

Credit Suisse Economics

US Economics: The Week Ahead

Next Week's Highlights

Focus next week will be on the October CPI report, November U. Mich. sentiment, and on scheduled remarks from several FOMC voting members.

We expect core CPI to slow to 0.4% MoM in October after two monthly readings of 0.6%. A drag from health insurance prices and a deceleration in travel inflation should drive most of the slowdown. This would bring the YoY reading slightly lower to 6.5% from 6.6%. We expect headline inflation to rise 0.5% MoM, which should push the YoY figure down to 7.8%. Food inflation remains high while gasoline prices rose slightly. Electricity inflation likely edged up as well. There will be another inflation report before the December FOMC meeting but results in-line with our forecast should support a downshift to a 50-bp increase. A large upside surprise should still raise the probability of a larger 75-bp rate hike.

We expect UMich consumer sentiment to fall to 58.0 in November. Renewed increases in gasoline prices and stock market sell-off should drive the index lower.

CONTRIBUTORS

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Key Data and Events

	Credit Suisse estimates	Market estimates	Prior results
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Monday, November 7

3:40 PM Fed's Collins and Mester Speak at Women in Economics...

Wednesday, November 9

3:00 AM Fed's Williams Discusses Risk and Uncertainty at Event

Thursday, November 10

8:30 AM	CPI MoM / YoY (Oct)	0.5% / 7.8%	0.7% / 8.1%	0.4% / 8.2%
	Ex Food and Energy MoM / YoY	0.4% / 6.5%	0.5% / 6.6%	0.6% / 6.6%
	Index NSA	298.252	NA	296.808

Friday, November 11

10:00 AM	U. of Mich. Sentiment (Nov P)	58.0	60	59.9
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Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service

Important Information

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CPI (Oct) Forecast: 0.5% MoM (7.8% YoY)
Ex Food and Energy: 0.4% MoM (6.5% YoY)
Index NSA: 298.252

Thursday, November 10
8:30 AM

We expect core CPI to slow to 0.4% MoM in October after two monthly readings of 0.6%. A drag from health insurance prices and a deceleration in travel inflation should drive most of the slowdown. This would bring the YoY reading slightly lower to 6.5% from 6.6%.

We expect headline inflation to rise 0.5% MoM, which should push the YoY figure down to 7.8%. Food inflation remains high while gasoline prices rose slightly. Electricity inflation likely edged up as well.

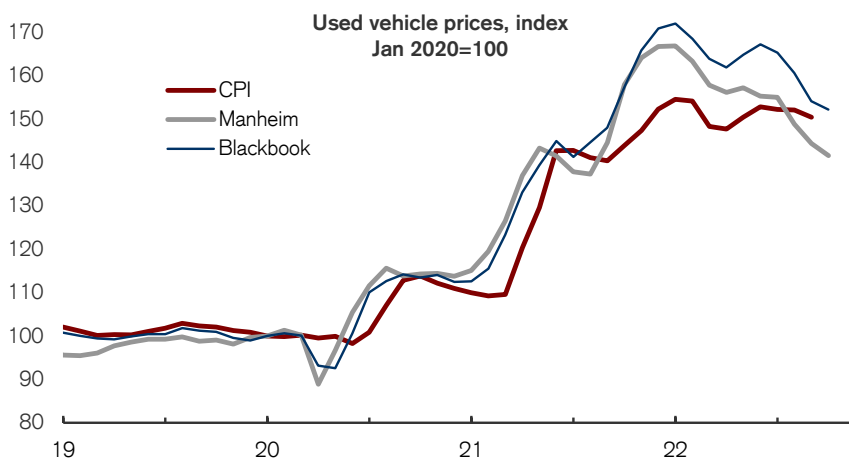
We expect core goods inflation to register close to zero in October, similar to last month. Wholesale used vehicle prices continued to fall, which should pass through into CPI measures with a lag. We expect apparel prices to continue falling as well.

CPI health insurance has been rising steadily in the past 12 months, increasing 28.2% YoY in September. We expect health insurance prices to start falling, beginning in October, and lasting for the next 12 months. This is a lagged response to the fall in retained earnings for insurers in 2021. We estimate an incremental drag to October CPI around 8bps. This will not apply to the PCE deflator.

