MORNING BRIEFING
March 27, 2017

Trump Swamped?

See the collection of the individual charts linked below.

(1) Dead in the swamp already? (2) Trump is learning on the job. (3) Melissa's good call. (4) Pelosi still takes ownership of Obamacare. (5) Trump's Plan B is to let Obamacare implode and move forward on tax reform. (6) Markey Maypo, Uncle Ralph, and the stock market. (7) On to tax reform. (8) No cuts in ACA taxes on tap. (9) Tax reform might be tougher to reconcile than Mnuchin says. (10) US and regional business surveys available for March looking strong. (11) Eurozone PMIs very robust in March. (12) Q1 earnings season starting with forward earnings in high spirits.

Fiscal Policy I: Trump 0, Swamp 1? President Donald Trump has been in the White House for only 67 days. Yet some pundits are saying that his agenda is already dead on arrival because GOP House Majority Leader Paul Ryan (R-WI) couldn't muster enough votes among his own rank and file to pass the bill repealing and replacing the Affordable Care Act (ACA-R&R) last week.

Trump doesn't have any experience in government, so he is learning by doing. What he is learning quickly is that his goal of "draining the swamp" will be much harder than he ever imagined. In some ways, Friday's retreat is reminiscent of President John Kennedy's Bay of Pigs debacle. Kennedy was also inexperienced and signed on for an action that had been in the works for a while, but was very badly executed.

As for Trump, Melissa and I believe that this isn't the beginning of the end for his administration, but rather the end of the beginning. On March 15, we wrote:

"Melissa is our resident Washington watcher. Her theory is that Trump doesn't care if the GOP's healthcare bill doesn't pass through Congress. If ACA-R&R fails to happen soon, he won't press the issue. He'll let it go and move on to tax reform under a 2018 budget resolution, which is being worked on behind the scenes as ACA-R&R takes center stage and flounders. Trump will be happy to let Obamacare implode on its own. Politically, Trump still can say he made ACA-R&R his first priority to protect healthcare for Americans, as he promised during the campaign. He can later also say 'I told you so' to Congress once Obamacare totally implodes. 'It could self-repeal in this scenario,' says Melissa. 'Then Congress will have no choice but to replace it.'"

We concluded:

"Trump must know—because the stock market has been telling him so—that his big win would be tax reform. Market commentators have been baffled as to why the administration has put ACA-R&R ahead of tax reform. The answer is to get ACA-R&R out of the way whether it passes or not. Either way, we expect tax reform to remain on the timeline that officials have been signaling, which is to finalize writing it over the summer."

Melissa and I haven't spent much time focusing on the three branches of government over the past eight years. Rather, our focus has been on the Fed, i.e., the monetary branch of government. Our rallying cry for the stock market rally since March 2009 has been "Don't Fight the Fed!" Now, despite last week's turn of events, our advice remains "Don't Bet Against Trump!"—not yet anyway.

Trump has already moved aggressively forward on deregulation, as Jackie and I reviewed last Thursday. The Democrats still own Obamacare, as Nancy Pelosi and her colleagues immediately gloated over the failure of ACA-R&R. Given the exorbitant increases in health insurance premiums, deductibles, and copays under Obamacare, Democrats running for reelection in the 2018 congressional races are likely to face much angrier constituents than are Republicans, thanks to what could turn out to be a smart tactical retreat by Trump.

Trump can still take credit for having tried to fix the healthcare system. On Friday, he said, "It's imploding and soon will explode and it's not going to be pretty. The Democrats don't want to see that. So, they're going to reach out when they're ready." In other words, he might have lost round one, but the fight is long from over. The Trump administration is likely to move forward with various regulatory actions that will increase the odds that Obamacare will implode.

