



MORNING BRIEFING

September 21, 2020

The Good with the Bad

Check out the accompanying [chart collection](#).

(1) We never had it so good as in 2019. (2) Even persistently pessimistic Census data now confirm that household incomes rose to record highs last year. (3) Just a coincidence that standard of living rose to new record highs under Trump? (4) It's done so under previous pro-business presidents. (5) Can we bury stagnation myth once and for all, please? (6) Real hourly wages up more than 1.0% per year since 1995. (7) Census still using CPI, while Fed uses PCED. (8) Falling average size of households reduces their average incomes. (9) Are the rich paying their fair share yet? (10) Income inequality isn't a myth. It's a consequence of capitalism-driven prosperity. (11) Can a housing-led rebound take us back to Heaven on Earth? (12) Movie review: "Defending Jacob" (+ +).

US Economy I: Heaven on Earth. We didn't know how good we had it in 2019. Then the pandemic hit in 2020, and we all concluded that it will take many years before life will be as good as it was in 2019. Perhaps we're too pessimistic. After all, 2019 was better than we realized at the time; perhaps we'll return to the good life sooner than we realize now. Let's examine that notion, starting with how good it was in 2019, then considering how we might rebound to the good old days sooner than widely anticipated:

(1) *Household income rose to record high in 2019.* My attitude toward any data series that doesn't support my story is that either it is flawed or it will be revised to support my story. That's been my strongly held attitude toward median real household income, the annual series compiled by the Census Bureau and used to measure poverty in America. It's been a big favorite with economic pessimists and political progressives in recent years because it confirmed their view that, for most Americans, the standard of living has stagnated for years.

My view has been that lots of other, more reliable indicators of income confirm that the standard of living has been improving for most Americans for many years. Now even the Census series confirms my story. So it's back on the right track after misleadingly showing stagnation from 2000 through 2016 ([Fig. 1](#)). The median household series, which is adjusted for inflation using the CPI, is up 9.2% from 2016 through 2019 and hit new highs during each of the last three years (2017-19) after remaining flat from 2000 to 2016.

Also up over the past three years to new record highs are the Census series for median family (up 11.0%), mean household (10.7%), and mean family (12.5%) incomes. Almost everyone was doing better than ever before last year.

(2) *Personal income data refute stagnation myth.* While the Census data make more sense to me now, they still have lots of issues. Most importantly, the Census data are based on surveys asking a sample of respondents for the amount of their money income before taxes. So Medicare, Medicaid, food stamps, and other noncash government benefits—which are included in the personal income series compiled by the Bureau of Economic Analysis (BEA)—are excluded from the Census series. In addition, the BEA data are based on “hard” data like monthly payroll employment statistics and tax returns. BEA also compiles an after-tax personal income series reflecting government tax benefits such as the Earned Income Tax Credit.

The BEA series for personal income, disposable personal income, and personal consumption expenditures—on a per-household basis and adjusted for inflation using the personal consumption expenditures deflator (PCED) rather than the CPI—all strongly refute the stagnation claims of pessimists and progressives ([Fig. 2](#)). They’ve all been on solid uptrends for many years, including from 2000 through 2016, rising 25.1%, 27.9%, and 25.9%, respectively, over this period. They often rose to new record highs during this period. There was no stagnation whatsoever according to these data series. Instead, there was lots of growth!

The standard critique of using the BEA data series on a per-household basis is that they are means, not medians. So those at the very top of the income scale, the so-called “1- Percent,” in theory could be skewing both the aggregate and per-household data. That’s possible for personal income but unlikely for average personal consumption per household. The rich can only eat so much more than the rest of us, and there aren’t enough of them to substantially skew aggregate and per-household consumption considering that they literally represent only 1% of taxpayers, but almost 40% of the federal government’s revenue from income taxes, as discussed below.