Transportation services contributed 14bps to core CPI in September and we expect that to decline in October as industry sources indicate little price growth this month.

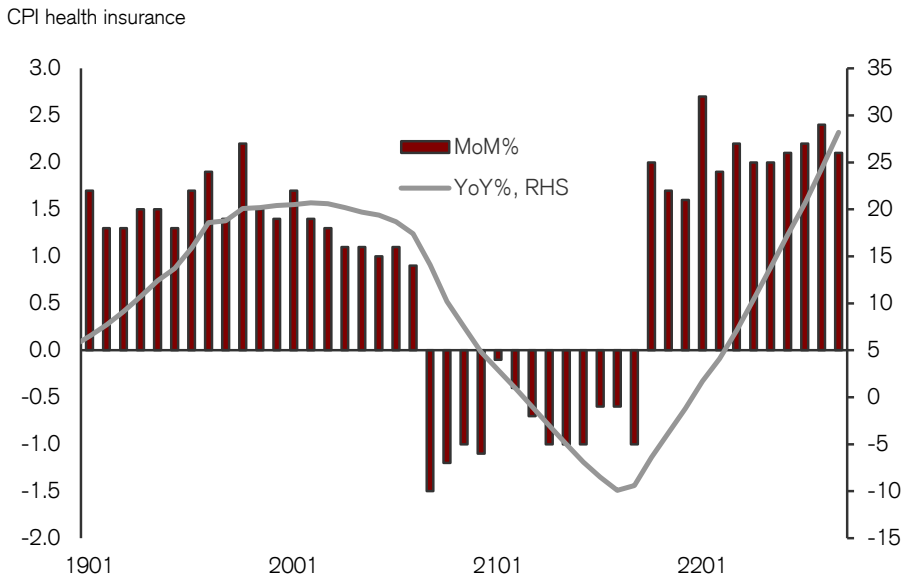
The Fed has signaled a desire to slow its pace of tightening as rates rise further into restrictive territory, while expecting a higher terminal rate than its September projections. There will be another inflation report before the December FOMC meeting, but results in-line with our forecast should support a downshift to a 50-bp increase. A large upside surprise should still raise the probability of a larger 75-bp rate hike.

Figure 1: Used vehicle prices continue falling at the wholesale level



Source: Credit Suisse, Bureau of Labor Statistics

Figure 2: CPI health insurance should start falling in October after rising steadily in the past 12 months



Source: Credit Suisse, Bureau of Labor Statistics

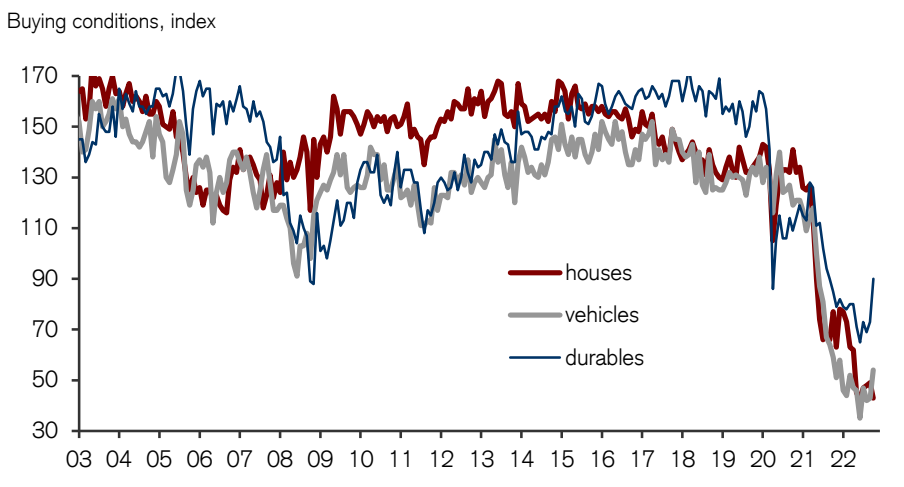
U. of Mich. Sentiment (Nov) Forecast: 58.0

We expect UMich consumer sentiment to fall to 58.0 in November. Renewed increases in gasoline prices and stock market sell-off should drive the index lower. Moreover, we expect consumers' assessment of buying conditions for houses and durable goods to deteriorate after improving in the past month.

