MORNING BRIEFING
September 11, 2017

The Jokers Are Wild

See the collection of the individual charts linked below.

(1) Meetings in Chicago and Toronto. (2) Shuffling the deck of cards again. (3) Upping the ante on the Three Deuces scenario. (4) The bond market draws a Joker. (5) The joke on the consensus forecast would be a late-cycle boom. (6) Contrary instincts on high alert. (7) The price of oil should be soaring along with other commodity prices as the dollar sinks, but it isn't doing so. (8) Stocks are flying in emerging markets. (9) Putting it all together: Noninflationary global boom overseas with slow growth in the US. (10) A winning hand for stocks. (11) The wrath of J.Law and Mother Nature.

US Economy: Four Deuces & a Joker. I was in Chicago and Toronto at the end of last week visiting our accounts. Almost all of us were in agreement on the outlook for the US economy, which means that almost all of us are nervous that our consensus outlook is too consensus. So we also talked about alternative scenarios.

The consensus scenario is "what you see is what you'll get." It is the Three Deuces scenario. In our conversations, I raised the ante, adding a couple of scenarios as follows:

(1) *Three Deuces.* In the consensus view, real GDP should continue to grow at a sluggish pace around 2.0% y/y. Inflation is likely to be no higher than 2.0%. The Fed should gradually raise the federal funds rate to 2.00% by the end of next year (*Fig. 1*). That's the Three Deuces scenario.

(2) *Four Deuces.* I added that if inflation remains subdued and if there is no boom, then there should be no bust for the foreseeable future. In this Four Deuces scenario, the unemployment rate, which is currently 4.4%, could fall below 3.0% toward 2.0%, though the lowest it has ever been in the post-war era was 2.5% during May/June 1953 (*Fig. 2*).

(3) *Four Deuces and a Joker.* In one of my meetings, with an account who invests mostly in bonds, one fellow pointed out that the US Treasury 10-year bond yield is another deuce card. When I was at that meeting in Chicago on Thursday, the yield fell down to 2.05%, the lowest reading since November 8, 2016 (*Fig. 3*). It's been led back down recently by the comparable TIPS yield, which fell from 0.66% on July 10 to 0.25% on Friday, the lowest since November 9, 2016. Interestingly, the expected inflation rate for the next 10 years implied by the spread between the nominal and TIPS yields has been fairly steady around 1.8% for the past few weeks (consistent with the deuce card for inflation) (*Fig. 4*). Since there are only four deuces in a pack of playing cards, we agreed to call this the "Four Deuces and a Joker" scenario.

In a breakfast meeting with one of our accounts on Friday in Toronto, my guest suggested that the joke could be on the consensus view. Like most Canadian investors, he is very aware and knowledgeable about commodity markets. He noted that the jump in metals prices over the past year is telling him that a typical late-cycle boom may be underway. So he is on the lookout for big upside surprises in economic growth, inflation, and interest rates. In this scenario, stocks might continue to rise for a while. But this should all end badly by 2019 because booms always set the stage for busts. In his opinion, the business cycle isn't dead, and is about to make a widely unanticipated comeback.

My response was that I don't see an inflationary boom coming, but that his scenario is probably the most plausible contrary one out there right now. He asked me to be alert to signs that he might be right. I told him that my contrary instincts were already on high alert, and even more so after our breakfast.

Commodities: The Joker Is Wild. There is only one Joker in a pack. In my Four Deuces and a Joker scenario, the Joker is the bond yield, which has fallen from a high for this year of 2.62% on March 13 to 2.06% on Friday, with the comparable TIPS yield down from 0.61% to 0.25% over this period. My Canadian friend's Joker is the price of copper, which has soared 19% over this same time period (*Fig. 5*). There are two alternative Jokers: North Korea's deranged leader and our kooky president.

In other words, the Joker could be a deuce or a King. Or the Joker might be the Ace pilot leading commodity prices higher. I know: My metaphor just turned into a losing hand. Before I turn into a court jester, let's have a closer look at the high-stakes poker game underway on the commodity tables:

(1) *Copper & other commodities.* The price of copper is one of the 13 prices included in the CRB raw industrials spot price index, and the two are highly correlated (*Fig. 6*). The metals component of this index—which includes scrap copper, lead scrap, steel scrap, tin, and zinc—soared 68% since it bottomed on December 17, 2015 to its recent peak last Tuesday, which was the highest reading since September 10, 2014 (*Fig. 7*). That's quite an impressive rebound. It shows that the metals and mining industry restructured remarkably quickly when their prices tanked in 2014 and 2015. Now that the global economy is growing in a synchronized fashion for the first time since the recovery from the 2008 recession, commodity prices are soaring as robust demand is tightening up supplies.