The IRS is likely to ease up on enforcing the health law's individual mandate that requires people to sign up for health insurance or pay a fine. The administration certainly isn't likely to promote the program with ads encouraging people to sign up. Insurers undoubtedly will face less political pressure to stay in the program. Insurers might be allowed to reduce their coverage of such services as contraception. Subsidies that insurers get could be terminated, which could quickly cause the individual markets to implode for sure. Adding insult to injury for some, Medicaid recipients might be required to work.

Trump might be able to fashion a coalition with Democrats, who are most vulnerable to losing in 2018, while threatening to support Republican populist challengers to defeat the incumbent Tea Partiers in his party if they embarrass him again and don't tow the line. Trump will have to get dirty if he seriously intends to clean up the swamp. Melissa and I are fans of *House of Cards* and *Homeland,* which seem especially useful these days in understanding all the intrigue in Swamp Land.

Fiscal Policy II: Maypo. "I Want My Maypo" was a famous advertising slogan used by Maltex Company of Burlington, Vermont to sell Maypo, a brand of maple-flavored oatmeal starting in the 1950s. A black-and-white animated TV commercial featured Uncle Ralph trying to feed his cowboy-hat-wearing little nephew, Marky, the oatmeal without any success, until he accidently eats it himself after telling the kid that cowboys like it. The uncle obviously likes the taste and eats more. The kid then screams: "I want my Maypo!"

The stock market didn't tank on Friday, as was widely predicted by some of the usual panic promotors. That's because what stock investors really want is tax cuts. That's their Maypo. Now they won't have to wait long to see whether they get it, since the ACA-R&R kabuki play is over for now—already. The failure to replace and reform Obamacare does complicate moving ahead on tax reform because the GOP bill would have helped to make the (alternative but similar) tax packages proposed by Trump and the GOP easier to be "revenue-neutral." Consider the following:

(1) *Cost of losing the first round.* The failed healthcare bill had tax cuts of its own, about $1 trillion worth over 10 years that would have been paid for by spending cuts—most of them in the federal Medicaid program that provides health care to the poor. "Republicans said the resulting lower revenue baseline would have made a revenue-neutral tax overhaul that much easier," according to a 3/25 Bloomberg article. Meanwhile, the decision to pull the health bill means upper-income investors won't get a repeal of the 3.8% Medicare tax on dividends, capital gains, and interest for individuals making over $200,000 and couples earning more than $250,000.

(2) *Reconciliation and revenue neutrality.* Balancing revenue and cuts in the tax bill is essential to allow it to bypass rules requiring 60 votes in the Senate, where Republicans hold only 52 seats. The so-called reconciliation process would allow the bill to pass with a simple majority. On Friday, Treasury Secretary Steve Mnuchin said, "Health care and tax reform are two different issues. Health care is complicated; tax reform is a lot simpler in some ways." Like Trump, Mnuchin hasn't had much experience dealing with swamp people, so he may be too optimistic.

(3) *Going south on the border tax?* On Friday, House of Representatives Ways and Means Committee Chairman Kevin Brady (R-TX) conceded that the demise of ACA-R&R could make the path to tax reform harder: "This made a big challenge more challenging. But it's not insurmountable." One of the obstacles is the border adjustment tax that Brady strongly champions. The plan has divided businesses, prompting import-dependent industries to warn of higher prices for consumer goods from clothing and electronics to gasoline. Brady has been adamant that border adjustment will be part of the House tax reform, saying earlier this week that the provision was "a given" for final legislation, but would include a transition period for import-heavy industries.

Strategy: Spirited Earnings. The Q1 earnings season is fast approaching as March is fast coming to an end. Since Election Day, Debbie and I have been commenting on the remarkable jump in "animal spirits" visible in surveys of consumers, CEOs, small business owners, purchasing managers, regional businesses, and homebuilders. Last week's setback for the Trump administration might quash some of the animal spirits, but we expect they will remain strong overall on expectations that deregulation and tax cuts will happen and be good for consumers, workers, and businesses. We are tracking the happy-go-lucky surveys in our new chart publication, *Animal Spirits*.