**Friday, November 11
10:00 AM**

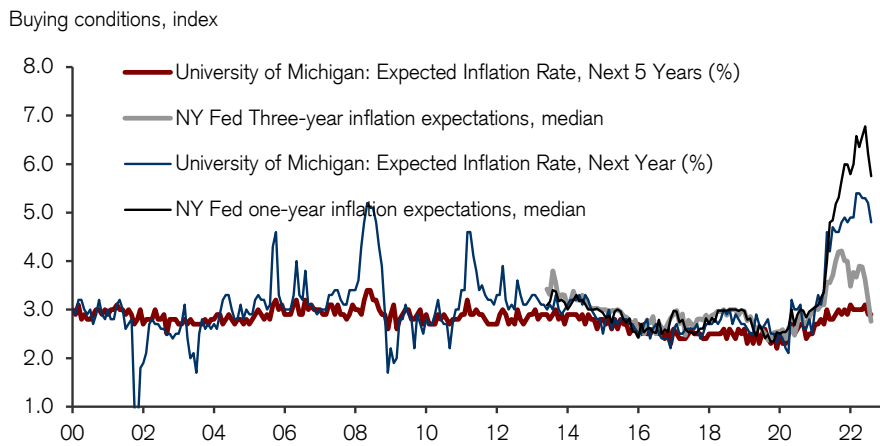
Long-end inflation expectations remain near their historical ranges, but Chair Powell mentioned some arguments that short-term inflation expectations could drive business and household decisions. Indeed, short-term inflation expectations are significantly higher, but have started to come down in recent months.

Figure 3: We expect consumers' assessment of buying conditions to deteriorate after improving in the past month



Source: Credit Suisse, University of Michigan

Figure 4: Long-term inflation expectations remain within historical ranges while short-term expectations stay elevated



Source: Credit Suisse, University of Michigan

Calendar of Key Data and Events

		Credit Suisse Forecasts	Market Estimates	Prior Results
Monday, November 7				
3:00 PM	Consumer Credit (Sep)	NA	\$33.000b	\$32.241b
3:40 PM	Fed's Collins and Mester Speak at Women in Economics...			
Tuesday, November 8				
6:00 AM	NFIB Small Business Optimism (Oct)	NA	NA	92.1
Wednesday, November 9				
10:00 AM	Wholesale Inventories MoM (Sep F)	NA	0.9%	0.8%
3:00 AM	Fed's Williams Discusses Risk and Uncertainty at Event			
Thursday, November 10				
8:30 AM	CPI MoM (Oct)	0.5%	0.7%	0.4%
	CPI Ex Food and Energy MoM (Oct)	0.4%	0.5%	0.6%
	CPI YoY (Oct)	7.8%	8.1%	8.2%
	CPI Ex Food and Energy YoY (Oct)	6.5%	6.6%	6.6%
	CPI Index NSA (Oct)	298.252	NA	296.808
	CPI Core Index SA (Oct)	NA	NA	298.66
	Initial Jobless Claims (wk end 5-Nov)	NA	NA	NA
	Continuing Claims (wk end 29-Oct)	NA	NA	NA
1:30 PM	Fed's George Speaks at Energy and the Economy Conference			
Friday, November 11				
10:00 AM	U. of Mich. Sentiment (Nov P)	58.0	60	59.9
	U. of Mich. Current Conditions (Nov P)	NA	NA	65.6
	U. of Mich. 1 Yr Inflation (Nov P)	NA	NA	5.0%
	U. of Mich. 5-10 Yr Inflation (Nov P)	NA	NA	2.9%

Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

US Monthly CPI Forecast

	CPI NSA Index	CPI SA, MoM%	Core CPI SA, MoM%	CPI YoY%	Core CPI YoY%	Purchasing power of a 1982-84 consumer dollar
Sep-22 (Actual)	296.808	0.4	0.6	8.2	6.6	0.337
Oct-22	298.252	0.5	0.4	7.8	6.5	0.335
Nov-22	298.728	0.4	0.4	7.5	6.3	0.335
Dec-22	299.024	0.4	0.4	7.3	6.1	0.334

