



MORNING BRIEFING

December 9, 2019

Purchasing Power

See the [collection](#) of the individual charts linked below.

(1) The Fed is hearing that the local folks are benefiting from the long expansion. (2) Jobless rate down sharply for most Americans by race, ethnicity, and education. (3) Consumers' purchasing power continues to power ahead. (4) There's no stagnation in real wages, which are powering ahead to record highs. (5) Trend in employment growth remains solid. (6) Record number of full-time jobs. (7) Consumers are saving a lot, especially in liquid assets rather than in stocks. (8) Low rates forcing savers to save more. (9) Households' debt-servicing burden is at record low. (10) The income inequality naysayers are getting some pushback finally. (11) Movie review: "The Irishman" (+).

US Labor Market I: The Fed Is Listening. Over the past year, the Fed has been conducting a first-ever public review of monetary policy. As part of that review, Fed officials have been meeting with representatives from a wide range of groups around the country. During these so-called *Fed Listens* events, the locals have been telling Fed officials how the economy is working for them and the people they represent. In an 11/25 [speech](#), Fed Chair Jerome Powell said that his big takeaway is that the longest economic expansion on record is only now starting to have a very positive impact on lots of people who have been down and out for a very long time:

"Many people at our *Fed Listens* events have told us that this long expansion is now benefiting low- and middle-income communities to a degree that has not been felt for many years. We have heard about companies, communities, and schools working together to help employees build skills—and of employers working creatively to structure jobs so that employees can do their jobs while coping with the demands of family and life beyond the workplace. We have heard that many people who in the past struggled to stay in the workforce are now working and adding new and better chapters to their lives. These stories show clearly in the job market data. Employment gains have been broad based across all racial and ethnic groups and all levels of educational attainment as well as among people with disabilities."

Sure enough, here are the November unemployment rates by race and ethnicity: African-American (5.5%, a tick above October's record low of 5.4%), Hispanic (4.2%, not far above September's 3.9% record low), White (3.2%, around 50-year low), and Asian (2.6%, close June's 2.1% record low) ([Fig. 1](#)).

Here are November's jobless rates by education for people aged 25 and over: less than a high-school degree (5.3%, in the neighborhood of September's 4.8% record low), a high-school degree (3.7%, within close range of its lowest rate since 2000), some college (2.9%, around its lowest readings since 2001), and a Bachelor's degree (2.0%, bouncing around its lowest readings since 2008) ([Fig. 2](#)).

US Labor Market II: Gainfully Employed. There was plenty of other good news in November's employment report that was released on Friday, as Debbie discusses below. On balance, the report confirms that the purchasing power of consumers continues to rise in record-high territory. Consider the

following:

(1) *Earned income*. Our Earned Income Proxy (EIP) for private-sector wages and salaries rose 0.4% m/m as both aggregate hours worked and average hourly earnings (AHE) increased 0.2%. All these series are at record highs. The EIP is up 4.8% y/y ([Fig. 3](#)). Debbie estimates that consumer prices rose just 1.3% y/y through November based on the headline personal consumption expenditures deflator (PCED). (That's unchanged from October's rate.) That means that aggregate real earned income is up 3.5% y/y, a very solid increase indeed.

(2) *Wages*. AHE for all workers rose 3.1% y/y during November, which also well exceeds consumer price inflation. It was even better for production and nonsupervisory workers, at 3.7%. Dividing this series by the PCED shows that real AHE for these workers, who currently account for 70% of total payrolls and 82% of private payrolls, is up 1.7% y/y through November.

This measure of the real wage has been moving higher since 1995 along a growth path of 1.2% per year ([Fig. 4](#)). It is up 34% from December 1994 through November. In other words, it belies the widespread myth that real wages have stagnated for the past two to three decades, with all the economic gains going to the rich. In fact, most Americans have never been better off. Period.

Could it be that the real AHE—which is an average, not a median measure—has been driven up by the rich? Nope. The series we are using is just for production and nonsupervisory workers. They would have to win the lottery to be rich.