The first hint we have that animal spirits are cooling off a bit was Markit's report last Friday that the US M-PMI declined from 54.2 during February to 53.4 during March (*Fig. 1*). By the way, while there's no reason whatsoever to believe that Trump's election unleashed animal spirits in the Eurozone, they are showing up in the region's March M-PMIs and NM-PMIs (*Fig. 2*, *Fig. 3*, and *Fig. 4*). The standouts are Germany's M-PMI (58.3) and France's NM-PMI (58.5). Europe continues to show signs of economic improvement.

Back at home, as Debbie discusses below, the "soft data" available from three regional surveys conducted by the FRBs of NY, Philly, and KC confirm the overall dip in March activity shown in the Markit M-PMI. However, they remain very strong, with notable strength in new orders and employment (*Fig. 5*). Nondefense capital goods orders and shipments excluding aircraft over the past three months are also showing better growth rates of 8.8% and 8.6% (saar) over the three months through February, based on the three-month average (*Fig. 6* and *Fig. 7*).

The upturn in these orders and shipments over the past few months, following declines during the second half of 2015 and first half of 2016, confirms that the energy-led recession is over and no longer weighing on capital spending. That's also been confirmed by S&P 500 revenues and earnings, as Joe and I have observed since late last summer. Let's review the latest developments:

(1) *Forward and annual earnings estimates.* Forward earnings for the S&P 500/400/600 continue rising into record-high territory (*Fig. 8*). Just as impressive is that 2018 estimates for all three aggregates are holding firm and showing growth rates of 12.2%, 13.3%, and 19.0% y/y. Joe and I surmise that industry analysts may be factoring in expectations that corporate tax cuts will boost next year's earnings, so they are in no rush to lower their estimates for the coming year, as they have often done in the past as it approaches.

(2) *Forward and annual revenues estimates.* Forward revenues for the S&P 500 remained at a record high during mid-March ([*Fig. 9*]). The same can be said of the forward revenues for the S&P 600. However, revenues for the S&P 400 have been sloppier of late, dipping during the second half of 2016, but showing a bit of a recovery in recent weeks.

(3) *Let the season begin.* Joe and I are estimating that S&P 500 earnings rose 10.3% y/y during Q1. Industry analysts are currently forecasting a 9.5% increase, with the following expectations for the 11 sectors of the S&P 500: Energy (returning to a profit in Q1 from a year-ago loss), Financials (15.9%), Tech (14.3), Materials (11.5), Industrials (4.8), Health Care (2.6), Telecom (2.6), Consumer Staples (2.4), Real Estate (1.4), Utilities (1.3), and Consumer Discretionary (1.3).

CALENDARS

US. Mon: Dallas Fed Manufacturing Index 22.0, Evans, Kaplan. **Tues:** Advance Merchandise Trade Balance -$66.5b, Consumer Confidence 113.5, Richmond Fed Manufacturing Index 15.0, S&P Corelogic Case-Shiller HPI 0.8%m/m/5.7%y/y, Kaplan. (Bloomberg estimates)