2022 FOMC Meetings	2022 FOMC Voting Members	2022 FOMC Minutes
January 25-26	Jerome Powell, Board of Governors, Chair	January 5
March 15-16*	Lael Brainard, Board of Governors, Vice Chair	February 16
May 3-4	John Williams, New York Fed Pres., FOMC Vice Chair	April 6
June 14-15*	Christopher Waller, Board of Governors	May 25
July 26-27	Michelle Bowman, Board of Governors	July 6
September 20-21*	Lisa Cook, Board of Governors	August 17
November 1-2	Philip Jefferson, Board of Governors	October 12
December 13-14*	Michael Barr, Board of Governors	November 22
	Loretta J. Mester, Cleveland Fed President	January 4
	Patrick Harker, Philadelphia Fed President	
	James Bullard, St. Louis Fed President	
	Esther L. George, Kansas City Fed President	

Source: Federal Reserve, Credit Suisse. * includes updated FOMC projections

US Forecasts Detail

Quarter-to-Quarter % Changes at annual rates	2022				2023E				Q4/Q4				Annual Average			
	Q1	Q2	Q3E	Q4E	Q1	Q2	Q3	Q4	20	21	22E	23E	20	21	22E	23E
Real GDP	-1.6	-0.6	2.6	0.5	0.9	0.9	0.7	0.7	-1.5	5.7	0.2	0.8	-2.8	5.9	1.8	0.9
Consumer Spending	1.3	2.0	1.4	1.8	1.5	1.5	1.5	1.5	-1.4	7.2	1.7	1.5	-3.0	8.3	2.7	1.6
Residential Investment	-3.1	-17.8	-26.4	-10.0	-3.0	-3.0	-4.0	-4.0	16.4	-0.3	-14.8	-3.5	7.2	10.7	-9.6	-8.9
Business Investment	7.9	0.1	3.7	1.5	0.4	0.4	-1.2	-1.2	-3.5	5.0	3.3	-0.4	-4.9	6.4	3.4	0.7
Equipment	11.4	-2.1	10.8	2.0	-1.0	-1.0	-2.0	-2.0	-2.7	4.7	5.4	-1.5	-10.5	10.3	4.6	0.7
Intellectual Property	10.8	8.9	6.9	4.0	2.0	2.0	0.0	0.0	3.8	10.9	7.6	1.0	4.8	9.7	8.7	3.0
Non-Res Structures	-4.4	-12.7	-15.4	-5.0	0.0	0.0	-2.0	-2.0	-16.0	-5.1	-9.5	-1.0	-10.1	-6.4	-9.1	-4.2
Total Government	-2.3	-1.6	2.4	0.1	0.1	0.1	0.0	0.0	1.0	0.5	-0.4	0.1	2.6	0.6	-1.0	0.3
Federal	-5.3	-3.4	3.7	-0.5	0.0	0.0	0.0	0.0	5.4	0.4	-1.4	0.0	6.2	2.3	-2.9	0.1
State and Local	-0.4	-0.6	1.7	0.5	0.2	0.2	0.0	0.0	-1.6	0.6	0.3	0.1	0.4	-0.5	0.3	0.4
Net Exports (contr. to GDP, %)	-3.1	1.2	2.8	-0.4	0.0	0.0	0.0	0.0	-0.8	-0.7	0.1	0.0	-0.1	-1.5	-0.6	0.3
Real Exports	-4.6	13.8	14.4	-5.0	-1.0	-1.0	-1.0	-1.0	-10.0	6.5	4.2	-1.0	-13.2	6.1	7.0	0.9
Real Imports	18.4	2.3	-6.9	-1.0	-0.5	-0.5	-0.5	-0.5	0.4	10.1	2.8	-0.5	-9.0	14.1	8.5	-1.3
Inventories (contr. To GDP, %)	0.2	-1.9	-0.7	0.0	0.0	0.0	0.0	0.0	0.8	0.9	-0.6	0.0	-0.6	0.2	0.6	-0.2
Nominal GDP	6.6	8.5	6.74	6.0	4.0	4.0	3.6	3.5	0.0	12.2	6.9	3.8	-1.5	10.7	9.0	4.9
CPI (y/y%)	8.0	8.6	8.3	7.5	6.1	4.2	3.5	3.0	1.2	6.7	7.5	3.0	1.2	4.7	8.1	4.2
Core CPI (y/y%)	6.3	6.0	6.3	6.2	5.6	4.8	4.0	3.5	1.6	5.0	6.2	3.5	1.7	3.6	6.2	4.5
Core PCE (y/y%)	5.3	5.0	4.9	4.9	4.3	3.9	3.5	3.1	1.4	4.7	4.9	3.1	1.3	3.5	5.0	3.7
Industrial Production	4.5	5.3	3.0	-0.3	-0.3	0.4	1.3	0.1	-4.5	4.5	3.1	1.9	-7.0	5.0	4.2	0.5
Unemployment Rate (qtr. Avg., %)	3.8	3.6	3.6	3.5	3.6	3.6	3.7	3.7	6.8	4.2	3.5	3.7	8.1	5.4	3.6	3.7
Fed Funds Rate (end of pd., %)	0.25-	1.50-	3.00-	4.25-	4.75-	4.75-	4.75-	4.75-	0-0.25	0-0.25	4.25-	4.75-	-	-	-	-
	0.50	1.75	3.25	4.50	5.0	5.0	5.0	5.0			4.50	5.0				