(3) *Employment*. Friday's employment release was widely described as a "blowout jobs report." November's 266,000 gain in payrolls, which counts the number of both full-time and part-time jobs, was the most since the start of the year. However, this has been a volatile series. The latest 12-month average gain was 183,700 ([Fig. 5](#)).

Similarly, household employment, which counts the number of people with jobs, increased by 149,200 per month on average during the 12 months through November, while the labor force has increased by 131,900 per month on average.

The really good news is that full-time jobs edged up to another record high during November, accounting for 83% of household employment. That was the highest percentage since 2008 ([Fig. 6](#)).

(4) *Weekly earnings*. Buttressing our upbeat story about real pay is a monthly series that comes out with the employment report called "median usual weekly earnings for full-time wage and salary workers." It excludes self-employed persons.

Dividing it by the PCED shows that the series rose 1.9% y/y to a record high during Q3 ([Fig. 7](#)). This quarterly *median* series is highly correlated with monthly *mean* weekly earnings, which we derive by multiplying AHE by the average workweek for all workers as well as for production and nonsupervisory workers. The resulting derived series are up 1.8% y/y and 1.7% through November, respectively, both to record highs. They've both been especially strong in recent months, suggesting that productivity growth may be making a comeback.

US Consumers I: Saving a Bundle. Many consumers spend 100% of what they earn, or more than 100% by borrowing money. Yet collectively, consumers have turned into big savers, especially after the Great Financial Crisis. That's not surprising since it was such a traumatic experience for so many people. Consumers on fixed incomes might also be investing more in interest-bearing securities to boost the income they live on given that interest rates are so low.

We wonder if anyone explained this difficult problem caused by the Fed's low interest-rate policy to the listening Fed officials. Furthermore, lots of people who shouldn't be reaching for yield by purchasing risky securities are being forced to do just that. In any event, consumers are saving a bundle:

(1) *Personal saving trend.* The 12-month moving sum of personal saving was relatively flat around \$400 billion from 1990 through 2008 ([Fig. 8](#)). Since the Great Financial Crisis, it has been on a strong uptrend to a record \$1.3 trillion through October of this year. The annual average from 2009 through 2018 was \$983 billion, more than double the prior average from 1990-2008. The 12-month average of the personal saving rate was 8.1% through October, the highest since April 2013 ([Fig. 9](#)).

(2) *Personal investing trends.* The Bureau of Economic Analysis defines personal saving as a residual derived by subtracting personal consumption expenditures from disposable personal income. It can also be defined as the change in assets minus the change in liabilities of households, but the Fed's data can be misleading because the household sector includes domestic hedge funds, private equity funds, and personal trusts.

The available monthly data of net inflows into various asset categories is just as messy because they include the activity of all investors including individuals and institutions, both domestic and foreign. Nevertheless, we track the following under the assumption that they mostly reflect the investment behavior of individuals in the US:

(1) *Money market mutual funds* attracted \$194 billion over the 12 months through October ([Fig. 10](#)). That's the most since April 2008.

(2) *Saving deposits* are up \$449 billion over the past 12 months through October, up from a recent low of \$153 billion last December, following a big drop in these net inflows from a December 2016 peak of \$649 billion. It's conceivable that many individual investors jumped into the stock market in 2017, regretted doing so in 2018, and have missed the rally in stock prices to record highs this year.

(3) *Equity and bond mutual funds* attracted only \$35 billion over the 12 months through October, with a \$236 billion outflow from equity funds and a \$271 billion inflow into bond funds. That sum is down from a recent high of \$343 billion during January 2018, after a previous 12 months in which there was a \$39 billion outflow from equity funds and a \$382 billion inflow into bond funds.

(4) *The grand total* of all the above net inflows was \$679 billion over the 12 months through October, up from a recent low of \$257 billion last December. Actually, this total isn't so grand because we left out ETFs on purpose since institutional investors may be more active in this asset class than individuals.

In any event, the grand total of liquid assets—specifically, savings deposits (including money market deposit accounts), small time deposits, and total money market mutual funds held by individuals and institutions—rose to a record high of \$13.6 trillion during the 11/25 week, up \$1.2 trillion y/y ([Fig. 11](#)).

