

Flash Note:
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The US economy grew more than expected.

What's next for the Fed?

GDP

- The Commerce Department said that the U.S. economy expanded at a 1.9% qoq (annualized) in the three months to September. This was despite business investment fall under the shadow of the U.S.-China trade war, suggesting that domestic & retail drivers remain well supported. said in its initial estimate on Wednesday.
- 3Q GDP activity topped economists' forecasts for growth of 1.6%.
- On a straight year-on-year comparison, third-quarter GDP was up 2.0% from a year earlier. This means a slowdown vs recent quarters, with the loss of dynamism caused by non-residential investment fall at an annualized 3.0% in the quarter.
- The U.S. economy hasn't grown at an annualized rate below 2% for nearly three years (with the exception of the fourth quarter of 2018).

Inflation

- Price GDP index rose 1.7% in 3Q after rising 2.4% prior quarter, suggesting that the Fed has room to lower rates as its preferred inflation metric continues to shrink.
- Core PCE q/q rose 2.2% in 3Q - in line with expectations - after rising 1.9% in the prior quarter, which suggest less of a need to cut rates.
- The numbers came out only hours before the Federal Reserve is expected to cut interest rates for the third time this year.

Best