(2) *Commodities & the dollar.* But there is more going on behind the soaring CRB raw industrials spot price index than just global synchronized economic growth. The inverse of the trade-weighted dollar is highly correlated with the CRB index, its basic metals components, and the price of copper (*Fig. 8*, *Fig. 9*, and *Fig. 10*). The trade-weighted dollar fell nearly 10% since peaking recently on January 11 through Friday to the lowest level since July 14, 2015.

Market Correlations: Lots of Wild Cards. Besides the breakdown of the correlation between the bond yield and the price of copper there have been a few other notable divergences:

(1) *Copper and oil*. From 2004 through 2016, the price of a barrel of Brent crude oil was highly correlated with the nearby futures price of copper (*Fig. 11*). So far this year, they've diverged significantly as the price of copper has soared while the price of oil has been relatively flat. The same can be said for the relationship of the CRB raw industrials spot price index and the price of oil (*Fig. 12*).

(2) *The dollar and oil*. From 2005 through 2016, there was a good correlation between the price of a barrel of Brent crude oil and the inverse of the trade-weighted dollar (*Fig. 13*). This year, the dollar has dropped 9%. Yet, instead of moving higher as suggested by the past correlation, the price of oil is down 5% since the start of the year.

Then again, some correlations are still working, such as:

(1) *EMs and commodities.* The CRB raw industrials spot price index bottomed on November 23, 2015 and is up 30% since then. The Emerging Markets MSCI index (in local currencies) bottomed on January 21, 2016, and is up 44.7% since then (*Fig. 14*). The correlation is even tighter when the stock price index is in dollars (*Fig. 15*).

(2) *EMs and the dollar.* There was a tight correlation between the EM stock price index (in local currencies) and the inverse of the dollar from 2001 through 2012 (*Fig. 16*). Then they diverged for a while, or at least didn't move in tandem as they had, from 2013 through 2016. However, they've found their mutual groove this year as the EM stock price index rose 20.7% ytd, while the trade-weighted dollar fell 9% ytd.

So what's the story? It looks like a global synchronized boom, according to the prices of basic metals and Emerging Markets stocks. The boom may be attributable to the windfall that users of oil are enjoying, as ample supplies have cut the oil price in half since 2014. The global boom isn't inflationary so far given the weakness in oil, which has a much bigger weight in the S&P GSCI than other commodities. The weaker dollar is keeping a lid on inflationary pressures overseas. Here in the US, slow growth, political gridlock, geopolitical risks, and overvalued stocks have attracted bond buyers. All the above may continue to be a winning hand for stocks.

Mother Nature: The Wildest Card. On Friday, when I was in Toronto, Jennifer Lawrence was in the UK promoting her new film "Mother!" She suggested the devastating hurricanes in Texas and approaching Florida were signs of "Mother Nature's rage and wrath" at America for electing Donald Trump and not believing in man-made climate change.

She must know what she is talking about since she is an Oscar-winning actress. In any event, a consequence of these disasters is that lots of homes will have to be repaired or rebuilt. The government is likely to finance some of this reconstruction since so few homeowners had flood insurance. This could boost economic activity in the US. However, there is a serious shortage of construction workers. That could boost wage inflation, though it is likely to be limited to the construction industry. Trump might have to beg Mexican construction workers to come back to the US after an estimated 500,000 of them went back home when the US housing boom turned into a bust in 2008. He may also need them to build the wall on their way back home.

The real problem in Texas and Florida is what they used to say in the TV commercial for Chiffon margarine: "It's not nice to fool Mother Nature." If you want to live in areas that are prone to flooding, hurricanes, and tornadoes, perhaps you should be required to have insurance for such disasters, especially if you take out a mortgage.