(5) *Bottom line:* There is plenty of cash available to drive equity prices higher, possibly even in a meltup fashion if stragglers decide that now is the time to jump into the stock market with both feet.

US Consumer II: Other Side of the Ledger. What about the right side of households' balance sheets? On balance, they have a record amount of debt, but the debt-servicing burden is the lowest on record thanks to record-low interest rates.

According to the [Quarterly Report on Household Debt and Credit](#) compiled by the Federal Reserve

Bank of New York, household debt totaled a record \$14 trillion during Q3-2019 ([Fig. 12](#)). It is up \$2.8 trillion since it bottomed during Q2-2013. The household debt-service ratio (i.e., debt-service payments to disposable personal income), which peaked at a record high of 13.2% during Q4-2007, was down to 9.7% during Q2 ([Fig. 13](#)). That's the lowest on the record starting in 1980.

On the other hand, lots of young adults coming out of college are burdened with large student loans, which in aggregate rose to a record \$1.6 trillion during Q3, up \$1.0 trillion since Q1-2008! The latest total exceeds the record amount of auto loans, which was \$1.2 trillion during Q3 ([Fig. 14](#)).

US Consumer III: The Inequality Debate. In my 2018 book [Predicting the Markets](#) and on numerous occasions since its publication, I have questioned the widespread notion that income inequality has worsened over the past two to three decades as the incomes of 99% of Americans stagnated. As discussed above, real wages actually have been rising along a 1.2% annual growth trendline since the start of 1995.

So I am pleased to see that I am not the only one claiming that the data don't support the interrelated myths of income stagnation and worsening income inequality. The 11/28 issue of *The Economist* features a cover story titled "Inequality illusions: Why wealth and income gaps are not what they appear." The [article](#) itself is titled "Economists are rethinking the numbers on inequality."

On the progressive side of the debate have been Thomas Piketty and Emmanuel Saez. Together, they "pioneered the use of tax data over survey data, thereby doing a better job of capturing the incomes of the richest." Their work revealed that "the 1%" had made out like robber barons at the expense of "the 99%." Their research gave Occupy Wall Street its vocabulary.

The article counters: "It is fiendishly complicated to calculate how much people earn in a year or the value of the assets under their control, and thus a country's level of income or wealth inequality. Some people fail to complete government surveys; others undercount income on their tax returns. And defining what counts as 'income' is surprisingly difficult, as is valuing assets such as unquoted shares or artwork."

Here are a few more key points from *The Economist* piece:

- (1) "[A] recent working paper by Gerald Auten and David Splinter, economists at the Treasury and Congress's Joint Committee on Taxation, respectively, reaches a striking new conclusion. It finds that, after adjusting for taxes and transfers, the income share of America's top 1% has barely changed since the 1960s."
- (2) "Marriage rates have declined disproportionately among poorer Americans. That increases top-income shares by spreading the incomes of poorer workers over more households, even as the incomes of the top 1% of households remain pooled."
- (3) "Reagan's tax reform created strong incentives for firms to operate as 'pass-through' entities, where owners register profits as income on their tax returns, rather than sheltering this income inside corporations. Since these incentives did not exist before then, top-income shares before 1987 are liable to be understated."
- (4) "But it is inequality in incomes after taxes and benefits that really conveys differences in living standards, and in which Messrs Auten and Splinter find little change. Some economists argue these figures are distorted by the inclusion of Medicaid. But it is hard to deny that the provision of free health care reduces inequality. The question is whether 'non-cash benefits' should properly count as income."

In my book, I came to the same conclusion:

“I’m not saying there’s no income inequality. There is and always will be in a competitive economy. I am saying that it probably hasn’t gotten any worse since 1999, based on the fact that most Americans have enjoyed solid gains in their standard of living as measured by both average personal income and personal consumption per household. Furthermore, I submit that it’s incumbent upon progressives who claim income inequality has worsened to prove that this is so after taxes and after government support payments have been considered, not before. If they’re still right, then their calls for more income redistribution are more justified. However, before pressing for even more income distribution, they also should prove that the existing redistribution programs are not the cause of worsening pretax and pre-benefits income inequality. Conservatives argue that government benefits erode the work ethic and thereby exacerbate income inequality. I generally agree with that view. The debate rages on.”