(3) *Real hourly wages belie stagnation myth too.* Another data series that refutes the stagnation claim of pessimists and progressives is average hourly earnings (AHE), reported in the monthly employment report and reflected in the BEA income data. Adjusting it for inflation using the PCED shows that it soared during the second half of the 1960s through the early

1970s ([Fig. 3](#)). It then stagnated during the rest of the 1970s through mid-1995 as a result of what was then called “deindustrialization.” Since December 1994, it has been rising along a 1.2%-per-year growth path. That’s a significant growth rate in the purchasing power of consumers, as real AHE compounded to an increase of 37.2% from December 1994 through July of this year. That coincides with the High-Tech Revolution, which I’ve been writing about since 1993!

By the way, the hourly wage series I am using here is for production and nonsupervisory workers, which obviously doesn’t include the rich. Furthermore, these workers have accounted for between 80.4% and 83.5% of total payroll employment since 1964 ([Fig. 4](#)). So the real AHE series includes lots of working stiffs and isn’t distorted by the 1-Percent, let alone the top 20%-or-so of earners.

(4) *The CPI is very misleading.* It is well known that the CPI is upwardly biased, especially compared to the PCED ([Fig. 5](#)). Since January 1964 through July of this year, the CPI is up 838.5%, while the PCED is up 646.3%. As a result, while the PCED-adjusted AHE has been rising in record high territory since January 1999, the CPI-adjusted version didn’t recover to its previous record high during January 1973 until April 2020, which makes absolutely no sense ([Fig. 6](#))! (An extremely flawed August 2018 study by the Pew Research Center concluded that Americans’ purchasing power based on the CPI-adjusted AHE has barely budged in 40 years!)

The Fed long has based its monetary policy decision-making on the PCED rather than the CPI. In my recently released book, [Fed Watching for Fun & Profit](#), I observed: “A footnote in the FOMC’s February 2000 Monetary Policy Report to Congress explained why the committee had decided to switch to the inflation rate based on the personal consumption expenditures deflator (PCED).” Here is the full first footnote:

“In past Monetary Policy Reports to the Congress, the FOMC has framed its inflation forecasts in terms of the consumer price index. The chain-type price index for PCE draws extensively on data from the consumer price index but, while not entirely free of measurement problems, has several advantages relative to the CPI. The PCE chain-type index is constructed from a formula that reflects the changing composition of spending and thereby avoids some of the upward bias associated with the fixed-weight nature of the CPI. In addition, the weights are based on a more comprehensive measure of expenditures. Finally, historical data used in the PCE price index can be revised to account for newly available information and for

improvements in measurement techniques, including those that affect source data from the CPI; the result is a more consistent series over time.”

(5) *Adjusting for household and family sizes makes a difference.* The fun of making fun of the funny-looking Census income data series continues when I adjust them for the average size of households and families in the US ([Fig. 7](#) and [Fig. 8](#)). Both series have been on downward trends since the 1940s, especially the average size of households. Households have always been smaller than families, and earned less, since the former include single-person households, which have increased significantly in recent years because young adults have been postponing marriage and older folks have been living longer, resulting in more divorced and widowed persons.

Furthermore, data available since 1982 through 2019 show that the percentage of nonfamily households has increased from 25.1% to 35.7% over that period ([Fig. 9](#) and [Fig. 10](#)). So there are more of these households that tend to earn less than family households. No wonder that the Census data adjusted for household size and for inflation using the PCED shows less stagnation and steeper uptrends since the start of the data ([Fig. 11](#) and [Fig. 12](#)).

(6) *The rich aren't like you and me.* What about the 1-Percent, who earn too much money, have too much wealth, and don't pay their fair share of taxes? The total number of all the tycoons on Wall Street, in Silicon Valley, and in the C-suites of corporate America—including everyone with adjusted gross income (AGI) exceeding \$500,000 a year—was 1.5 million taxpayers in 2017, exactly 1% of all taxpayers who filed returns that year, according to the latest available data from the Internal Revenue Service (IRS) ([Fig. 13](#)).