Global. Mon: Germany Ifo Business Climate, Current Assessment, and Expectations Indexes 111.1/118.3/104.3, Eurozone M3 4.9% y/y. **Tues:** Japan Retail Trade 0.3%m/m/0.7%y/y. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance (*link*): The US MSCI index fell 1.5% last week, ranking 41st of the 49 markets as 21 rose in US dollar terms—compared to 43rd a week earlier, when it rose 0.3% as 43 markets moved higher. The AC World ex-US index outperformed the US MSCI for a third straight week and only the sixth time in the past 19 weeks, remaining flat for the week after surging 2.4% higher a week earlier. EM Eastern Europe was the best-performing region last week, with a gain of 0.7%, followed by EM Latin America (0.6%), EMEA (0.5), EMU (0.4), and EM Asia (0.2). The week's worst-performing regions: EAFE (-0.1) and BRIC (-0.1). Argentina (3.9) was the best-performing country last week on the news that MSCI was considering elevating the country from frontier market status back to emerging markets. Also rising sharply were Mexico (2.5), Chile (2.3), and Colombia (2.0). Morocco (-3.6) was the worst performer, followed by New Zealand (-3.0) and Greece (-2.9). The US MSCI is up 4.8% ytd, slipping to 34/49 from 28/49 a week earlier, and continues to trail the AC World ex-US (7.5) on a ytd basis. Forty-three of the 49 markets are positive ytd, led by Argentina (34.1), Poland (21.6), Mexico (17.0), Korea (16.9), Chile (15.2), India (15.0), and China (14.4). The worst country performers ytd: Sri Lanka (-8.1), Greece (-8.0), Russia (-3.6), and Morocco (-2.1). The best-performing regions ytd: EM Asia (13.7), BRIC (12.0), EM Latin America (12.0), and EMU (7.6). The worst-performing regions, albeit with gains: EM Eastern Europe (1.7), EMEA (2.3), and EAFE (6.8).

S&P 1500/500/400/600 Performance (*link*): All three indexes fell last week for the second time in three weeks and had their biggest w/w decline since mid-September. LargeCap dropped 1.4%, but fell less than MidCap (-2.1%) and SmallCap (-2.8). Just four of the 33 sectors rose in the latest week, down from 31 rising a week earlier. LargeCap and MidCap ended the week 2.2% and 3.6% below their March 1 record highs, respectively, and SmallCap ended 4.2% below its record high on February 21. The Utilities sectors dominated last week's gainers: LargeCap Utilities (1.3), LargeCap Real Estate (0.7), SmallCap Utilities (0.6), and MidCap Utilities (0.1). MidCap Telecom (-10.1) was the worst sector performer last week, followed by SmallCap Financials (-5.9), MidCap Financials (-4.5), and SmallCap Materials (-3.9), and LargeCap Financials (-3.8). Nineteen of the 33 sectors are positive ytd, with LargeCap (4.7) beating MidCap (2.0) and both easily ahead of SmallCap (-1.5). The biggest sector gainers ytd: LargeCap Tech (11.0), MidCap Health Care (8.5), LargeCap Health Care (7.7), SmallCap

Health Care (7.3), and LargeCap Utilities (6.8). The worst performers ytd: MidCap Energy (-19.0), SmallCap Energy (-19.0), MidCap Telecom (-17.9), and LargeCap Energy (-9.3).

S&P 500 Sectors and Industries Performance (*link*): Just two of the 11 sectors rose last week, and six outperformed the S&P 500's 1.4% decline. This compares to nine sectors rising a week earlier, when an unusually high eight outperformed the S&P 500's 0.2% gain. Utilities was the best-performing sector for the week with a gain of 1.3%, followed by Real Estate (0.7%), Consumer Staples (-0.7), Tech (-0.9), Consumer Discretionary (-1.0), and Health Care (-1.3). Financials was last week's worst performer for a second straight week, with a decline of 3.8%, followed by Telecom (-1.9), Industrials (-1.8), Energy (-1.7), and Materials (-1.5). So far in 2017, nine of the 11 sectors are higher and five have outperformed the S&P 500's 4.7% gain. In the ytd performance derby, Utilities jumped to third from sixth a week earlier, and Financials dropped to ninth from seventh. The best performers in 2017 to date: Tech (11.0), Health Care (7.7), Utilities (6.8), Consumer Discretionary (6.3), and Consumer Staples (5.8). The seven sectors underperforming the S&P 500: Energy (-9.3), Telecom (-4.3), Financials (1.2), Real Estate (1.9), Industrials (3.1), and Materials (3.9).