Movie. “The Irishman” (+) ([link](#)) is another Mafia movie directed and produced by Martin Scorsese. It’s a very long movie. The first hour was very slow and boring, but it did get better during the remaining two and a half hours. The movie alleges that hitman Frank Sheeran, played by Robert De Niro, was the killer of Joey Gallo and Jimmy Hoffa, played by Al Pacino. Joe Pesci plays mob boss Russell Bufalino. All three actors look their age and give the movie a nursing-home quality. The movie also implies that John F. Kennedy won the presidential election thanks to the mob in Chicago. The mob expected reciprocation via the Bay of Pigs invasion of Cuba, which would have liberated the Cubans from Castro and returned the island’s casinos to the mob. However, it failed, and insult was added to injury as Kennedy’s brother Bobby, appointed Attorney General, insisted on going after the mob and jailing Hoffa. The movie implies that JFK was assassinated by the Mafia for double-crossing them. Needless to say, much of the story is Hollywood folklore. Sheeran most likely didn’t kill either Gallo or Hoffa, and the Kennedy assassination remains a hot topic for conspiracy buffs.

CALENDARS

US. Mon: None. **Tues:** NFIB Small Business Optimism Index 103.0, Productivity & Unit Labor Costs - 0.1%/3.4%. (DailyFX estimates)

Global. Mon: Eurozone Sentix Investor Confidence -5.3, Germany Trade Balance €19.3b, China CPI & PPI 4.4%/-1.5% y/y, Mexico CPI 3.0% y/y, Lowe. **Tues:** Eurozone ZEW Economic Sentiment Survey, UK GDP 0.1% m/m/0.0% 3m/3m, UK Headline & Manufacturing Industrial Production -1.2%/-1.4% y/y, UK Trade Balance - £2.7b, China Direct Investment, Georgieva. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index rise 0.1% for its eighth gain in nine weeks, but it ended the week 0.3% below its record high on 11/27. The AC World ex-US outperformed with a gain of 0.5% for the week, but remains in a correction at 11.1% below its record high, hit in January 2018. The US MSCI’s weekly performance ranked 28th among the 49 global stock markets, of which 28 rose in US dollar terms. Nearly all of the EM MSCI indexes outperformed or matched the AC World ex-US last week: EM Latin America (2.9%), BRIC (1.3), EM Asia (0.7), and EM Eastern Europe (0.5). The following regions underperformed: EMU (0.0), EAFE (0.4), and EMEA (0.4). Chile was the best-performing country, with a gain of 8.1%, followed by Pakistan (4.6), Brazil (4.0), Indonesia (3.9), and Hungary (3.6). Of the 26 countries that underperformed the AC World ex-US MSCI last week, Greece fared the worst—dropping 3.8%—followed by Israel (-3.1), Poland (-3.0), Thailand (-2.5), and Peru (-1.5). The US MSCI’s ytd ranking remained steady at 6/49, with its 25.7% ytd gain weakening to 11.8ppts ahead of the AC World ex-US’s (13.9). All regions and 41/49 countries are in

positive territory ytd. The regions that are outperforming the AC World ex-US ytd: EM Eastern Europe (19.8), EMU (16.8), and EAFE (15.2). EM Latin America (6.5) is the biggest laggard ytd, followed by EMEA (8.3), EM Asia (9.9), and BRIC (12.9). The best country performers ytd: Russia (33.2), Egypt (31.0), Ireland (31.0), Greece (30.9), and New Zealand (29.8). The worst-performing countries so far in 2019: Argentina (-31.4), Chile (-20.5), Poland (-13.2), Malaysia (-8.2), and Jordan (-6.6).