Collectively, during 2017 the 1-Percent paid \$625 billion in income taxes, or 26.7% of their AGI. That amount represented 38.9% of all federal income tax paid by all taxpayers who paid any taxes at all ([Fig. 14](#), [Fig. 15](#), and [Fig. 16](#)). The rest of us working stiffs, the “99-Percent,” shelled out \$980 billion, or 61.1% of the total tax bill. What should be the fair share for the 1-Percent? Instead of almost 40% of the federal government's tax revenue, should they be kicking in 50%? Why not 75%? They would be less rich, but everyone else would be richer—unless the 1-Percent decide to work less hard or leave the country if they lose their incentive to keep creating new businesses, jobs, and wealth.

(7) *Can you Trump this?* Love him or hate him, the standard of living did increase significantly during Trump's first term (until the pandemic hit), as it has done under many previous

presidents, especially those who have championed pro-growth and pro-business policies, including tax cuts and deregulation.

(8) *Editorial*. Progressives continue to claim that government policies need to be more progressively focused on raising taxes and redistributing income. Until recently, they've relied on the Census income series to prove their point, though these measures clearly leave out the positive impact that past progressive policies have already had through Medicare, Medicaid, food stamps, tax credits, and other noncash government social benefits.

Progressives long have promised that their policies will create Heaven on Earth. Arguably, they have succeeded in doing so for many Americans with their New Deal, Great Society, and Obamacare programs. These programs have reduced income inequality by redistributing income, which has been growing faster than progressives concede thanks to America's entrepreneurial spirit and capitalist system. Progressives, who never seem satisfied with the progress they have made, run the risk of killing the goose that lays the golden eggs to pay for their programs. Incomes can always be made equal by making everyone equally poor.

As confirmed by the latest available IRS data, there is no denying that the rich got richer during 2017 and earned more taxable income than ever before. They undoubtedly continued to do so during 2018 and 2019. But now even the Census data show that real median household income rose to a record high last year. Most Americans were more prosperous last year than ever before, though some more so than others. Why does anyone have a problem with that?

The bottom line is that just before the pandemic, American households enjoyed record standards of living. Income stagnation was a myth. Income inequality isn't a myth but an inherent characteristic of free-market capitalism, an economic system that awards the biggest prizes to those capitalists who benefit the most consumers with their goods and services. Perversely, inequality tends to be greatest during periods of widespread prosperity. Rather than bemoaning that development, we should celebrate that so many households are prospering, even if a few are doing so more than the rest of us.

US Economy II: Housing-Led Rebound. So how do we bring back the good times once the pandemic is over? We may not have to wait that long. The pandemic has triggered a housing boom that could offset many of the ongoing woes in industries still plagued by the pandemic, such as restaurants and professional sports. De-urbanization is certainly weighing on urban

economies, but suburban ones are booming because more and more city apartment dwellers are moving to homes in the burbs. Consider the following:

(1) Multi-family housing starts completely recovered from the Great Financial Crisis (GFC) by 2013 as demand for rental apartments boomed.

(2) Single-family housing starts also have recovered since the GFC but remain around their lows during the five homebuilding cycles prior to the GFC ([Fig. 17](#)). Single-family housing completions too are back only to previous troughs prior to the GFC ([Fig. 18](#)). During July, new single-family home sales rose to nearly match single-family completions for the first time on record, which goes back to 1968!

(3) The inventories of new homes for sale relative to new homes sold fell to previous record lows during July and is likely to make new lows in coming months ([Fig. 19](#)).

Movie. “Defending Jacob” (+ +) ([link](#)) is a mini-series drama on Apple TV+ about a 14-year-old boy who is accused of stabbing to death a fellow schoolmate who had been bullying him. It’s actually a bit of a psychological thriller. Chris Evans plays a respected assistant district attorney whose son Jacob, is accused of the murder. In the third episode, we discover that Jacob’s grandfather is serving a life sentence in prison for murder. This raises the possibility of using the “murder gene” defense. One study published in the *Journal of Molecular Psychiatry* in 2014 analyzed the genes of 895 Finnish criminals, and found that the majority of violent criminals carried the genes known as “MAOA” and “CDH13.”

