CONY Flash Macro Note	March 11, 2019

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Flash Macro Update (03/11/2019)

January retail sales data was out today and it did beat expectations, which was good to see that retail sales in the U.S. did not collapse. However, at the same time the data with its December revisions confirmed that holiday sales were significantly weak in December 2018.

According to the data, retail sales increased by 0.2% m-o-m in January 2019 compared to the consensus of 0.0%. In addition, core retail sales that exclude autos posted a 0.9% m-o-m rise against the consensus forecast of +0.3% in January.

But the data also suggested that there were some sharp downward revisions to the previously released December 2018 data. According to revisions, December retail sales were down by 1.6%, which was previously announced as -1.2%. Core retail sales were also revised down from -1.8% to -2.1% for December.

On one hand, it is good to see that December collapse in retail sales did not persist in January, but on the other hand, the better than expected January retail data could just be a mathematical correction after a depressed December. But we also need to highlight that the downward revisions for December will have a downward impact on previously released 4Q18 GDP data. The Government's revision will be introduced in the coming days and the first release was that the economy grew at a 2.6% annualized rate in the last three months of 2018. Probably, a downward revision towards 2% for 4Q18 looks likely now.

The street knows that the U.S. economic growth will slow down for sure in 2019 compared to 2018, but whether it will be in form of a sharp slowdown or a technical recession or a normalization is not clear. As of today, we think that the U.S. economy, which grew by around 3% in 2018, could grow by around 2% in 2019. Any deeper slowdown in the economy will affect pricings in the market, in our view, as a recession or sharp slowdown in economic activity is not fully priced in yet.

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