S&P 1500/500/400/600 Performance ([link](#)): Over the past nine weeks, the LargeCap and MidCap indexes have risen eight times and SmallCap was up seven times. LargeCap's 0.2% gain last week was smaller than the increases for MidCap (0.6%) and SmallCap (0.9). LargeCap ended the week 0.2% below its 11/27 record high of 3153.63. MidCap is down 0.4% from its 13-month high on 11/27, but is just 1.4% below its record high on 8/29/18. SmallCap has been mostly out of a 13-month correction since 11/25, but remained 8.8% below its 8/29/18 record. Twenty-five of the 33 sectors moved higher last week, compared to 29 rising a week earlier. Last week's best performers: SmallCap Energy (6.2), MidCap Energy (5.1), SmallCap Consumer Staples (2.3), MidCap Consumer Staples (2.0), and SmallCap Materials (1.9). LargeCap Industrials (-1.1) was the biggest underperformer, followed by LargeCap Consumer Discretionary (-0.8), LargeCap Tech (-0.4), SmallCap Tech (-0.3), LargeCap Real Estate (-0.3), and SmallCap Real Estate (-0.3). In terms of 2019's ytd performance, all three indexes have logged double-digit gains, and both LargeCap and MidCap are on track for their best performance since 2013. LargeCap leads with a gain of 25.5% ytd, 3.9ppts ahead of MidCap (21.6) and 6.9ppts ahead of SmallCap (18.6). Thirty of the 33 sectors are positive ytd, with Tech sweeping the top performers: LargeCap Tech (41.2), MidCap Tech (36.3), SmallCap Tech (34.2), MidCap Industrials (30.6), and LargeCap Communication Services (29.3). MidCap Energy (-27.0) is the biggest decliner so far in 2019, followed by these underperformers: SmallCap Energy (-26.0), SmallCap Communication Services (-1.8), LargeCap Energy (3.3), and MidCap Utilities (7.8).

S&P 500 Sectors and Industries Performance ([link](#)): Six of the 11 S&P 500 sectors rose last week as six outperformed or matched the S&P 500's 0.2% gain (versus nine rising and five outperforming the S&P 500's 1.0% rise the week before). Energy was the best-performing sector with a gain of 1.5%, ahead of Consumer Staples (0.9%), Health Care (0.9), Financials (0.7), Communication Services (0.7), and Utilities (0.2). Last week's underperformers: Industrials (-1.1), Consumer Discretionary (-0.8), Tech (-0.4), Real Estate (-0.3), and Materials (0.0). All 11 sectors are up so far in 2019, compared to just two sectors rising during 2018, when the S&P 500 fell 6.3%. Just four sectors are still ahead of the S&P 500's 25.5% rise: Information Technology (41.2), Communication Services (29.3), Financials (26.9), and Industrials (25.6). The ytd laggards: Energy (3.3), Health Care (15.8), Materials (18.5), Utilities (18.8), Consumer Discretionary (22.0), Consumer Staples (22.6), and Real Estate (23.6).

Commodities Performance ([link](#)): Last week, the S&P GSCI index rose 3.3% for its best gain in 11 weeks as 12 of the 24 commodities moved higher. That compares to a 2.3% decline a week earlier when 12 of the 24 commodities moved higher. The index had nearly climbed out of a correction during mid-April, recovering to a drop of just 10.0% shy of its high in early October 2018, after being down as much as 26.9% from that high on 12/24/18. It remained close to a bear market in the latest week, but improved to 15.9% below its 10/3/18 high. Crude Oil was the strongest performer last week, rising 7.3%, ahead of Brent Crude (6.1%), Coffee (4.8), Heating Oil (3.9), and Unleaded Gasoline (3.6). Kansas Wheat was the biggest decliner, with a drop of 3.6%, followed by Wheat (-3.2), Silver (-3.0), and Lead (-2.5). The S&P GSCI commodities index is up 12.9% ytd following a decline of 12.0%, in 2018. The top-performing commodities so far in 2019: Crude Oil (30.3), Unleaded Gasoline (26.6), Nickel (26.3), Coffee (22.5), and Brent Crude (19.3). The biggest laggards in 2019: Natural Gas (-20.7), Kansas Wheat (-11.8), Zinc (-9.4), Cotton (-8.6), and Lead (-6.8).