CALENDARS

US: **Mon:** Chicago Fed Manufacturing Index 1.95, Williams, Brainard, Kaplan. **Tues:** Existing Home Sales 5.98mu, Richmond Fed Manufacturing Index, API Crude Oil Inventories, Powell. (DailyFX estimates)

Global: **Mon:** Bundesbank Monthly Report, Lagarde, DeBelle. **Tues:** Lane, Panetta. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index drop 0.4% for

its third straight weekly decline. The index ranked 35th of the 49 global stock markets we follow in a week when 28 of the 49 countries rose in US dollar terms, and the AC World ex-US index moved 0.9% higher. The US MSCI index was out of a correction for a 12th week after slipping back the week before that for the first time in five weeks; but now it has dropped to 7.3% below its record high on September 2. EM Asia was the best-performing region last week, with a gain of 1.9%, followed by BRIC (1.4%). EM Eastern Europe (-0.6) was the biggest underperformer, followed by EMU (-0.3), EM Latin America (0.0), EMEA (0.7), and EAFE (0.8). Greece was the best-performing country last week, gaining 3.7%, followed by Korea (3.1), Ireland (3.1), Denmark (2.6), and Finland (2.5). Among the 31 countries that underperformed the AC World ex-US MSCI last week, Hungary fared the worst, with a decline of 5.0%, followed by the Czech Republic (-2.8), Poland (-2.5), and Morocco (-2.4). The US MSCI's ytd ranking dropped two places w/w to 10/49 as its ytd gain slipped to 4.3% from 4.7% a week earlier. It has been losing ground recently to the AC World ex-US which is down just 4.7% ytd. EM Asia is the best regional performer ytd, with a gain of 8.3%, followed by BRIC (2.5). The worst-performing regions ytd: EM Latin America (-32.5), EM Eastern Europe (-26.5), EMEA (-19.3), EMU (-6.4), and EAFE (-6.1). The best country performers ytd: Denmark (24.7), China (15.5), Taiwan (13.9), Finland (11.5), and Sweden (10.2). The worst-performing countries so far in 2020: Colombia (-42.7), Brazil (-35.8), Greece (-33.4), Hungary (-33.1), and Turkey (-31.8).

S&P 1500/500/400/600 Performance ([link](#)): LargeCap fell last week for a third straight week, but the SMidCaps snapped their two-week losing streak. SmallCap rose 1.0% for the week, ahead of MidCap (0.6%) and LargeCap (-0.6). LargeCap slipped to 7.3% below its record high on September 2 but has been out of a bear market for 23 weeks and out of a correction for 12 straight weeks. MidCap was back in a correction for a second week after being out for seven weeks, but improved to 11.4% below its record high on January 16. SmallCap was back in a bear market for a second week after being out for five weeks, but improved to 20.7% below its August 29, 2018 record. Eighteen of the 33 sectors rose last week, up sharply from just two rising during the prior two weeks. Just 10 sectors are now out of a correction now, of which five are LargeCaps, four are MidCaps, and one a SmallCap. SmallCap Energy was the best performer last week, with a gain of 7.1%, ahead of MidCap Energy (4.4), SmallCap Materials (3.2), LargeCap Energy (2.9), and SmallCap Tech (2.8). SmallCap Utilities was the biggest underperformer last week, with a drop of 3.3%, followed by SmallCap Communication Services (-2.7), LargeCap Consumer Discretionary (-2.3), LargeCap Communication Services (-2.3), and LargeCap Consumer Staples (-1.7). LargeCap is the only index that's risen for the year so far, with a gain of 2.7%, ahead of MidCap (-9.6) and SmallCap (-14.7). Ten of the 33 sectors

are now up so far in 2020, with the best performers led by LargeCap Information Technology (21.9), LargeCap Consumer Discretionary (18.5), MidCap Health Care (9.1), MidCap Consumer Staples (8.2), and LargeCap Materials (6.8). The biggest laggards of 2020 to date: SmallCap Energy (-55.1), MidCap Energy (-49.0), LargeCap Energy (-45.1), SmallCap Financials (-31.3), and MidCap Real Estate (-27.0).

