MORNING BRIEFING
February 23, 2021

On the Road to Reflation

Check out the accompanying chart collection.

(1) Unprecedented policy stimulus boosting cost pressures. (2) Bond Vigilantes getting set to ambush policymakers on the road to inflation. (3) Yellen and Powell say they have "tools" to fight inflation. (4) Powell sees "transient" inflation coming this spring. (5) Williams say stock market valuations are fine and dandy. (6) Three regional price surveys showing more inflation in the pipeline. (7) Copper leading commodity price rally. (8) Copper tracks inflationary expectations proxy. (9) Extraordinary growth in monetary aggregates. (10) S&P 500 winners and losers if inflation makes a comeback.

Inflation I: Contrary Indicators. At my first job on Wall Street, as the chief economist at EF Hutton, I was an early believer in "disinflation." I first used that word, which means falling inflation, in my June 1981 commentary "Well on the Road to Disinflation." I've been a disinflationist ever since. Along the way, I developed my analysis of the "4Ds." These have been the four powerful forces of deflation that have offset inflationary fiscal and monetary policies. (See my "*Four Deflationary Forces Keeping a Lid on Inflation*.")

Now, I'm seeing more and more signs of mounting inflationary pressures as a result of the unprecedented stimulus that fiscal and monetary policymakers are providing in response to the pandemic. As a result, we may finally once again be on the road to reflation. I'm also seeing signs of life among the Bond Vigilantes. The July 27, 1983 issue of my weekly commentary was titled "Bond Investors Are the Economy's Vigilantes." I concluded: "So if the fiscal and monetary authorities won't regulate the economy, the bond investors will. The economy will be run by vigilantes in the credit markets."

The Bond Vigilantes seem to be saddling up and getting ready to ambush the policymakers on the road to reflation. It could be a heck of a shootout. The policymakers have been bragging lately that they are able to boost economic growth while keeping a lid on inflation and containing financial imbalances. Their recent self-assured statements should be collected as potentially contrary indicators. Consider the following:

(1) *Yellen*. In a CNBC interview on Thursday, February 18, Treasury Secretary Janet Yellen said, “Inflation has been very low for over a decade, and you know it’s a risk, but it’s a risk that the Federal Reserve and others have tools to address.” The only “tool” that has been used in the past to fight inflation is higher interest rates resulting from the actions of the Fed or the Bond Vigilantes. Higher interest rates often led to credit crunches and recessions.

The stimulus provided last year and early this year has already revived inflationary pressures. Yet Yellen is pushing for Biden’s $1.9 trillion American Rescue Plan. In a February 7 interview on CBS’s “Face the Nation,” Yellen promised that it will be followed by “another bill that addresses job creation through infrastructure development, through investment in people, in education and training, addresses climate change, improves the competitiveness of our economy and is designed to create good jobs with good pay that involve … careers for people.”

(2) *Powell*. In his January 27 press conference, Fed Chair Jerome Powell said that the y/y increase in consumer prices is likely to “move up a few tenths” during March and April because prices were depressed a year ago by the lockdown recession. He concluded “that’s a transient thing that we think will pass.” He acknowledged that when the pandemic is over, “there’ll be a burst of spending … that could also create some upward pressure on inflation.” But he expects that is “likely to be transient and not to be very large.”

Yes, but what if inflation comes roaring back? “Of course, if we did get sustained inflation at a level that was uncomfortable, we have tools for that. It’s far harder to deal with too low inflation. We know what to do with higher inflation, which is [use] those tools. And we don’t expect to see that at all.”

Powell mentioned three of my 4Ds as reassuring for keeping a lid on inflation: “And we believe that those global forces—which are … aging demographics, advancing technology, and globalization—those forces are still in effect.” In any event, Powell said, “we welcome slightly higher inflation, somewhat higher inflation.”

In other words, Yellen and Powell give the same pat answer to the question “What about inflation?” Imagine them responding in unison: “There’s an app for that!”

(3) *Williams.* The contrarian alarms were also activated on Friday by New York Federal Reserve President John Williams. In a CNBC interview, he said that the stock market’s high

valuation multiples are justified. “I think the fundamental drivers are optimism among investors that the US economy and the global economy [are] going to have a stronger recovery and expansion, an expectation of low rates well into the future,” he said. “Those combined will give you high asset valuations.”

Sure, that works fine unless fiscal and monetary policies overheat the economy, causing inflation and interest rates to rise. Williams assured us all: “Right now, the economy has quite a ways to go to get back to maximum employment , and we have a ways to go to get back to our 2% inflation target,” he said. “So I’m not really concerned about fiscal support right now being excessive or anything like that. Really, what I want to see is an economy that gets back to full strength as soon as possible.”