Source: BEA, CBO, Credit Suisse, Federal Reserve, Haver Analytics®

Selected Economic Indicators

	2022												2021
	OCT	SEP	AUG	JUL	JUN	MAY	APR	MAR	FEB	JAN	DEC	NOV	OCT
Labor													
Non-Farm Payrolls (Chg. in thousands)		263	315	537	293	386	368	398	714	504	588	647	677
Private Payrolls (Chg. in thousands)		288	275	448	346	331	368	385	704	492	561	627	694
Unemployment Rate (%)		3.5	3.7	3.5	3.6	3.6	3.6	3.6	3.8	4.0	3.9	4.2	4.6
Average Hourly Earnings (\$/Hour, SA)		32.46	32.36	32.27	32.11	31.98	31.86	31.75	31.60	31.56	31.38	31.23	31.11
Average Hourly Earnings (YoY%)		5.0	5.2	5.2	5.2	5.3	5.5	5.6	5.2	5.4	4.9	5.3	5.4
Aggregate Hours Worked (MoM%)		0.2	0.3	0.3	0.0	0.3	0.3	0.0	0.9	-0.2	0.5	0.5	0.5
Aggregate Weekly Payrolls (MoM%)		0.5	0.5	0.8	0.4	0.6	0.6	0.5	1.0	0.4	0.9	0.9	1.2
Output													
ISM Manufacturing Index (level)	50.2	50.9	52.8	52.8	53.0	56.1	55.4	57.1	58.6	57.6	58.8	60.6	60.8
ISM Manufacturing New Orders (level)	49.2	47.1	51.3	48.0	49.2	55.1	53.5	53.8	61.7	57.9	61.0	61.4	60.6
ISM Non-Manufacturing Index (level)	54.4	56.7	56.9	56.7	55.3	55.9	57.1	58.3	56.5	59.9	62.3	68.4	66.7
Industrial Production (MoM%)		0.4	-0.1	0.7	-0.1	-0.1	0.7	0.7	0.7	0.4	-0.2	0.6	1.5
Capacity Utilization (%)		80.3	80.1	80.3	79.8	80.0	80.2	79.8	79.4	78.9	78.7	79.0	78.6
Trade Balance-Goods and Services (\$bn)		-73.3	-65.7	-70.5	-80.9	-85.9	-86.7	-106.9	-87.8	-88.0	-78.9	-78.0	-68.2
Real GDP (QoQ%, AR)		2.6			-0.6			-1.6			7.0		
Nominal GDP (QoQ%, AR)		6.7			8.5			6.6			14.3		
Consumption													
Retail Sales (MoM%)		0.0	0.4	-0.4	1.0	0.4	0.7	1.2	1.7	2.7	-1.6	0.6	1.4
Retail Sales (YoY%)		8.2	9.4	10.0	8.8	8.7	7.8	7.1	17.7	13.7	16.8	18.6	16.5
Retail Sales Ex. Auto (MoM%)		0.1	-0.1	-0.1	1.1	1.3	0.5	2.0	1.7	1.6	-1.4	0.5	1.4
Retail Sales Ex. Auto (YoY%)		8.9	10.0	12.1	11.0	12.0	10.5	9.5	17.7	14.0	18.9	19.8	17.9
Vehicle Sales, domestic+import (mn, SAAR)	14.9	13.6	13.2	13.3	13.0	12.6	14.3	13.6	13.7	15.1	12.7	13.1	13.2
Personal Consumption (MoM%)		0.6	0.6	-0.2	1.2	0.7	0.4	1.2	0.7	1.2	-0.2	0.5	1.3
Disposable Personal Income (MoM%)		0.4	0.5	0.4	0.6	0.6	0.3	0.5	0.5	-1.7	0.2	0.3	0.6
Personal Saving Rate (%)		3.1	3.4	3.5	3.0	3.6	3.7	3.8	4.5	4.7	7.5	7.1	7.3
U of Mich Consumer Sentiment (level)	59.9	58.6	58.2	51.5	50.0	58.4	65.2	59.4	62.8	67.2	70.6	67.4	71.7
Inflation													
PCE Price Index (MoM%)		0.3	0.3	-0.1	1.0	0.6	0.2	1.0	0.6	0.5	0.5	0.6	0.6
