

Preview of the Week Ahead

Markets face a busy week of important economic data releases, led by the monthly jobs report. Employers likely added jobs at a slower pace in December after increasing headcount solidly in the prior month. The unemployment rate and the labor force participation rate both likely edged higher, while wage inflation is likely to have eased after hot readings in the prior two months. Released at a lag to the jobs report, vacancies probably fell in November after rising sharply in October.

Markets will intensely scrutinize the minutes of the Federal Open Market Committee's (FOMC) December meeting after the Committee's unexpectedly hawkish cut last month. Members' justifications for raising their inflation projections will be in particular focus, as will their deliberations about the economic impact of the incoming administration's policies.

The positive spillovers from the election are probably continuing to drive consumer sentiment, with the University of Michigan's Survey of Consumers likely to have risen to a multi-month high in January. Influenced by short-term energy price increases, households' year-ahead inflation expectations probably rose, while longer-term inflation perceptions likely remained well-anchored. Sharp increases in gasoline and natural gas prices in the past several days are also putting upward pressure on interest rates, with yields on the benchmark 10-Year Treasury note up half a percentage point since early December. Consumer credit outstanding probably pulled back in November after rising sharply in October.

The trade deficit, which includes cross-border trade in both goods and services, likely widened in November, echoing the advance report on international trade in goods which showed a sharp deterioration.

The Week in Review

The economic calendar was light last week. The manufacturing sector contracted at a slower pace in December than November, according to the ISM Manufacturing PMI, which rose to 49.3% from 48.4% in November. The report's underlying details were mixed: To the upside, production expanded for the first time since mid-2024, while new orders rose for the second consecutive month. At the same time, manufacturers reduced employment for the seventh consecutive month, and reported paying higher prices for inputs for the third month running.

The S&P CoreLogic Case-Shiller 20-City Home Price Index rose by 0.3% in October. Continuing the disinflationary trend which began early last year, annual home prices rose 4.2% in October, down from 4.6% in the prior month and from 7.5% recorded last March. The FHFA House Price Index rose by 0.4% in October after an unrevised 0.7% increase in September and was up 4.5% on an annual basis for the second consecutive month. Annual house price inflation, as measured by the FHFA index, is also down markedly from its recent high of 7.1% recorded in February 2024.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 6-Jan	No market-moving economic releases	--	--	--
Tue 7-Jan	International Trade Balance in Goods and Services (Nov)	-\$73.8 billion	-\$78.2 billion	-\$78.4 billion
	Job Openings, Total Nonfarm (Nov)	7.744 million	7.745 million	7.650 million
	ISM Services PMI (Dec)	52.1	53.5	53.0
Wed 8-Jan	ADP Private Payroll Growth (Dec)	146,000	132,500	150,000
	FOMC Meeting Minutes (Dec)	N/A	N/A	N/A
	Consumer Credit (Nov)	\$19.2 billion	\$12.0 billion	-\$5.0 billion
Thu 9-Jan	Wholesale Trade Sales (Nov)	-0.1%		0.1%
	Initial Jobless Claims (Week of 1/4)	211,000	216,000	235,000
	Continuing Claims (Week of 12/28)	1.844 million	1.862 million	1.840 million
	Change in Nonfarm Payrolls (Dec)	227,000	160,000	170,000
	Unemployment Rate (Dec)	4.2%	4.2%	4.3%
	Labor Force Participation Rate (Dec)	62.5%	62.5%	62.6%

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Fri 10-Jan	Average Weekly Hours (Dec)	34.3 hours	34.3 hours	34.3 hours
	Average Hourly Earnings (Dec)	0.4% M/M 4.0% Y/Y	0.3% M/M 4.0% Y/Y	0.2% M/M 3.9% Y/Y
	Michigan Consumer Sentiment (Jan - Preliminary)	74.0	73.9	76.0
	Michigan 1-Yr-Ahead Inflation Expectations (Jan - Preliminary)	2.8%	2.8%	3.0%
	Michigan 5-10-Yr-Ahead Inflation Expectations (Jan - Preliminary)	3.0%	3.0%	3.0%

(R) - Revised

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