S&P 500 Sectors and Industries Performance ([link](#)): Four of the 11 S&P 500 sectors rose last week, but six outperformed the composite index's 0.6% decline. That compares to a 2.5% decline for the S&P 500 a week earlier, when one sector rose and eight outperformed the index. Energy's 2.9% gain made it the best performer for the week, ahead of Industrials (1.5%), Materials (0.9), Health Care (0.8), Real Estate (-0.1), and Financials (-0.2). Consumer Discretionary and Communication Services were the week's biggest underperformers, with declines of 2.3%, followed by Consumer Staples (-1.7), Tech (-1.0), and Utilities (-0.8). The S&P 500 is now up 2.7% so far in 2020, with five sectors ahead of the index and six in positive territory. The leading sectors ytd: Information Technology (21.9), Consumer Discretionary (18.5), Materials (6.8), Communication Services (6.4), and Health Care (3.2). The laggards of 2020 so far: Energy (-45.1), Financials (-20.1), Utilities (-10.2), Real Estate (-8.4), Industrials (-3.5), and Consumer Staples (0.6).

Commodities Performance ([link](#)): Last week, the S&P GSCI index rose 5.0% for its biggest gain in 15 weeks. It's now down 19.5% from its recent high on January 6 and still in a severe bear market at 28.8% below its four-year high on October 3, 2018. Unleaded Gasoline was the best performer last week, with a gain of 11.5%, followed by Crude Oil (9.9%), Brent Crude (8.4), Sugar (7.3), and Kansas Wheat (7.0). Coffee was the biggest decliner for the week, with a drop of 14.3%, followed by Lean Hogs (-3.9), Nickel (-1.3), Natural Gas (-0.6), and Gold (0.7). Ten of the 24 commodities that we follow are higher so far in 2020, up from nine a week earlier. The best ytd performers: Silver (51.4), Gold (28.8), Natural Gas (20.3), Zinc (11.2), Copper (10.6), and Soybeans (9.2). The worst performers ytd: GasOil (-43.5), Heating Oil (-42.2), Brent Crude (-33.8), Crude Oil (-32.3), and Unleaded Gasoline (-28.4).

S&P 500 Technical Indicators ([link](#)): The S&P 500 fell 0.6% last week and weakened relative to both its short-term, 50-day moving average (50-dma) and its long-term, 200-day moving average (200-dma). This suggests that the upward momentum that had propelled it northward may be decelerating. The index fell below its 50-dma for the first time in 23 weeks but managed to remain above its 200-dma--for the 16th time in 17 weeks. It had been below its 200-dma for 13 weeks through late May, matching its prior streak that ended during February

2019. Turning to how the dmas compare relative to one another, the index's 50-dma relative to its 200-dma improved for an 18th week after 12 declines, putting the index in a Golden Cross (with 50-dmas higher than 200-dmas) for an 11th week after 15 weeks in a Death Cross. Before the 2020 meltdown, the S&P 500 had last been in a Death Cross for 13 straight weeks, ending in March 2019. The index's 50-dma improved last week to 7.8% above its 200-dma from 7.3% above in the prior week. That's the most that the former has exceeded the latter since May 2012, when the 50-dma peaked at 8.8% above its 200-dma. The 50-dma had been 9.9% below the 200-dma in mid-May, which was the most that the former had lagged the latter since May 2009. During late February, the 50-dma had been 7.6% above the index's 200-dma. Turning to the individual dmas, the S&P 500's 50-dma rose for an 18th week after declining for 12 straight weeks. The price index weakened to 0.8% below its rising 50-dma from 0.4% above a week earlier and an 11-week high of 7.6% at the end of August. The early June reading of 11.7% above the index's 50-dma had been the highest since May 2009, when it peaked at a record high of 14.0%. That compares to 27.7% below on March 23—its lowest reading since it was 29.7% below on Black Monday, October 19, 1987. The 200-dma rose for an 18th week as well. It had been rising for 39 weeks through early March. The index was above its 200-dma for a 12th week after falling below the week before that for the first time in five weeks. It ended the week 6.9% above its rising 200-dma, down from 7.8% a week earlier and 13.7% at the end of August, which was the highest reading since February 2011. Last week's 6.9%-above reading is up from the 26.6% below registered on March 23—the lowest reading since March 2009 and down from a two-year high of 11.2% in mid-February. For perspective, the current 200-dma reading compares to a seven-year high of 13.5% above the index's (rising) 200-dma during January 2018 and 14.5% below on December 24, 2018 (then the lowest since April 2009). At its worst levels of the Great Financial Crisis, the S&P 500 index was 25.5% below its 50-dma on October 10, 2008 and 39.6% below its 200-dma on November 11, 2008.

