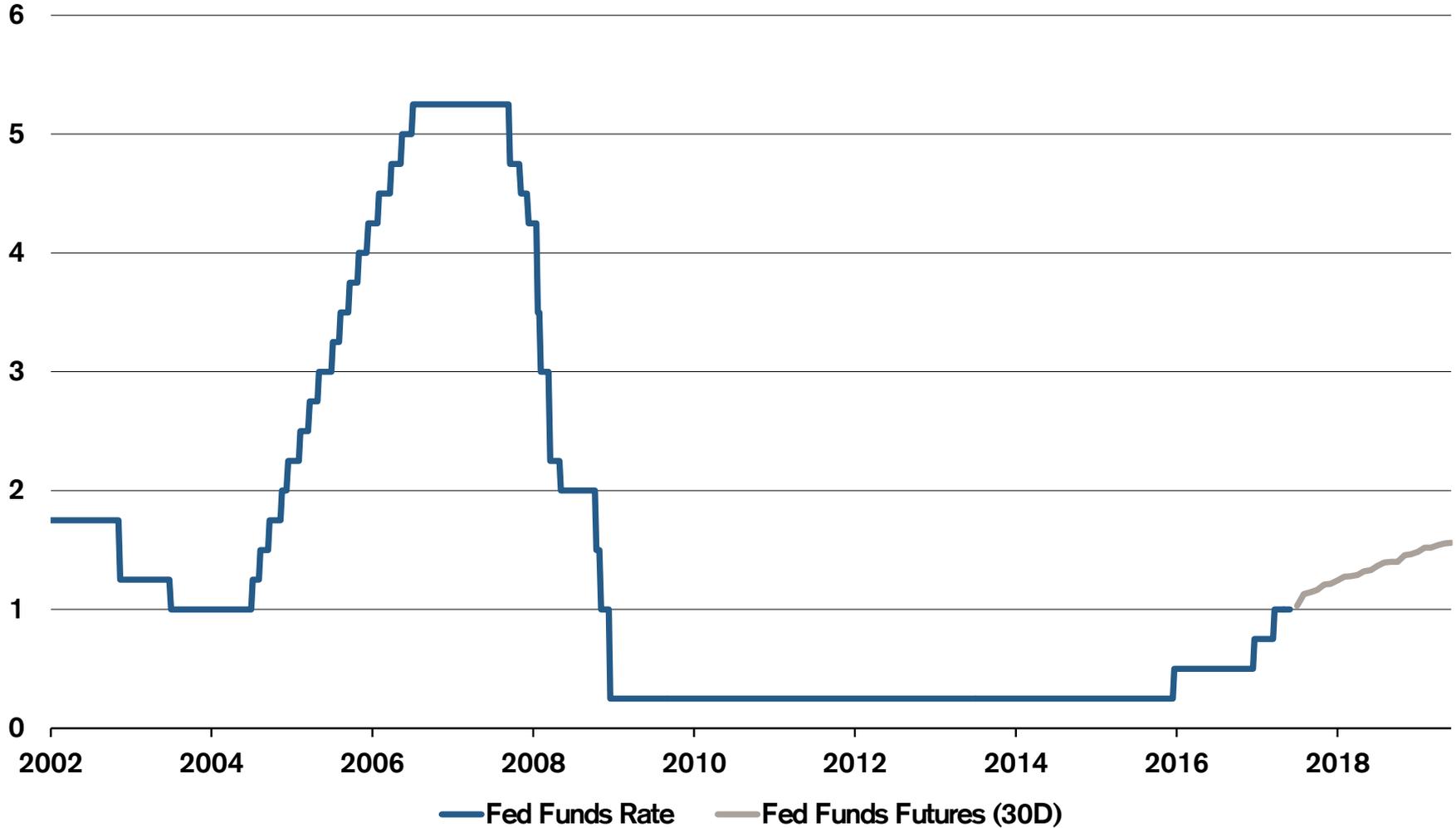


Last data point: April 2017

Source: Datastream, Credit Suisse / IDC

... with a very shallow path of interest rate hikes expected

interest rate (%)



Last data point: 29.05.2017

Source: Datastream, Credit Suisse / IDC

Risks: what about politics?



- Only **tax reform and infrastructure spending** game-changing for the economic outlook
- We still believe some moderate reforms should pass → effects only in 2018
- **Worst case: Status quo** → not a disaster
- Repercussions mainly via **sentiment**, possibly **stock markets**

Other risks:

- **External shocks:** e.g. China → unlikely to lead to recession
- **Inflation shock** → Fed switching off the lights, rather unlikely

Source: Wikimedia Commons

Conclusion: the expansion still has legs

- **Moderate growth ahead, despite entering late stage of cycle**
 - Broad-based growth
 - Few signs of overheating
 - Inflationary pressure surprisingly low, only gradual increase of interest rates

- **Limited risk from the political front** → main repercussions would probably be via sentiment, possibly stock markets

Source: Credit Suisse

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