

US Weekly Economic Update

16 November 2009

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- **The University of Michigan consumer sentiment index for November fell by nearly five points to 66.0, dropping back to its July/August levels.** In the text of this month's report, the University of Michigan noted that a decline in confidence was already in place before the announced increase in the unemployment rate to 10.2%. Consumers' assessments of their personal finances and the outlook for the economy over the next 12 months fell to their lowest levels since the spring. In particular, only one-in-ten consumers reported income gains in early November, the fewest on record.
- **A separate report showed that the US monthly trade deficit widened by much more than expected in September, rising from \$30.8 billion to \$36.5 billion, the largest gap since January.** Exports grew 4% but this was not enough to offset the 7% rise in imported goods. Much of this increase was because of a rebound in petroleum inflows which climbed by \$4.4bn due to both higher prices and volumes. Excluding petroleum, imported goods still advanced by a healthy 4.4%, underscoring the recent improvement in US domestic demand. However, **the larger than expected trade deficit suggests a downward revision to Q3 real GDP growth from 3.5% to around 3% quarter-on-quarter annualised.**
- Finally, **the latest quarterly Federal Reserve Senior Lending Officer survey showed a further tightening in lending standards by banks, but at the slowest pace since 2007 Q3.** Demand for most major categories of loans at domestic banks reportedly continued to weaken over the past three months. This weakening was somewhat less widespread than in the July survey for C&I loans, CRE loans, and nontraditional mortgages; approximately the same for consumer loans and significantly more widespread for home equity lines of credit. However, **for the third consecutive quarter, banks reported that demand for prime residential real estate loans strengthened.**

Chart of the week: University Michigan Consumer Confidence Index

Source: Thomson Datastream



MARKET RATES MONITOR	13 th November 2009	6 th November 2009	Year ago
Fed Funds Rate Target	0.25%	0.25%	1.00%
10-yr US Treasury yield	3.43%	3.54%	3.84%
30-yr Mortgage (Freddie Mac)	4.91%	4.98%	6.20%
US dollar/Japanese Yen	89.66	89.84	95.93
Euro/US Dollars	1.49	1.49	1.26
British Pound/US dollars	1.67	1.66	1.48