According to a 9/10 article posted on Quartz, "Homeowners' insurance does not cover damage to a home caused by flooding. A homeowner must have a separate policy to cover flood-related losses, defined as water traveling along or under the ground. Most such policies are underwritten by the National Flood Insurance Program, which is part of the Federal Emergency Management Agency (FEMA). The National Flood Insurance Program was established in 1968 to address the lack of availability of flood insurance in the private market and reduce the demand for federal disaster assistance for uninsured flood losses."

Now technically, flood insurance *is* required in high-risk areas. According to an 8/29 *Washington Post* article: "Legally, homeowners in places that FEMA designates as 'high-risk' flood areas are supposed to have the insurance, but the rule isn't tightly enforced." To us, it seems logical that the enforcement problem probably reflects owners allowing in-place policies to lapse more so than new home owners not getting flood insurance in the first place since many mortgage companies require it to obtain a home loan in risky areas. In any event, "the vast majority of people hit by Harvey weren't even in a high-risk flood zone," a storm damage estimator was quoted as saying for the *Washington Post* article.

It's too bad that homeowners (either in or outside floodplains) don't see the value in the flood insurance until it's too late. Usually that's when a storm is brewing. Last-minute coverage isn't available because of the 30-day wait period after a National Flood Insurance Program (NFIP) policy is purchased.

Generally, these policies seem relatively cheap for the coverage to protect one of life's biggest assets, our homes. On average, the cost for a policy in Texas is about $500 per year, though it is higher in areas designated as floodplains. That typically covers around $250,000 for damages and $100,000 for personal property inside the damaged structure. In contrast, those who forgo the insurance might be eligible for aid from FEMA. But that could be just about $33,000 max. That's all according to the article.

Interestingly, private insurance companies have hesitated to touch flood policies because of the potential for catastrophic losses. Indeed, according to the article, the NFIP is $25 billion in debt after Sandy and Katrina. That's not even including Harvey, let alone Irma. The program is authorized to borrow only up to $30 billion, so that limit undoubtedly will need to be extended if more aid is to be provided.

CALENDARS

US. Mon: None. **Tues:** NFIB Small Business Optimism Index 104.8, Job Openings 6.010m. (Bloomberg estimates)

Global. Mon: Canada Housing Starts 220k, Japan Machine Tool Orders. **Tues:** UK Headline & Core CPI 2.8%/2.5% y/y, UK House Price Index 4.8% y/y. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance (*link*): The US MSCI index fell 0.6% last week. That performance ranked it 39th out of the 49 markets as 25 countries rose in US dollar terms—compared to 17th a week earlier, when it rose 1.4% as 36 countries moved higher. The AC World ex-US index outperformed the US MSCI for sixth time in nine weeks, rising 0.6%, the same as a week earlier. Last week saw all regions avoid falling w/w for a third straight week. EMU performed best with a gain of 1.2%, followed by EM Latin America (1.0%), EM Eastern Europe (0.9), and EAFE (0.8). EM Asia was the worst-performing region as it was unchanged w/w, followed by EMEA (0.1) and BRIC (0.2). Morocco and Brazil were the best-performing countries with gains of 2.8%, followed by Malaysia (2.4), Germany (2.4), and Belgium (2.0). South Africa was the worst performer as it fell 2.4%, followed by Egypt (-1.8), Turkey (-1.7), Mexico (-1.6), and Greece (-1.5). The US MSCI is up 10.1% ytd, with its ranking down one place w/w to 39th of the 49 markets, and continues to trail the AC World ex-US (17.8) on a ytd basis. Forty-five of the 49 markets are positive ytd, now led by Poland (49.6), Argentina (47.2), Austria (43.7), Turkey (41.9), China (38.5), Hungary (34.2), and Denmark (30.4). The worst country performers ytd: Pakistan (-25.2), Israel (-6.7), Russia (-4.9), and Jordan (-0.3). BRIC is the best-performing regions ytd with a gain of 30.3%, followed closely by EM Asia (30.0) and ahead of EM Latin America (25.7) and EMU (21.9). The worst-performing regions, albeit with gains: EM Eastern Europe (8.1), EMEA (10.2), and EAFE (16.0).