PCE Price Index (YoY%)		6.2	6.2	6.4	7.0	6.5	6.4	6.8	6.4	6.1	6.0	5.9	5.2
Core PCE Price Index (MoM%)		0.5	0.5	0.0	0.6	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.4
Core PCE Price Index (YoY%)		5.1	4.9	4.7	5.0	4.9	5.0	5.4	5.4	5.2	5.0	4.8	4.3
CPI (MoM%)		0.4	0.1	0.0	1.3	1.0	0.3	1.2	0.8	0.6	0.6	0.7	0.9
CPI (YoY%)		8.2	8.3	8.5	9.1	8.6	8.3	8.5	7.9	7.5	7.0	6.8	6.2
Core CPI (MoM%)		0.6	0.6	0.3	0.7	0.6	0.6	0.3	0.5	0.6	0.6	0.5	0.6
Core CPI (YoY%)		6.6	6.3	5.9	5.9	6.0	6.2	6.5	6.4	6.0	5.5	4.9	4.6
PPI (MoM%)		0.4	-0.2	-0.4	1.0	0.8	0.5	1.7	1.1	1.2	0.6	1.0	0.7
PPI (YoY%)		8.5	8.7	9.8	11.3	11.1	11.2	11.7	10.4	10.1	10.0	9.9	8.9
Housing													
Housing Starts (thous, AR)	1439	1566	1377	1575	1562	1805	1716	1777	1666	1768	1706	1563	
New Home Sales (thous, AR)	603	677	543	571	636	619	707	790	831	839	756	671	
Existing Home Sales (thous, AR)	4710	4780	4820	5110	5410	5600	5750	5930	6490	6090	6330	6190	
Existing Home Sales-Median Price (YoY%)		8.4	8.4	9.5	12.8	15.0	14.3	14.6	15.6	15.3	16.0	15.3	13.6
Profits, Productivity and Costs													
Corp. Profits w/IVA and CCadj (YoY%)					7.7			10.9			22.3		
Non-Farm Productivity (YoY%)		-1.4			-2.1			-0.4			1.9		
Unit Labor Costs (YoY%)		6.1			7.6			6.5			3.2		
Fiscal/Monetary Conditions													
Monthly Budget Surplus/Deficit (\$bn)		-430	-220	-211	-89	-66	308	-193	-217	119	-21	-191	-165
Budget, 12m sum (\$bn, Sep is FY total)		-1375	-789	-622	-604	-532	-464	-829	-758	-436	-683	-757	-495
Federal Reserve Bank Credit (\$bn)	8688	8760	8790	8854	8877	8878	8902	8899	8890	8822	8719	8644	8517
FRBKC Financial Stress Index (Monthly Avg)		0.1	-0.2	0.1	0.0	0.0	-0.3	0.0	-0.3	-0.3	-0.5	-0.7	-0.6

Source: BEA, Census, BLS, NAR, Federal Reserve, US Treasury, Univ. of Michigan, Credit Suisse

Credit Suisse House View

MSCI Regional Equity Indices

	Market on Nov 2, 2022	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
MSCI World	8933	↘	Benchmark	8270	8750
MSCI USA	16507	↘	Marketperform	15450	16350
MSCI EMU	479	↘↘	Underperform	420	445
MSCI Switzerland	5169	→	Outperform	5040	5200
MSCI UK	17727	↘	Marketperform	16550	17600
MSCI Japan	2885	↘	Marketperform	2600	2760
MSCI Emerging Markets	135479	↘	Marketperform	130000	137500

Arrows refer to expected absolute market direction, double arrow indicate stronger upside. Relative views are against benchmark index MSCI World. All indices are total return in local currency.