S&P 500 Sectors Technical Indicators ([link](#)): Just three of the 11 S&P 500 sectors traded above their 50-dmas last week, down from six a week earlier. Financials, Industrials, and Materials are the only sectors still trading above their 50-dmas, and compare to all 11 sectors above in the three weeks around the start of June. Seven sectors traded above their 200-dmas, unchanged from a week earlier. Energy, Financials, Real Estate, and Utilities are the only sectors trading below their 200-dmas. That compares to just one sector (Health Care) above its 200-dma in early April. Eight sectors are now in the Golden Cross club (50-dmas higher than 200-dmas), up from seven a week earlier as Real Estate joined for the first time

since mid-March. The three sectors still in a Death Cross: Energy, Financials, and Utilities. At the prior low during February 2019, just two sectors (Real Estate and Utilities) were in the club. Energy has not been in a Golden Cross for 98 straight weeks, and its 50-dma fell for an eighth week after briefly rising the week before that. That leaves ten sectors with a rising 50-dma, up from nine a week earlier as Real Estate turned back up. In early June, the 50-dma had been rising for all 11 sectors for three straight weeks. That's a big improvement from the beginning of May, when all 11 had falling 50-dmas for ten straight weeks. Six sectors have rising 200-dmas, unchanged from a week earlier. Sectors with rising 200-dmas: Communication Services, Consumer Discretionary, Consumer Staples, Health Care, Materials, and Tech. Financials' 200-dma was down for a 29th week, so long for the first time since late August. Energy's 200-dma has been mostly falling since October 2018.

US ECONOMIC INDICATORS

Housing Starts & Building Permits ([link](#)): Builders are building again, which has been boosting their confidence to new record highs. Single-family housing starts has rebounded to within 1.3% of its pre-pandemic high and within 2.5% of December's cyclical high, while single-family building permits (a good leading indicator of housing starts) jumped to the highest level since April 2007! Declines in volatile multi-family measures caused a slight dip in both total starts and total permits last month. Housing starts slipped 5.1% in August to 1.416mu (saar) after soaring 59.7% during the three months through July. Single-family starts have soared 50.4% during the four months ending August to 1.021mu (saar) after plunging from 1.034mu in February to 679,000 units by April. Multi-family starts plummeted 22.7% during August, to 395,000 units (saar), after rising from 255,000 units in February to 511,000 by July. Building permits edged down 0.9% last month, to 1.470mu (saar), after skyrocketing 39.1% during the three months ending July. Single-family permits soared 55.6% from April through August, to 1.036mu (saar)—its first reading above 1.00mu since before the Great Recession. Multi-family permits sank 14.2% in August to 434,000 units (saar) after soaring 26.5% during the three months through July. In the meantime, builders' confidence has made a huge comeback since bottoming in April. NAHB's Housing Market Index (HMI) climbed 53 points during the five months through September to 83, after plunging a record 42 points in April to 30—the lowest builder confidence since mid-2012 and the first reading in negative territory (below 50) since mid-2014. All three measures of the HMI are their highest levels in the 35-year history of the survey—moving sharply off their April lows: current sales (to 88 from 36 in April), future sales (84 from 36), and traffic of prospective buyers (73 from 13).