Inflation II: More Signs of Trouble. All hands are on the deck of the good ship SS-YRI, on the lookout for inflation torpedoes. We have been seeing more of them lately, albeit none yet that has hit a bullseye and blown up consumer price inflation. But they are getting closer to the mark. And there will be more of them once Biden’s plan is enacted. Consider the following:

(1) *US Composite PMI*. “Price gauges hit record highs as businesses report fastest growth for almost six years” was the headline of February’s IHS Markit Flash Composite Purchasing Managers’ Index (C-PMI) report released on Friday. This month’s C-PMI edged up from 58.7 to 58.8—a 71-month high—on a continued acceleration in the service sector. The service sector’s subindex, the NM-PMI (PMI for non-manufacturing industries), likewise hit a 71-month high, climbing from 58.3 to 58.9. Meanwhile, the M-PMI (PMI for manufacturing) declined to 58.5 from 59.2, continuing to show near-record growth in the manufacturing sector.

Strong growth is heating up price pressures, with service providers this month recording the steepest increase in costs since October 2009 and manufacturers the steepest since April 2011. “As a result, firms raised their selling prices at the sharpest rate on record (since October 2009), with panelists stating the increase was due to the partial pass-through of greater costs to clients,” according to the report.

By the way, February’s M-PMIs for the Eurozone (57.7), Germany (60.6), and France (55.0) were also strong, contributing to the upward pressure on global commodity prices (*Fig. 1*). On the other hand, February’s NM-PMIs for the Eurozone (44.7), Germany (45.9), and France (43.6) were weak, reflecting ongoing lockdowns.

(2) *US regional business surveys.* So far, we have three of the regional business surveys conducted by five of the 12 Federal Reserve Banks in hand for February. They include questions about prices paid and prices received (*Fig. 2*). The New York Fed reported that the region's prices-paid index jumped to 57.8, the highest since May 2011. The prices-received index rose to 23.4, also the highest since May 2011. The prices-paid index in the Dallas region climbed to 57.4, the highest since April 2011, with the prices-received index up at 23.0, the highest since June 2018. The Philly Fed reported that the district's prices-paid index rose to 54.4, the highest since August 2018, while the prices-received index fell to 16.7 from 36.6 during January.

(3) *Commodities and the dollar.* The CRB raw industrials spot price index is highly inversely correlated with the trade-weighted dollar (TWD) (*Fig. 3*). Both currently are tracing out V-shaped patterns, much as they did during the Great Financial Crisis (GFC).

The CRB index is up 36% from last year's low on April 21 through Friday. That's a faster recovery than during the GFC because the global monetary and fiscal response to the Great Virus Crisis has been greater. The index could easily rise another 15% to match its previous record high on April 11, 2011.

The TWD is down 11% since March 23, 2020 through Friday's close. So far, that's a greater and steeper descent than it made during the GFC. It has recently stabilized, suggesting that rising bond yields in the US may be attracting foreign investors, perhaps.

(4) *Copper and expected inflation.* Leading the CRB index higher has been its copper price component (*Fig. 4*). The nearby futures price of copper is up 93% from last year's low of 212 cents per pound to 413 cents per pound yesterday.

This commodity price has been tracking the expected inflation rate embedded in the 10-year Treasury bond yield very closely since 2007. The latter has jumped from last year's low of 0.50% on March 19 to 2.14% on Friday.

By the way, we also know that the nearby futures price of gold closely tracks the inverse of the 10-year TIPS yield (*Fig. 5*). These relationships explain why the ratio of the prices of copper to gold is such a good coincident indicator of the nominal yield of the 10-year US Treasury bond (*Fig. 6*).

(5) *Monetary aggregates.* There's certainly lots of liquidity in the financial system as a result of the unprecedented combination of massively stimulative monetary and fiscal policies over the past year. That's readily apparent in the measures of the money stock. M1 and M2 are up $2.7 trillion and $4.0 trillion over the past year (*Fig. 7* and *Fig. 8*). Their y/y growth rates are off the charts at 67% and 26% (*Fig. 9* and *Fig. 10*).

Inflation III: Investment Implications. If inflation is making a comeback, what might be the investment implications? Consider the following:

(1) *Fixed-income securities.* The obvious investment implication is to shorten duration in fixed-income portfolios. We are forecasting that the 10-year US Treasury bond yield is likely to rise to 2.00% before the end of this year. It might go still higher in 2022 if the Fed remains too far behind the inflation curve, as seems likely.