S&P 500 Technical Indicators ([link](#)): The S&P 500 price index rose 0.2% last week, but weakened relative to its short-term 50-day moving average (50-dma) and its long-term 200-day moving average

(200-dma). The index's 50-dma relative to its 200-dma rose for a seventh week following nine straight declines. It's down from a 17-month high of 5.4% in mid-August, but has formed a Golden Cross for 37 weeks after 16 weeks in a Death Cross formation. The index had been in a Golden Cross for 137 weeks through November 2018, and its previous Death Cross lasted for 17 weeks through April 2016 (when its 50-dma bottomed at a then-four-year low of 4.5% below its 200-dma in March 2016). The Golden Cross reading improved to a 10-week high of 3.6% from 3.4%. That compares to a 26-week low of 2.5% in mid-October and -5.2% in early February, which had matched the lowest reading since November 2011. It's still down from a 55-month high of 7.2% in February 2018. The S&P 500's 50-dma rose for a ninth week following three down weeks, but the price index fell to 3.3% above its rising 50-dma from an 18-week high of 3.6% above its rising 50-dma a week earlier. It had peaked recently during mid-July at a 19-week high of 4.3% above. That was up from a 22-week low of 4.2% below its falling 50-dma at the end of May, but down from 6.6% above during mid-February, which was its highest since October 2011. The 200-dma rose for a 26th week. It had been rising for 16 weeks through mid-May after falling from October to February in the first downtrend since May 2016 (when it had been slowly declining for nine months). The index traded above its 200-dma for a 27th week, but edged down to 7.0% above its rising 200-dma from an 18-week high of 7.1% above its rising 200-dma a week earlier. That compares to a 17-month high of 8.8% above its 200-dma at the end of July and 14.5% below on 12/24, which was the lowest since April 2009; the index remains well below the seven-year high of 13.5% above its rising 200-dma during January 2018.

S&P 500 Sectors Technical Indicators ([link](#)): Nine of the 11 S&P 500 sectors traded above their 50-dmas last week, up from eight a week earlier and down from all 11 the last week in October. Energy moved back above its 50-dma in the latest week in another effort to break out of its long downtrend. Utilities remained below for a fifth week for the first time since the beginning of June, and Real Estate was below for a sixth week and just the eighth time in 47 weeks. The longer-term picture—i.e., relative to 200-dmas—remained steady w/w at 10 sectors trading above. That's up from just six at the end of August, which was the lowest count since early June. Energy was below for a 21st week after being above—just for a week in early July—for the first time since October 2018. Ten sectors are in the Golden Cross club (with 50-dmas higher than 200-dmas), unchanged from a week earlier. That compares to just two sectors in the club during February and all 11 in January 2018. Energy has not been in a Golden Cross for 56 straight weeks. Eight sectors have rising 50-dmas now, down from all 11 in early November and up from just three in early October. Utilities' 50-dma fell for just the third time since June and Energy's 50-dma was down for a third week after rising for four weeks for the first time since early May. Real Estate's 50-dma fell for a fifth week and for the first time since January. Ten sectors have rising 200-dmas, unchanged from a week ago. The sole laggard, Energy, has been mostly falling since October 2018. Materials and Financials moved higher for a 15th week in their successful attempts at new uptrends for the first time since September 2018. That compares to just two sectors with rising 200-dmas in early January, in what was then the lowest count since all 11 sectors had falling 200-dmas two years before.

US ECONOMIC INDICATORS

Employment ([link](#)): Job gains in November once again blew past forecasts, and there were notable upward revisions to the two prior months. Payroll employment climbed 266,000 (vs 180,000 expected), while both October (to 156,000 from 128,000) and September (193,000 from 180,000) payrolls were considerably higher than previously reported, for a net gain of 41,000. November job growth got a boost from the return of thousands of GM workers after a 40-day strike, though job gains last month were broad-based. (Job growth has averaged 196,300 per month the past six months, up from 159,800 the first five months of this year.) Private payrolls rose 254,000 (nearly four times the increase of ADP's 67,000) after a revised net gain of 48,000 the prior two months—with revisions to both October (163,000 from 131,000) and September (183,000 from 167,000) higher. Several industries posted

impressive gains: 1) Manufacturing employment jumped by 54,000 in November (following a decline of 43,000 the prior month), led by a 43,000 surge in motor vehicle jobs—reflecting the return of workers from October’s strike. 2) Health care employment continues to trend higher, rising 45,200 in November and 414,200 the past 12 months. 3) After slowing earlier this year, leisure & hospitality jobs have been accelerating sharply, climbing 45,000 in November and 219,000 just the past four months. 4) Professional & business companies hired 38,000 this November and 417,000 since last November. 5) Retail trade employment was at a standstill in November and has lost 25,500 jobs ytd. 6) Mining jobs fell for the fourth time in six months by 6,900 m/m and 19,100 over the period.