Consumer Sentiment ([link](#)): Sentiment improved for the second month, according to the mid-September survey, with the headline, present situation, and expectations indexes all climbing to six-month highs. The Consumer Sentiment Index (CSI) rose to 78.9 this month from 74.1 in August and 72.5 in July; the reading is 7.1 points above its April low, though still 22.1 points below its pre-pandemic high. The present situation component rebounded for the second month in mid-September to 87.5, after sinking 4.3 points in July (to 82.8 from 87.1), while the expectations component also advanced for the second month, following a July dip, climbing 7.4 points (to 73.3 from 65.9). Just 16% of respondents this month said they expected the economy to worsen in the year ahead—that's the smallest share since 2015 and consistent with an economy and labor market that are slowly recovering. Richard Curtin, chief economist of the survey, cautions: "Over the next several months, there are two factors that could cause volatile shifts and steep losses in consumer confidence: how the election is decided and the delays in obtaining vaccinations. While the end of the recession will depend on these non-economic factors, the hardships endured by consumers can only be offset by renewed federal relief payments."

Regional M-PMIs ([link](#)): Two Fed districts now have reported on manufacturing activity for September (New York and Philadelphia) and show the manufacturing sector expanded at a faster pace this month, though slightly slower than July's five-month high. The composite index climbed to 16.0 this month from 10.5 last month, after soaring from a record low of -67.3 in April to 20.7 by July. Activity in the New York (to 17.0 from 3.7) region was back near July's 17.2—which was the first positive reading since February—while growth in the Philadelphia (15.0 from 17.2) region slowed for the fourth month, though remained at an elevated rate. (The New York and Philadelphia measures were at record lows of -78.2 and -56.6, respectively, in April.) Meanwhile, September's new orders (to 16.3 from 8.7) measure expanded at basically twice the pace of August, as billings in the Philadelphia (25.5 from 19.0) region expanded at the fastest pace since before the pandemic and New York's (7.1 from -1.7) swung from contraction to expansion. (The Philadelphia and New York measures were at record lows of -70.9 and -66.3, respectively, in April.) In the meantime, the hiring measure shows that factories added to payrolls at a slightly faster rate this month: It climbed to 9.2 this month after dipping to 5.7 last month from 10.3 in July. Philadelphia (to 15.7 from 9.0) manufacturers hired at a faster pace, while New York's (2.6 from 2.4) remained just north of the breakeven point between contraction and expansion. (The Philadelphia and New York measures were at record lows of -46.7 and -55.3, respectively, in April.)

GLOBAL ECONOMIC INDICATORS

Eurozone CPI ([link](#)): August's CPI headline rate moved into negative territory for the first time since May 2016, easing to -0.2% y/y in August from 0.4% in July; the rate had dropped from 1.4% in January to 0.1% in May—which at the time was the lowest rate since June 2016. The core rate dropped from a recent high of 1.2% in July to a record low of 0.4% y/y in August. Looking at the main components, food, alcohol & tobacco once again posted the highest rate, at 1.7% y/y, though eased for the fourth month from April's peak rate of 3.6% (the highest since November 2009). The services' rate slowed for the third month from 1.3% in May to a record-low 0.7% y/y in August. Meanwhile, once again energy had the lowest rate, at -7.8% y/y, the seventh consecutive negative reading, easing for the third month from May's -11.9%—which was the steepest since July 2009. The rate for non-energy industrial goods dipped into negative territory for the first time since March 2015, sliding from 1.6% in July to -0.1% y/y in August. Of the top four Eurozone economies, CPI rates for both France (0.2% y/y) and Germany (-0.1) were above the Eurozone's headline rate of -0.2%, while Italy's (-0.5) and Spain's (-0.6) were below.

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