S&P 1500/500/400/600 Performance (*link*): All three indexes fell last week as LargeCap, with a 0.6% decline, fell less than SmallCap (-1.0%) and MidCap (-1.1). At the week's end, LargeCap stood 0.8% below its August 7 record high, MidCap was 4.1% below its July 25 high, and SmallCap was 4.2% below its July 25 peak. Nine of the 33 sectors rose w/w, compared to 28 rising a week earlier and just one the week of August 11, which was the lowest since September 2016. Last week's biggest gainers: LargeCap Health Care (1.5), LargeCap Energy (1.3), LargeCap Utilities (0.9), and LargeCap Real Estate (0.8). Telecom and Financials dominated last week's worst performers: MidCap Telecom (-8.0), SmallCap Telecom (-6.0), LargeCap Telecom (-4.5), SmallCap Financials (-3.8), MidCap Financials (-3.6), and LargeCap Financials (-2.8). Nineteen of the 33 sectors are positive ytd, with LargeCap (9.9) easily beating both MidCap (3.5) and SmallCap (0.1). Tech and Health Care dominate the biggest sector gainers ytd: LargeCap Tech (23.9), SmallCap Health Care (21.6), LargeCap Health Care (19.4), MidCap Health Care (18.3), and SmallCap Utilities (17.4). Energy and Telecom dominate the worst performers ytd: SmallCap Energy (-42.1), MidCap Telecom (-39.3), MidCap Energy (-34.3), LargeCap Telecom (-15.2), and LargeCap Energy (-15.0).

S&P 500 Sectors and Industries Performance (*link*): Five of the 11 sectors rose last week, and six outperformed the S&P 500's 0.6% decline. This compares to eight sectors rising a week earlier, when five outperformed the S&P 500's 1.4% gain. Health Care was the best-performing sector for a second week as its 1.5% gain beat these outperforming sectors: Energy (1.3%), Utilities (0.9), Real Estate (0.8), Consumer Staples (0.1), and Industrials (-0.6). Telecom (-4.5) was the worst-performing sector for a second week, followed by Financials (-2.8), Materials (-1.1), Consumer Discretionary (-1.1), and Tech (-1.1). So far in 2017, nine of the 11 sectors are higher, but only three have outperformed the S&P 500's 9.9% gain. The best performers in 2017 to date: Tech (23.9), Health Care (19.4), and Utilities (13.0). The eight sectors underperforming the S&P 500 ytd: Energy (-15.2), Telecom (-15.0), Financials (3.1), Consumer Staples (6.2), Real Estate (7.5), Industrials (7.7), Consumer Discretionary (9.3), and Materials (9.9).

Commodities Performance (*link*): Fifteen of the 24 commodities we follow rose last week as the S&P GSCI commodities index rose 0.2%. That compares to 19 commodities rising a week earlier, when the GSCI index rose 1.9%. The week's strongest performers: Cotton (3.8%), Feeder Cattle (3.4), Sugar (3.3), Live Cattle (3.1), and GasOil (2.6). Last week's laggards: Unleaded Gasoline (-6.5), Lead (-5.6), Natural Gas (-5.4), Zinc (-4.9), and Nickel (-3.7). Industrial metals-related commodities dominate the best performers in 2017 so far: Aluminum (23.6), Copper (20.7), Feeder Cattle (18.6), Zinc (17.9), Gold (17.3), and Nickel (15.6). This year's laggards: Sugar (-27.2), Natural Gas (-22.0), Crude Oil (-11.4), Cocoa (-9.1), and Lean Hogs (-7.0).

Assets Sorted by Spread w/ 200-dmas (*link*): Spreads between prices and 200-day moving averages (200-dmas) rose last week for 14/24 commodities, 2/9 global stock indexes, and 8/33 US stock indexes compared to 19/24, 5/9, and 28/33 rising a week earlier, respectively. Thirteen commodities trade above their 200-dmas, up from 12 a week earlier. Commodities' average spread weakened w/w to 1.4% from 1.8%. Nickel leads all commodities and all assets at 14.9% above its 200-dma, followed by Copper (13.2). Sugar (-14.9) and Lean Hogs (-13.8) trade the lowest of all commodities, but Unleaded Gasoline (2.2) fell 7.5ppts last week for the worst performance of all commodities and all assets. The global indexes trade at an average of 4.5% above their 200-dmas, down from 5.2% in the prior week. Seven of the nine global indexes trade above their 200-dmas, down from eight a week earlier. Japan (-1.0) dropped 2.3ppts and performed the worst of its country peers last week. Brazil (13.0) leads the global indexes and had the best performance among its peers as it gained 1.3ppts. Canada (-2.6) trades the lowest of the global indexes relative to their 200-dmas. The US indexes trade at an average of 0.9% below their 200-dmas, with 17 of the 33 sectors above, down from a 0.2% average a week earlier, when 20 sectors were above. These three US indexes turned negative w/w: LargeCap Financials (-0.1), SmallCap Consumer Staples (-0.5), and SmallCap Telecom (-1.7). SmallCap Utilities now leads all US stock indexes at 11.4% above its 200-dma, followed by SmallCap Health Care (10.4). LargeCap Energy (-7.0) rose 1.5ppts w/w for the best performance of the US stock indexes last week. SmallCap Energy trades 26.9% below its 200-dma, the lowest among the US stock indexes and all assets. SmallCap Telecom (-1.7) fell 6.4ppts for the worst performance of the US stock indexes last week.