MSCI Regional Equity Indices (Emerging Markets)

	Market on Nov 2, 2022	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
MSCI Emerging Markets	135479	↘	Benchmark	130000	137500
MSCI EEMEA	1019	↘	Marketperform	930	985
MSCI Latin America	30816	↘	Marketperform	27900	29400
MSCI AC APAC	299	↘	Marketperform	280	300
MSCI AC Asia ex Japan	1756	↘	Marketperform	1710	1810
MSCI Turkey	14588230	↘	Marketperform	11800000	12490000
MSCI Brazil	132339	↘	Marketperform	124000	130500
MSCI Mexico	96619	↘	Marketperform	80000	84500
MSCI China	104	↘	Marketperform	113	120

Relative views are against benchmark index MSCI EM. All indices are total return in local currency.

Local Equity Indices

	Market on Nov 2, 2022	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
S&P 500	3760	↘	Marketperform	3500	3650
EuroStoxx50	3622	↘↘	Underperform	3125	3250
SMI	10806	→	Outperform	10405	10540
FTSE 100	7144	↘	Marketperform	6605	6820
TOPIX	1940	↘	Marketperform	1760	1840
S&P ASX 200	6987	↘	Marketperform	6290	6470

Relative views are against benchmark index MSCI AC World.

Credit Suisse House View

MSCI Global Sectors (GICS)

	Market on Nov 2, 2022	Expected absolute market direction	Relative view against benchmark	3M Forecast	12M Forecast
MSCI World Energy	528	↘	Marketperform	485	515
MSCI World Materials	512	↘↘	Underperform	470	495
MSCI World Industrials	463	↘	Marketperform	438	463
MSCI World Cons Disc.	435	↘	Marketperform	432	457
MSCI World Cons Staples	470	↘	Marketperform	448	475
MSCI World Healthcare	521	→	Outperform	510	535
MSCI World Financials	250	↘	Marketperform	237	251
MSCI World IT	495	↘	Marketperform	467	494
MSCI World Comm Services	148	↘	Marketperform	159	168
MSCI World Utilities	353	↘	Marketperform	350	372
MSCI World Real Estate	1119	↘	Marketperform	1120	1180

Relative views are against benchmark index MSCI World. All indices are total return in local currency.

10Y Government Bond Yields

	Market on Nov 2, 2022	Expected absolute direction	Relative view against global 7-10 bonds	3M Forecast	12M Forecast
USA	4.10%	→	Neutral Duration	3.90%	3.70%
Germany	2.14%	→	Neutral Duration	2.20%	2.30%
UK	3.40%	→	Neutral Duration	4.10%	4.10%
Japan	0.25%	→	Neutral Duration	0.25%	0.35%
Australia	3.77%	→	Neutral Duration	3.70%	3.60%
Switzerland	1.14%	→	Neutral Duration	1.20%	1.30%

Relative views are the preferred positioning against the 1-10 year LC Index of the respective country.

Fixed Income Total Return Indices

	Expected absolute direction	Relative view against benchmark	3M exp. Return	12M exp. Return
Barclays Global Aggregate	→	Benchmark	0.20%	0.60%
Barclays Global IG Corp	→	Marketperform	0.35%	1.40%
Barclays Global HY Corp	→	Marketperform	0.24%	0.94%
JPM EMBI Global Diversified HC	↗	Outperform		
JPM GBI-EM Global Divers. LC	→	Marketperform		

Relative views are against benchmark index Barclays Global Aggregate. All indices are total return hedged in USD.

FX & Commodities

	Market on Nov 2, 2022	Expected absolute direction	3M Forecast	12M Forecast
EUR/USD	0.99	→	0.97	1.00
USD/JPY	148	→	145	138
GBP/USD	1.15	→	1.07	1.12
USD/CHF	1.00	→	0.96	0.95
AUD/USD	0.64	→	0.64	0.67
USD/CAD	1.37	→	1.36	1.30
Gold (USD / oz)	1650	↘	1650	1700
WTI oil (USD / bbl)	89.53	↘	85	75

Sources: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service