Earned Income Proxy ([link](#)): Our Earned Income Proxy (EIP), which tracks consumer incomes and spending closely, continued to set new highs in November. (It hasn’t posted a decline since February 2016.) Our EIP climbed 0.4% last month, after gains of 0.5% and 0.2% the prior two months; it posted a 0.8% gain in August—which was its strongest this year. November’s reading was 4.8% above a year ago, accelerating for the second month from September’s 4.4%, though remains below its recent peak of 5.7% at the start of this year. Average hourly earnings (AHE), one of the components of our EIP, rose 0.2% last month after a 0.4% gain in October and no change in September. The yearly rate ticked down to 3.1% y/y from 3.2% in October, though is not far from February’s 3.4% y/y—which was the highest since April 2009. Meanwhile, aggregate weekly hours—the other component of our EIP—ticked up 0.2% for the second month in November, double September’s gain; it was up 1.7% y/y, accelerating from July’s recent low of 1.1%—which was the lowest since August 2016.

Unemployment ([link](#)): November’s unemployment rate was back down at September’s 50-year low, even as nearly 2.0 million workers entered the labor force the past seven months—with virtually all finding jobs! The unemployment rate ticked back down to 3.5%—which was the lowest rate since December 1969. Meanwhile, the participation rate (63.2%) was little changed from October’s 63.3%—which was the highest rate since August 2013. Here’s a look at some key unemployment rates: Teenagers (12.0%, matching its lowest reading since 1969), African Americans (5.5%, holding around October’s record low of 5.4%), Latinos (4.2%, near September’s 3.9% record low), college educated (2.0%, bouncing around its lowest readings since 2008), and high-school educated (3.7%, around its lowest rate since 2000). Meanwhile, household employment has increased 1.9 million over the past seven months, with full-time jobs jumping 1.8 million to a new record high of 131.6 million—or 83% of total household employment.

Wages ([link](#)): Average hourly earnings climbed to a new record high last month, though the yearly rate ticked down from 3.2% to 3.1% y/y, below February’s 3.4% peak. The past 12 months’ wage rate for service-providing industries (3.2% y/y) is down from its series high of 3.6% recorded in February, while the goods-producing rate (3.1%) continues to accelerate to its highest reading in three years. Within goods-producing, both the manufacturing (3.0) and natural resources (6.1) rates are on steep accelerating trends, though the latter was stalled around its cyclical high last month. The rate for construction workers (2.7) is on a steep decelerating trend—though may be finding a bottom. Within service-providing industries, the rate for professional & business services (3.7) jumped to its highest reading since September 2009 after moving sideways for more than a year. Meanwhile, rates for retail trade (4.4), leisure & hospitality (3.5), wholesale trade (3.2), and transportation & warehousing (2.8) have continued to move sideways around recent highs. The rate for education & health services (2.0) has bounced off lows in recent months, while utilities’ (2.1) may be finding a bottom. On the decline were rates for information services (3.1) and financial activities (2.6), which fell to their lowest readings since July 2018 and August 2017, respectively, from recent peaks of 6.6% and 5.4%.