S&P 500 Technical Indicators (*link*): The S&P 500 index remained in a Golden Cross last week for a 72nd week (after 17 weeks in a Death Cross) as both the short-term and long-term technicals deteriorated w/w. The index's 50-day moving average (50-dma) relative to its 200-dma fell for a sixth straight week to a 34-week low of 3.5% above its 200-dma from 3.6%, and has weakened during 10 of the past 11 weeks. That's down from a 34-month high of 5.4% in early April and compares to a six-month low of 2.0% in early December and a 52-month low of -4.5% in March 2016. The 50-dma and 200-dma both rose together for a third straight week, after failing to rise together in mid-August for the first time in 36 weeks. The S&P 500's 50-dma moved lower w/w for the second week in four weeks, after rising for 39 straight weeks. The index closed above its 50-dma for a second week after three weeks below, which was its worst streak since it closed below its 50-dma for 10 straight weeks from September 2016 until the November election. The S&P 500 weakened to 0.2% above its rising 50-dma from 1.0% above its rising 50-dma a week earlier, which compares to a four-month low of 1.0% below its falling 50-dma four weeks ago. These 50-dma readings compare to a 38-week high of 4.8% on December 13, and a 52-month high of 6.2% in March 2016. The S&P 500 weakened to 3.7% above its rising 200-dma from 4.6%, which compares to a post-election low of 3.0% above its rising 200-dma four weeks ago and an 11-week high of 7.4% in early June. That's down from a 38-month high of 9.4% on March 1, but up from an eight-month low of -0.1% immediately before the election.

S&P 500 Sectors Technical Indicators (*link*): Among the 11 sectors, Consumer Staples improved w/w relative to its 50-dma, and these four improved w/w relative to both their 50-dma and 200-dma: Energy, Health Care, Real Estate, and Utilities. Five of the 11 sectors trade above their 50-day moving averages (50-dmas), down from six a week earlier as Telecom moved below in the latest week. That leaves just five sectors trading above their 50-dma: Health Care, Materials, Real Estate, Tech, and Utilities. Three weeks ago, just three sectors traded above their 50-dmas, matching mid-April's reading, which was the lowest since the election. All 11 sectors had been above their 50-dmas during mid-January, and all 11 were below the week before the election, for the first time since December 11, 2015. Energy has traded below its 50-dma in 32 of the past 33 weeks, Consumer Staples was below for a 12th week, Consumer Discretionary and Industrials for a fifth week, and Financials for a fourth week. The longer-term picture is better: Eight of the 11 sectors were above their 200-dmas last week, down from nine a week earlier as Financials fell below for the first time since July 2016. Energy was below its 200-dma for a 27th week and Telecom for a 25th week. Nine sectors are in a Golden Cross, with 50-dmas higher than their 200-dmas, unchanged from a week earlier and leaving Energy 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. Five of the 11 sectors have rising 50-dmas, down from eight a week earlier as these three turned down w/w: Consumer Discretionary, Financials, and Telecom. Sectors that still have rising 50-dmas: Health Care, Materials, Real Estate, Tech, and Utilities. Consumer Staples' 50-dma has fallen in eight of the past nine weeks, Energy's fell for a 30th week, and Industrials' for a fifth week. Nine sectors have rising 200-dmas, unchanged from a week earlier, as Energy's fell for a 19th week and Telecom for a second week.