Commodities Performance (*link*): Eight of the 24 commodities we follow rose last week, down from 17 rising a week earlier. The week's best performers: Cocoa (5.9%), Natural Gas (5.0), Live Cattle (2.9), Lead (2.8), and Feeder Cattle (2.6). Last week's laggards: Kansas Wheat (-5.6), Nickel (-3.8), Coffee (-3.1), and Corn (-3.1). Fourteen commodities are higher so far in 2017 versus 18 rising during all of 2016. The best performers in 2017 so far: Lead (17.1), Aluminum (14.6), Lean Hogs (14.5), Silver (11.0), and Zinc (10.1). The energy-related commodities now dominate this year's laggards to date: Natural Gas (-15.3), Heating Oil (-13.0), Crude Oil (-10.7), GasOil (-10.7), and Brent Crude (-10.4).

Assets Sorted by Spread w/ 200-dmas (*link*): Spreads between prices and 200-day moving averages (200-dmas) rose last week for 8/24 commodities, 3/9 global stock indexes, and 3/33 US stock indexes compared to 17/24, 6/9, and 28/33 rising a week earlier, respectively. Twelve commodities trade above their 200-dmas, down from 14 a week earlier, as Live Cattle and Natural Gas turned positive w/w and these four exited: Brent Crude, Crude Oil, GasOil, and Kansas Wheat. Commodities' average spread fell to 1.9% from 2.6%. Among assets, Commodities walked away with four of the top spots last week: Lean Hogs leads all commodities and indeed all assets at 22.0% above its 200-dma; next in line among Commodities are: Zinc (13.5%), Lead (13.3), Aluminum (12.7), and Copper (10.1). Cocoa performed the best of all assets last week, improving 5.4ppts to -16.1%, but was the lowest-trading commodity relative to its 200-dma. Kansas Wheat was the worst commodity performer, falling 5.7ppts w/w exactly to its 200-dma (i.e., 0.0% relative to it). The global indexes trade an average of 7.1% above their 200-dmas, down from 7.5% above in the prior week. All nine of the global indexes trade above their 200-dmas, unchanged from a week earlier. Chile (14.0) leads the global indexes, followed by Germany (10.7). Chile was also the group's best performer last week, with a gain of 1.9ppts. Canada (3.2) is trading at the lowest relative to its 200-dma of the global assets, but Japan (8.4) had the weakest performance of its country peers last week, as it fell 2.0ppts. The US indexes trade at an average of 3.2% above their 200-dmas, with 26 of the 33 sectors above, down from a 5.4% average a week earlier when 27 sectors were above. LargeCap Telecom turned negative last week, and none of the sectors turned positive. The US stock indexes no longer dominate the top ten assets trading above their 200-dmas. LargeCap Tech now leads all US stock indexes at 11.1% above its 200-dma, followed by SmallCap Tech (10.7), LargeCap Financials (10.4), and MidCap Tech (10.3). LargeCap Utilities rose 1.2ppts w/w to 5.1% for the biggest gain among US stock indexes. MidCap Telecom trades 16.6% below its 200-dma, the lowest of all assets, and also had the worst performance of all assets w/w, declining 9.1ppts.

S&P 500 Technical Indicators (*link*): The S&P 500 remained in a Golden Cross last week for a 48th week (after 17 weeks in a Death Cross) as the index's 50-day moving average (dma) improved relative to its 200-dma for a 16th straight week. Its 50-dma rose to a 27-week high of 5.4% above its 200-dma from 5.3% a week earlier and a six-month low of 2.0% in early December. That matches the 30-month high of 5.4% in mid-September and is up from a 52-month low of -4.5% in March 2016. The S&P 500's 50-dma moved higher for a 19th week after six weekly declines, and the index closed the week above its 50-dma for a 19th week after nine weeks below. However, the S&P 500 tumbled to 0.5% above its rising 50-dma from 2.3% a week earlier. That's down from a 38-week high of 4.8% above its rising 50-dma on December 13 and compares to a 52-month high of 6.2% in March 2016 and a five-month low of -7.8% in January 2016. The S&P 500's bounce off its 200-dma in early November also weakened last week as the index closed the week at a six-week low of 5.9% above its rising 200-dma, down from 7.8% a week earlier and a 38-month high of 9.4% on March 1. The 50-dma and 200-dma both rose together for an 18th week, albeit at a slower pace.

