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**Flash Macro Update (10/16/2019)**

Mood swings in financial markets recently stabilized, as there was some progress in US-China trade talks and Brexit. Investors seem to be aware of the risk factors, but exaggerated recession pricings seem to have smoothed out to some extent. Amid that pricing normalization, today, September retail sales data was released in the US.

Retail sales data in September showed that consumption started to lose some momentum. By looking at only September data, which was below expectations could be misleading, since there were compensating upward revisions in August data. According to the data, retail sales were down by 0.3% m-o-m in September 2019 compared to the consensus of +0.3%. However, it is worth noting that August retail sales reading was revised up from +0.4% to +0.6% m-o-m. In addition, September core retail sales that exclude autos were down by 0.1% m-o-m against the consensus forecast of +0.2%. But again, August core retail sales were revised up from 0.0% to +0.2% offsetting the lower than expected September print. With the September data we calculate that core retail sales were up by 3.3% y-o-y in the first nine months of the year confirming the strength of consumption.

Consumer spending is the main source of growth in the U.S. economy, consisting of more than two-thirds of economic output. We think that the recent data despite some slowdown confirms the recent GDP growth forecasts for the third quarter, which hover at around 2.0%. Please recall that GDP growth in the second quarter of the year was also 2.0%.

When we look at the details of the data, except furniture, clothing and health expenditures we observe a broad-based decline in consumption, which was usually limited with 3-4 sectors in previous months. Probably, the most interesting detail in the retail number was the decline in online sales that was always strong in the US compared to other sectors. For the first time after a long time, we see online sales posting a 0.3% m-o-m decline in September.

Although uncertainties regarding global economy and ongoing trade talks could still weigh on expenditure decisions of consumers and companies going forward, we continue to believe that a recession in the US does not look imminent at this stage. But the retail sales data increased probably of another 25 bps rate cut by the FOMC later this month, in our view.

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