Another obvious investment implication is that the yield curve is likely to continue steepening. The yield-curve spread between the bond yield and the federal funds rate bottomed at -61bps last year on March 3 (*Fig. 11*). It was up to 123bps yesterday. During the previous six cycles, the spread peaked between 300bps and 400bps.

(2) *Financials.* A steepening yield curve should be good for the S&P 500 Financials. In the past, they've tended to outperform the S&P 500 coming out of recessions and at least halfway through the subsequent business cycle expansion (*Fig. 12*).

The one clear exception to this pattern is that Financials have been mostly market performers and occasionally underperformers since the GFC. That might have started to change late last year when they bottomed relative to the S&P 500 on October 16. They are up 16% since then through Friday's close.

(3) *Consumer Staples.* The ratio of the S&P 500 Consumer Staples sector to the S&P 500 shows that it was also a market performer during the first few years of the bull market that started during March 2009 (*Fig. 13*). The ratio has been on a downward trend since early 2017. The sector tends to outperform during recessions, when interest rates are falling and the yield curve is inverting. Rising rates and a steepening yield curve suggest that the sector is likely to underperform this year.

(4) *Energy and Materials.* The S&P 500 Energy and the S&P 500 Materials sectors consistently have been underperforming the S&P 500 during most of this bull market (*Fig. 14* and *Fig. 15*). They've started to outperform last year through this year so far. Given the V-shaped recovery in commodity prices resulting from the massive fiscal and monetary policy stimulus, they are likely to continue to outperform.

(5) *Consumer Discretionary and Technology.* For some of the laggards to lead again, some of the leaders have to lag for a while. That might happen to two of this bull market's best-performing sectors. The S&P 500 Consumer Discretionary and the S&P 500 Information Technology sectors have lots going for them still (*Fig. 16* and *Fig. 17*). However, their lofty valuation multiples are also standouts. Rising bond yields could take some of the air out of their multiples as their earnings continue to grow.

For more charts showing the historical performance of the S&P 500 sectors and available industries, see our *S&P 500 Sectors & Industries Relative to S&P 500*.

CALENDARS

US: Tues: Consumer Confidence 90.0, Richmond Fed Manufacturing Index, S&P Case Shiller Home Price Index, API Crude Oil Inventories, Powell Testimony. **Wed:** New Home Sales 855k, MBA Mortgage Applications, EIA Crude Oil Inventories, Powell Testimony, Brainard, Clarida. (DailyFX estimates)

Global: Tues: Eurozone Headline & Core CPI 0.9%/1.4% y/y, UK Employment Change & Unemployment Rate -30k/5.1%. **Wed:** Germany GDP 0.1%q/q/-3.9%y/y, France Business Confidence 99, McCaul. (DailyFX estimates)

STRATEGY INDICATORS

S&P 500/400/600 Forward Earnings (*link*): Forward earnings rose for all three of these indexes last week. MidCap's was at a record high for a second week and the first time since October 2018. SmallCap's was at a record for a third week, also for the first time since October 2018. LargeCap's forward earnings is now 1.0% below its record high at the end of January 2020. In a typically V-shaped recovery, LargeCap's forward earnings has risen during 39 of the past 40 weeks, with the one down week in late December due to Tesla's addition to the index. MidCap's is up in 36 of the past 38 weeks, and SmallCap's posted its 37th gain of the past 39 weeks. LargeCap's forward earnings is now up 25.7% from its lowest level since August 2017;

MidCap's has risen 53.1% from its lowest level since May 2015; and SmallCap's is up 89.6% from its lowest point since August 2013. These indexes had been on a forward-earnings uptrend from November 2019 until mid-February, before tumbling due to the Covid-19 economic shutdown. The yearly change in forward earnings soared to cyclical highs during 2018 due to the boost from the Tax Cuts and Jobs Act (TCJA) but began to tumble in October 2018 as y/y comparisons became more difficult. In the latest week, the yearly rate of change in LargeCap's forward earnings improved to an 11-month high of -0.9% y/y from -1.0%. That's up from mid-May's -19.3%, which was the lowest since October 2009, and down from 23.2% in September 2018, which was the highest since January 2011. The yearly rate of change in MidCap's forward earnings rose w/w to a 21-month high of 4.9% y/y from 3.4% y/y and is up from a record low of -32.7% at the end of May; that compares to a TCJA-boosted 24.1% in September 2018 (the highest since April 2011). SmallCap's rate turned higher too, rising to a 23-month high of 9.6% y/y from 8.0% y/y; it is up from a record low of -41.5% in early June. SmallCap's prior record low in its y/y percent change occurred during July 2009 and compares to the TCJA-boosted eight-year high of 35.3% in October 2018. Analysts' y/y earnings growth forecasts for 2020 are still down substantially since early March but have been improving since July as companies easily beat low-balled consensus estimates for Q2 and Q3. Here are the latest consensus earnings growth rates for 2020, 2021, and 2022: LargeCap (-13.6%, 23.3%, 15.4%), MidCap (-21.3, 45.7, 15.9), and SmallCap (-31.7, 75.9, 19.1).