S&P 500 Sectors Technical Indicators (*link*): The short-term and long-term pictures weakened for nine of the 11 S&P 500 sectors last week as Real Estate and Utilities were the only two sectors to improve. Six of the 11 sectors trade above their 50-day moving averages (dmas), down from 10 a week earlier. Energy remained below its 50-dma for a tenth straight week and was joined by these four sectors: Financials, Industrials, Materials, and Telecom. That's a big turnaround from mid-January when all 11 were above their 50-dmas, and the week before the election when all 11 were below for the first time since December 11, 2015. Eight of the 11 sectors were above their 200-dmas last week, down from nine a week earlier as Telecom turned negative and Energy and Real Estate remained below. Nine sectors are in a Golden Cross now, with 50-dmas higher than their 200-dmas, unchanged from a week earlier and leaving just Real Estate and Telecom still out of the club. All 11 had been in a Golden Cross during a 21-week streak that ended October 24, the longest such stretch since October 2014. Nine of the 11 sectors have rising 50-dmas, up from eight a week earlier as Real Estate turned up and these two continued falling: Energy and Telecommunication Services. Nine sectors have rising 200-dmas, down from 10 rising a week earlier, as Energy turned flat and Real Estate continued falling.

US ECONOMIC INDICATORS

Durable Goods Orders & Shipments (*link*): February's report brings signs of life in capital spending, boding well for economic growth. Nondefense capital goods shipments ex aircraft (used in calculating GDP) rose for the third time in four months, jumping an impressive 1.0% last month. The comparable orders measure (a proxy for future business investment) was little changed around recent highs. These core shipments accelerated 8.6% (saar) during the three months ending February, based on the three-month average, the strongest growth rate since October 2014. (This measure had declined steadily from October 2015 through October 2016.) Real core orders expanded 8.8% (saar) over the comparable period, the best since September 2014. Headline durable goods orders began 2017 on an up note, advancing 1.7% in February after a 2.3% surge in January. Excluding transportation, orders advanced for the sixth consecutive month by 0.4%m/m and 3.8% over the period.

Regional M-PMIs (*link*): Three Fed districts so far have reported on manufacturing activity for March—New York, Philadelphia, and Kansas City—and show the sector continued to expand at a robust pace, though not as fast as February's torrid pace. We average the composite, orders, and employment measures as data become available. The composite index slipped to 23.1 this month from 25.3 last month—which was the highest reading since July 2004. The Kansas City gauge (to 20 from 14) jumped to a six-year high, while both the Philadelphia (32.8 from 43.3) and New York (16.4 from 18.7) measures slowed slightly after improving dramatically in February. Meanwhile, the orders and employment indexes continued to pick up. The new orders index (30.6 from 25.8) accelerated for the seventh consecutive month, reaching its fastest pace since the end of 2003. The Philadelphia (38.6 from 38.0), Kansas City (32 from 26) and New York (21.3 from 13.5) gauges showed the fastest growth since December 1987, December 2003, and April 2010, respectively. The employment index (13.1 from

10.0) was positive for the third month—after negative readings the prior 16 months—at its highest level since May 2014. Philadelphia's (17.5 from 11.1) gauge showed job gains were the fastest in nearly two years, while New York's (8.8 from 2.0) showed manufacturers adding to payrolls for the second month after cutting jobs the previous seven months; Kansas City's (13 from 17) hiring slowed a bit from February's six-year high.