Consumer Sentiment Index ([link](#)): Consumer confidence rose to a seven-month high in mid-December, according to the University of Michigan survey, with confidence among upper-income households especially cheerful, as rising stock prices have boosted wealth. The Consumer Sentiment

Index (CSI) climbed from a recent bottom of 89.8 in August to 99.2 this month—at the upper end of the range it's trekked since the start of 2017—with both the present situation (to 115.2 from 105.3 in August) and expectations (88.9 from 79.9) components moving higher. (Friday's very upbeat employment report suggests December's full-month readings will likely be higher.) The CSI has averaged 97.0 the past three years, according to the report, the highest sustained level since the all-time record during the Clinton years. The report notes that while impeachment has dominated the media this month, virtually no consumers spontaneously mentioned impeachment. There is, however, a big partisan divide among Democrats and Republicans. Sentiment among Republicans is the highest since President Trump took office, while Democrats posted a decline in confidence. Independents, meanwhile, have tracked the overall CSI with a mean of 96.6 versus 97.0 for all consumers. The report noted, "Independents, who represent the largest group and are less susceptible to maintaining partisan views, hold very favorable expectations, indicating the continuation of the expansion based on consumer spending."

Merchandise Trade ([link](#)): The real merchandise trade deficit in October narrowed for the fourth time in five months, falling below -\$80.0 billion for the first time since May 2018. The real deficit narrowed to a 17-month low of -\$79.1 billion from -\$86.3 billion in May. October's reading is considerably below the -\$84.7 billion average monthly gap recorded during Q3—suggesting trade could give a big boost to Q4 GDP, which would be the first time that's happened this year. There's not much strength in the trade data, however, with both exports (-2.1%) and imports (-4.3) contracting over the five-month period—imports at double the pace of exports. It's a sea of red for both exports and imports, with only real exports of industrial supplies & materials (5.7) and real imports of foods, feeds & beverages (3.4) in the plus column over the five-month period. Taking a look at our trade deficit with China (in nominal terms), it has narrowed steadily from -\$419.5 billion at the end of last year to -\$369.2 billion during the 12 months through October. Over this comparable period, US exports to China fell by \$14.7 billion—from \$120.1 billion to 105.4 billion—while US imports from China fell at quadruple that pace, from \$539.7 billion to \$474.6 billion.

GLOBAL ECONOMIC INDICATORS

Germany Manufacturing Orders ([link](#)): "Manufacturing momentum continues to be depressed," the Economy Ministry said in a statement. "The outlook for manufacturing in the fourth quarter is still subdued." The Ministry was cautiously optimistic following September's surprise jump, though factory orders dipped 0.4% in October after an upwardly revised 1.5% (vs 1.3%) jump in September. Orders remain volatile around recent lows with October's decline the sixth this year. There was lots of volatility in October orders—with an 11.1% surge in orders from inside the Eurozone during the month more than offsetting a 4.1% slide in billings from outside the Eurozone; domestic orders sank 3.2%. So far this year, factory orders have slumped 5.9%, with both domestic (-10.9% ytd) and foreign (-2.4) orders contracting; a sharp drop in billings from outside the Eurozone (-7.2) more than offset an increase in billings from inside (5.8). There's also lots of volatility among the major industrial groupings. Here's the ytd performance for domestic orders and for foreign orders from inside the Eurozone and for foreign orders from outside the Eurozone, in that order: Capital goods (-14.5%, 16.0%, -11.7% ytd), intermediate goods (-7.3, -6.5, 1.8), consumer durable goods (-4.0, -9.5, 8.0), and consumer nondurable goods (-4.9, -1.5, 9.5).

Germany Industrial Production ([link](#)): Headline and manufacturing production in October sank to their lowest levels since November 2015 and August 2014, respectively. Germany's headline production—which includes construction—fell for the sixth time this year, dropping 1.7% m/m and 5.2% ytd, with factory output down 1.6% and 5.7% over the comparable periods. Excluding construction, production fell 1.5% m/m and 6.1% ytd. Among the main industrial groupings, capital goods (-4.4% m/m & -8.6 ytd) saw the weakest output by far and consumer durable goods (2.5 & 1.5) the strongest; the rest of the

groups were a mixed bag: energy (2.3 & -8.4), intermediate goods (1.0 & -4.0), consumer nondurable goods (-0.2 & -2.1). Looking ahead, IHS Markit's M-PMI (to 44.1 from 41.7 in September) moved higher in November for the second month, though remained firmly in contractionary territory. According to the report, "There are encouraging signs from the survey's more forward-looking indicators, with new orders falling at the slowest rate since January and output expectations back in positive territory—albeit only just."

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