

Preview of the Week Ahead

Financial markets will focus on important inflation and retail data releases this week. Headline and core Consumer Price Indices (CPI) likely rose in October at the same benign pace as in the prior month, holding annual increases steady. Prices charged at the producer level probably rose modestly again in October, but annual factory gate inflation is anticipated to pick up due to base effects. The New York Fed's year-ahead inflation expectation survey will probably show households' inflation expectations remained well-anchored and within the narrow range observed over the past several months.

Total and core retail sales, which exclude volatile retail categories like sales at gasoline stations, likely took a breather after a brisk increase in September, but are still expected to have grown at a healthy pace. Industrial production probably retreated again due to the disruptions caused by hurricanes and the strike at Boeing. Likewise, capacity utilization likely moved lower last month.

Small business optimism likely rose in October, but is expected to have held below its 50-year average of 98 for the 34th consecutive month.

The Week in Review

As widely expected, the Federal Open Market Committee (FOMC) unanimously decided to cut the fed funds rate by a quarter of a percentage point to a range of 4.50% to 4.75% at its November 6-7 meeting. The Committee tweaked forward guidance to signal less confidence that inflation would continue to moderate. There were no changes to the pace of the Fed's balance sheet reduction program.

Monetary policymakers judge the economy to be expanding "at a solid pace." They noted that a broad set of indicators point to a labor market that is less tight than before the pandemic, but assess that it "remained solid." The FOMC noted the significant progress achieved so far towards achieving its 2% inflation goal, but acknowledged that "core inflation remains somewhat elevated."

The trade deficit ballooned by 19.2% to \$84.4 billion in September and was in line with Comerica Economics' forecast. A large increase in consumer goods imports, likely due to importers front-running the dock workers strike, and a sizeable decline in petroleum exports drove the goods trade deficit higher. The trade balance in services turned positive in September following three consecutive months in the red. The year-to-date trade deficit is up 11.8% to \$661 billion from the same period last year.

The ISM Services PMI rose by 1.1 percentage points to 56.0% in October and was well above the 53.0% consensus. Key details of the report were, however, mixed. The index's increase was largely driven by sharp increases in employment, which respondents noted was mostly hiring to meet temporary staffing needs during the holiday shopping season. Current production of services fell sharply, as did new orders, potentially portending lower production in the coming months. Service-providers noted supplier delivery times lengthened due to hurricane disruptions.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 11-Nov	No market-moving economic releases	-	-	-
Tue 12-Nov	NFIB Small Business Optimism (Oct)	91.5	92.0	94.0
	NY Fed 1-Yr Ahead Inflation Expectations (Oct)	3.0%	-	2.9%
Wed 13-Nov	Consumer Price Index (CPI, Oct)	0.2% M/M 2.4% Y/Y	0.2% M/M 2.5% Y/Y	0.2% M/M 2.5% Y/Y
	CPI Excluding Food and Energy (Oct)	0.3% M/M 3.3% Y/Y	0.3% M/M 3.3% Y/Y	0.3% M/M 3.3% Y/Y
	Federal Budget Balance (Oct)	\$64.3 billion	-	-\$97.0 billion
Thu 14-Nov	Producer Price Index - Final Demand (PPI, Oct)	0.0% M/M 1.8% Y/Y	0.2% M/M 2.3% Y/Y	0.1% M/M 2.2% Y/Y
	PPI Excluding Food and Energy (Oct)	0.2% M/M 2.8% Y/Y	0.3% M/M 3.0% Y/Y	0.2% M/M 3.0% Y/Y
	Initial Jobless Claims (Week of 11/9)	221,000	225,000	223,000
	Continuing Jobless Claims (Week of 11/2)	1,892,000	1,875,000	1,855,000
Fri 15-Nov	Retail Sales (Oct)	0.4% M/M	0.3% M/M	0.3% M/M
	Core Retail Sales Excluding Autos and Gas (Oct)	0.7% M/M	0.3% M/M	0.3% M/M
	Industrial Production (Oct)	-0.3% M/M	-0.2% M/M	-0.2% M/M
	Capacity Utilization (Oct)	77.5	77.2	77.3

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