

US confidence under renewed pressure

While the Conference Board measure of consumer sentiment fell marginally, there was a bigger decline in the more important expectations series, particularly in key Presidential election swing states. This does not bode well for Donald Trump's chances of re-election and with incomes being squeezed and Covid-19 cases on the rise, neither for the economy



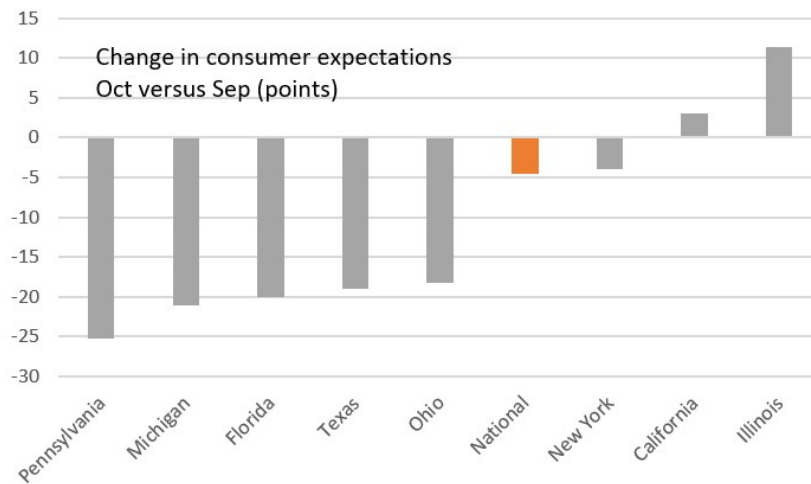
Masked shoppers at a mall in New Jersey

A softening outlook for spending

The October reading of the Conference Board measure of consumer confidence was a touch weaker than expected, falling to 100.9 from 101.3 (consensus 102.0), but the breakdown is more concerning. While the current conditions index actually rose nicely to 104.6 from 98.9 (a lagged response to job gains in all likelihood), the expectations series, which is more important for future spending, fell from 102.9 to 98.4.

Expectations tend to be driven more by the equity market while rising Covid-19 cases and election uncertainty also probably weighed here too. The details show that there were 2-4 percentage point increases in the share of the surveyed population that think business conditions and the number of jobs available will worsen over the next six months. Income expectations didn't change much, but the proportion of people planning to buy a car or a major appliance dropped noticeably.

Changes in sentiment by state

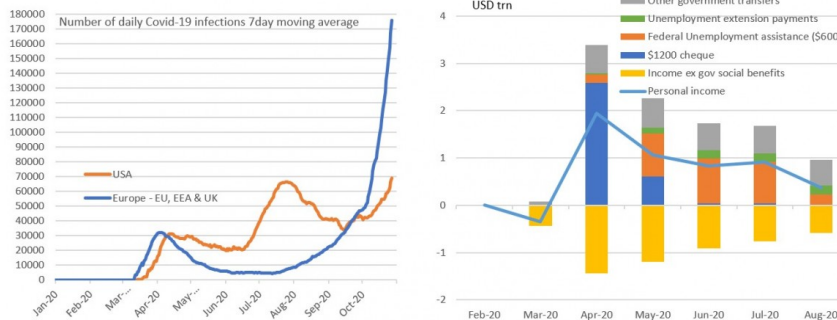


Source: Macrobond, ING

Swing state sentiment a worry for president Trump

There were some interesting moves on the individual state data that could potentially have a bearing on next week's election. The numbers can be choppy, but a 20 point drop in Florida, a 21 point fall in Michigan and a 25 point fall in Pennsylvania – key swing states that will determine the outcome of the Presidential election – offer little encouragement for Donald Trump.

Covid cases and an income squeeze will not help sentiment recover quickly



Source: Macrobond, ING

Challenges for sentiment and spending

The overall decline in expectations suggests that the strong momentum in consumer spending in the wake of the re-openings is starting to fade. With Federal unemployment benefits being tapered and millions of people having seen their 26 weeks of state benefits expire it adds to our sense of caution on consumer spending for November/December. The concern would intensify should we get a contested election, which could add to a sense of unease, while the spike in Covid-19 cases and the potential for some containment measures to be re-introduced would further weaken the outlook for both sentiment and spending. That said, news on a vaccine and a new fiscal stimulus would swiftly turn this situation around.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.