New Home Sales (*link*): New home sales in February climbed to their best level since last July, while builder optimism hit a 12-year high this month. New home sales advanced 6.1% last month to 592,000 (saar) after a 5.3% jump in January, more than reversing December's 7.5% loss. (These sales are tabulated when contracts are signed, making it a timelier barometer of the residential market than existing home sales.) Regionally, sales in the Midwest (30.9%) surged to their highest level since November 2007; sales also rose in the West (7.5) and South (3.6), but slumped in the Northeast (-21.4). In February, there were 266,000 new single-family homes on the market, the highest level since July 2009. The months' supply of homes dipped for the second month to 5.4 from 5.8 at the end of last year. A 6.0-month supply is viewed as a healthy balance between supply and demand. March's survey of the National Association of Homebuilders (NAHB) showed builders' optimism jumped to 71, the highest since June 2005. According to NAHB's chairman, "Builders are buoyed by President Trump's actions on regulatory reform, particularly his recent executive order to rescind or revise the waters of the U.S. rule that affects permitting." Of the index's three components, current sales conditions jumped 7 points, while sales expectations rose 5 points—both to 78; buyer traffic surged 8 points to 54.

GLOBAL ECONOMIC INDICATORS

US PMI Flash Estimate (*link*): Private-sector growth this month expanded at its slowest pace since September, showing a loss of momentum from January's 14-month high. Markit's Composite Output Index fell to 53.2 from 54.1 in February and 55.8 in January, as both the M-PMI (to 53.4 from 55.0) and the NM-PMI (52.9 from 55.6) fell over the two-month period. According to the report, new business moderated in both the manufacturing and services sectors this month, with the latter's the more worrisome. The services sector reported the weakest growth in new work in a year, and experienced one of the weakest rates of job creation in three years. Some firms noted greater caution among clients, despite a supportive economic backdrop so far this year. As for manufacturing, new order volumes expanded at the slowest pace in five months, contributing to more cautious purchasing activity; pre-production stocks were accumulated at the slowest pace since September, and finished goods inventories dropped for the first time in six months. Input price inflation for manufacturing was the fastest in two and a half years, while it was relatively subdued for the service sector.

Eurozone PMI Flash Estimates (*link*): Growth in the Eurozone hit a six-year high this month, according to the flash estimate, on widespread strength. The Composite Output Index accelerated again this month from 56.0 to 56.7—the best reading since April 2011. Growth accelerated in both the manufacturing and service sectors, with both the flash M-PMI (to 56.2 from 55.4) and the NM-PMI (56.5 from 55.5) the highest in 71 months. For the region, job growth was the best in nearly a decade as both the manufacturing and service sectors responded to surging orders; business optimism hit a new peak. By country, growth accelerated in both France (57.6 to 55.9) and Germany (57.0 from 56.1) to 70-month highs, with France's Composite Output Index above Germany's again this month—after moving above for the first time since August 2012 in February. France's acceleration this month was driven by the best service sector growth since May 2011; manufacturing activity expanded at a robust, but slower pace. Both the manufacturing and service sectors in Germany accelerated this month, with the former reaching a 71-month high. Elsewhere in the Eurozone, the rate of growth in output and new orders slowed a bit, though remained close to the best seen in almost a decade; meanwhile, jobs growth hit a near ten-year high.

Japan M-PMI Flash Estimate (*link*): Japan's manufacturing sector slowed this month, according to the flash estimate, after growing at its sharpest rate in nearly three years in February. The M-PMI slipped to a three-month low of 52.6 after climbing steadily from 47.7 last May to 53.3 in February, which was the highest reading since March 2014. Production and new orders growth slowed, while hiring matched February's pace; business confidence softened a bit after reaching a survey high in February.

Contact us by email or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Debbie Johnson, Chief Economist, 480-664-1333
Joe Abbott, Chief Quantitative Strategist, 732-497-5306
Melissa Tagg, Director of Research Projects & Operations, 516-782-9967
Mali Quintana, Senior Economist, 480-664-1333
Jackie Doherty, Contributing Editor, 917-328-6848
Valerie de la Rue, Director of Institutional Sales, 516-277-2432
Mary Fanslau, Manager of Client Services, 480-664-1333
Sandy Cohan, Senior Editor & Webmaster, 570-775-6823