

The big news for the week was the ongoing correction in global equity markets. The S&P 500 has lost nearly 10 percent from October 3 through October 26.

Economic data at the end of October is a good news/bad news story. The good news is that many indicators remain at very positive levels. The bad news is that there are some weak spots in the U.S. economy that are getting more worrisome.

This good news/bad news story is apparent in the first estimate of Q3 GDP. Real gross domestic product increased at a moderate-to-strong 3.5 percent annualized rate in the third quarter, following a stronger 4.2 percent quarter in Q2. Real consumer spending increased by more than we thought it would, growing at a 4.0 percent rate in Q3, slightly above the 3.8 percent growth rate from Q2. However, business fixed investment was weak in Q3, growing at a 0.8 percent annualized rate after two strong quarters in the first half of the year. Residential investment declined for the third consecutive quarter, falling at a -4.0 percent annualized rate, symptomatic of cooling real estate markets. Real inventories did an about face. After falling by \$37 billion (\$2012) in Q2, inventories rebounded by a very strong \$76.3 billion in Q3, adding 2.1 percentage points to Q3 real GDP. Trade subtracted 1.8 percentage points from real GDP growth in Q3 as imports surged. Federal government spending increased at a 3.3 percent annualized rate in Q3 after 3.7 percent growth in Q2. State and local government spending was also unusually strong in Q3, increasing at a 3.2 percent annualized rate as total government spending added 0.6 percentage points to Q3 real GDP growth. The surge in total government spending in Q3 is not sustainable.

New orders for durable goods increased by 0.8 percent in September after a 4.6 percent gain in August. As usual, commercial and defense aircraft orders added volatility to the headline numbers. Core new orders (nondefense capital goods excluding aircraft) eased by 0.1 percent in September after a 0.2 percent loss in August.

Initial claims for unemployment insurance increased by 5,000 for the week ending October 20, to hit 215,000. New claims appear to be edging up after hitting exceptionally low levels in September. Continuing claims for unemployment insurance dipped by 5,000 for the week ending October 13, to hit 1,636,000, still an exceptionally low number.

New home sales fell by 5.5 percent in September, to a 553,000 unit annual rate. This is the weakest monthly rate since March 2016. Sales fell by 40.6 percent in the Northeast. New home sales fell in the South Region by just 1.5 percent despite Hurricane Florence. The Midwest saw a 6.9 percent increase while the West dropped by 12.0 percent. The months' supply of new homes for sale jumped to 7.1 months' worth. The median sales price of a new home in September was down by 3.5 percent over the previous 12 months.

Mortgage applications increased by 4.9 percent for the week ending October 19. Purchase apps gained 2.0 percent after two consecutive weekly declines. Refi apps jumped by 9.7 percent after three consecutive weekly declines. On a four-week moving average basis, refi apps are down 34.5 percent over the last 12 months, while purchase apps are down 0.7 percent. According to the Mortgage Bankers Association, the rate for a 30-year fixed-rate mortgage climbed to 5.11 percent.

## Fed Funds Rate

### Fed Funds Rate (Effective): After FOMC Meeting of 11/7-11/8

The Federal Reserve will keep the fed funds rate range unchanged at 2.00-2.25 percent at the upcoming FOMC meeting over November 7/8. We look for another 25 basis point increase on December 19.

## The Week Ahead

### September Personal Income (10/29, Monday)

Personal Income increased by 0.3 percent in August. Unchanged at 0.3 percent in September. Job growth was weaker than expected. Consensus: 0.4 percent.

(Analysis Continued on Page 2)

To subscribe to our publications or for questions, contact us at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com). Archives are available at <http://www.comerica.com/insights>.

Follow us on Twitter: [@Comerica\\_Econ](https://twitter.com/Comerica_Econ).

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.

## The Week Ahead, Continued

**September Personal Spending (10/29, Monday)**

Personal Spending increased by 0.3 percent in August. Up by 0.4 percent in September. Consensus: 0.4 percent.

**August Case-Shiller 20-City (10/30, Tuesday)**

The July Case-Shiller Home Price Index was up 5.9 percent. Month-to-month price gains are easing. Up by 5.7 percent. Consensus: 5.8 percent.

**October Auto Sales (11/1, Thursday)**

September Auto Sales rose to a 17.4 mln SAAR. Normalizing after a strong September. Down to a 16.8 million unit rate. Consensus: 17.0 mln.

**October ISM Manufacturing Index (11/1, Thursday)**

The ISM MFG Index fell to 59.8 in September. Down to a still-strong 59.0 in October. Consensus: 59.0.

**September Construction Spending (11/1, Thursday)**

August Construction Spending was up by 0.1 percent. Up by 0.2 percent in September. Consensus: 0.2 percent.

**September International Trade Gap (11/2, Friday)**

The trade gap widened to -\$53.2 bln in August. Implied by the Q3 GDP numbers, total trade gap widens to -\$58.4 billion if we see no revisions to July and August. Consensus: -\$53.4 bln.

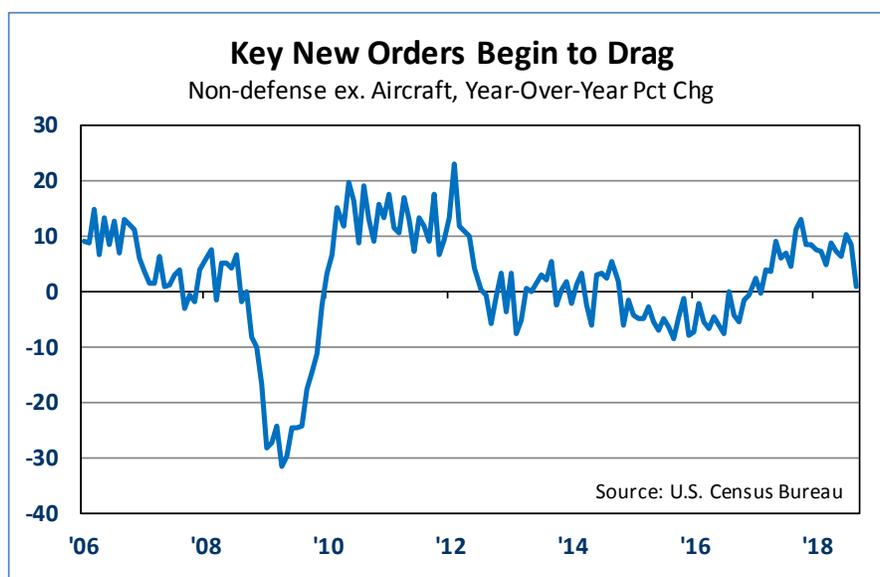
**October Nonfarm Payrolls (11/2, Friday)**

September nonfarm payrolls increased by 134k. Up by 180,000 in October. Consensus: +190k.

**October Unemployment Rate (11/2, Friday)**

The unemployment rate fell to 3.7 percent in September. Unchanged at 3.7 percent in October. Consensus: 3.7 percent.

## Chart of the Week



To subscribe to our publications or for questions, contact us at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com). Archives are available at <http://www.comerica.com/insights>.

Follow us on Twitter: [@Comerica\\_Econ](https://twitter.com/Comerica_Econ).