US ECONOMIC INDICATORS

Productivity & Unit Labor Costs (*link*): Productivity growth for Q2 was revised higher, while gains in labor costs remained subdued. Productivity expanded a revised 1.5% (saar), up from the initial estimate of 0.9%, reflecting faster output (to 4.0% from 3.4%) growth; hours worked increased at an unrevised 2.5%. Hourly compensation climbed a revised 1.8% (saar) during Q2, little changed from the preliminary estimate of 1.6%, with unit labor costs rising only 0.2% versus the 0.6% initial gain. Productivity growth for Q1 was unrevised at 0.1% (saar), as was growth for both output (1.8%, saar) and hours worked (1.6). Meanwhile, the increase in Q1 unit labor costs was revised lower (4.8 from 5.4), reflecting slower gains in hourly compensation (4.9 from 5.5). On a y/y basis, nonfarm productivity grew at a two-year high of 1.3% (saar) as output and hours worked advanced 2.8% and 1.5%, respectively; hourly compensation rose 1.1% y/y, while unit labor costs contracted 0.2% as productivity growth exceeded hourly comp gains.

Consumer Credit (*link*): Consumer credit accelerated in July, led by the biggest gain in nonrevolving credit since last fall. Credit advanced $18.5 billion, up from $11.8 billion in June—nearly matching February's high for this year of $18.7 billion. Nonrevolving credit, which includes student and auto loans, jumped $15.9 billion, more than double June's $7.1 billion and above the average $11.3 billion monthly gain during the first half of the year. Meanwhile, the increase in revolving credit slowed for the second month from $6.7 billion in May to $2.6 billion in July, below its average monthly increase of $3.7 billion from January through June.

GLOBAL ECONOMIC INDICATORS

Global Leading Indicators (*link*): In August, the OECD's composite leading indicators (CLIs)—designed to anticipate turning points in economic activity relative to trend six to nine months ahead—once again pointed to stable growth momentum in the OECD (100.1) as a whole. CLIs for the Eurozone (100.5), Japan (100.2), and Canada (100.5) continued to show stable growth momentum, along with the US (99.7) and Italy (100.2)—which were both upgraded from easing growth momentum to stable growth momentum in July's report. This month, France (100.6) was downgraded to the stable growth momentum group; Germany could follow suit, with its CLI (100.9) flagged in the current report as showing signs that growth may be stabilizing. Meanwhile, the UK's CLI (99.5) continued to point to signs of easing growth. As for the emerging economies, CLIs show growth is expected to gain momentum in Brazil (102.8) and India (99.7) as well as in the industrial sector in China (100.0), while Russia's (100.7) continues to show signs of easing growth.

Eurozone GDP (*link*): Real GDP in the Eurozone reached a new record high last quarter, expanding 2.6% (saar)—the fastest pace since Q1-2015. From the expenditure side, household spending was the largest contributor to GDP growth last quarter, accelerating 2.1% (saar) from Q1's 1.4% pace. Real gross fixed capital investment was the second largest contributor, rebounding 3.6% (saar), more than reversing Q1's 1.0% decline—which was the first negative reading since Q2-2104. Real government spending advanced at a five-quarter high of 1.9% (saar), at the top of the 0.8% to 1.9% gains posted the past five quarters. Trade was a positive contributor to GDP for the second quarter as exports (4.4%, saar) once again outpaced imports (3.7). Of the four largest economies, only Spain (3.5%, saar) exceeded the Eurozone's pace, while Germany matched it; GDP growth in France (1.9) and Italy (1.5) lagged behind.

Germany Industrial Production (*link*): Industrial production in July was a surprise on the downside for the second month, stalling just below May's record high. July's headline production, which includes construction, was unchanged after sinking 1.1% in June, which was the first decline this year. It expanded a robust 4.9% during the first five months of this year. In July, increases in manufacturing (0.4%) and construction (0.5) output were more than offset by the biggest decline in energy output (-4.7) since January 2011. The increase in manufacturing production was the sixth this year, for a ytd gain of 3.9%. Intermediate goods output rebounded 1.4% in July to a new record high, while capital and consumer goods production each ticked down 0.3% during the month, with the former just below its record high and the latter just below its cyclical high. The Ministry noted that industrial production was "very dynamic" in the first half of the year, and lost momentum during the summer. However, indicators still point to robust growth during the second half. Germany's M-PMI regained momentum in August, climbing to 59.3—the third largest reading since April 2011. Meanwhile, business confidence in August was little changed after reaching three record highs in a row.

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