S&P 500/400/600 Valuation (*link*): All three of these indexes had their valuations fall last week. LargeCap's forward P/E fell 0.2pt to 22.0. That's down from a 19-year high of 22.7 in early January and up from 13.3 in mid-March, which was the lowest since March 2013. MidCap's decreased 0.2pts to 20.0, which compares to 21-week high of 20.5 in early January. Its current level is 2.7pts below its record high of 22.9 in early June. SmallCap's fell 0.4pts w/w to 20.2. It's now down 6.5pts from its record high of 26.7 in early June. That compares to MidCap's 10.7 and SmallCap's 11.1 in mid-March, which were their lowest readings since March 2009. LargeCap's forward P/E in February 2020—before Covid-19 decimated forward earnings—was 18.9, the highest level since June 2002. Of course, that high was still well below the tech-bubble record high of 25.7 in July 1999. Last week's level compares to the post-Lehman-meltdown P/E of 9.3 in October 2008. MidCap's P/E was below LargeCap's P/E yet again last week, as it has been for most of the time since August 2018. In contrast, it was last solidly above LargeCap's from April 2009 to August 2017. SmallCap's P/E was below LargeCap's for a 27th week, the longest stretch since May and during 2002-03. SmallCap's P/E had been mostly below from May 2019 to May 2020 after being solidly above since 2003.

SmallCap's P/E was at a premium to MidCap's for a sixth week after 11 weeks at a discount. At the beginning of the year, it had been at the steepest discount to that index since January 2006.

S&P 500 Sectors Quarterly Earnings Outlook (*link*): Since the Q2 earnings season—which came in substantially better than greatly reduced forecasts—analysts as a whole have been raising their consensus forecasts for all future quarters instead of lowering them as is the norm. In the latest week, the S&P 500's Q4 estimate rose 30 cents to $42.56, better than the typical positive surprise boost usually seen during the fifth week of the earnings season. That $42.56 estimate for Q4-2020 represents a gain of 1.4% y/y on a frozen actual basis and a 3.7% y/y gain on a pro forma basis. That compares to a pro forma 6.5% decline in Q3-2020, a 30.6% decline in Q2-2020, a 12.8% decline in Q1-2020, a 3.1% gain in Q4-2019, a 0.3% decline in Q3-2019, and y/y gains of 3.2% in Q2-2019, 1.6% in Q1-2019, 16.9% in Q4-2018, and 28.4% in Q3-2018 (which marked the peak of the current earnings cycle). The last time earnings fell markedly y/y was during the four quarters through Q2-2016. All 11 sectors had been expected to record negative y/y earnings growth for Q2 and Q3 when their respective earnings seasons began. Three sectors recorded positive earnings growth in Q2, and six did so in Q3. That was a big improvement from Q1 when all 11 sectors posted a y/y decline in earnings. For Q4, six of the 11 sectors are expected to post positive y/y earnings growth. That's up from three just before the end of Q4, but four of the 11 sectors are still expected to post worse growth on a q/q basis. That shortfall likely reflects continued pessimism among the analysts despite the reopening of the US economy. Energy had been expected to return to a profit in Q4, but analysts now think the sector will record a third straight quarterly loss. Here are the S&P 500 sectors' latest Q4-2020 earnings growth rates versus their Q3-2020 growth rates: Materials (21.6% in Q4-2020 versus -1.5% in Q3-2020), Financials (20.8, -2.8), Information Technology (18.8, 9.9), Health Care (10.3, 11.8), Communication Services (9.5, 3.7), Consumer Staples (5.5, 6.3), Utilities (-1.8, 0.9), Consumer Discretionary (-1.9, -2.3), Real Estate (-13.3, -12.8), Industrials (-37.3, -54.7), and Energy (-104.7, -108.2).

S&P 500 Q4 Earnings Season Monitor (*link*): With nearly 84% of S&P 500 companies finished reporting revenues and earnings for Q4-2020, revenues have beaten the consensus forecast by a well-above-trend 3.0%, and earnings have beaten estimates by 17.8%. The large surprises result from a lack of financial guidance from the companies that analysts follow during an economic rebound. At the same point during the Q3 season, revenues were 2.7% above forecast and earnings beat by 19.8%. For the 418 companies that have reported through mid-day Monday, aggregate y/y revenue and earnings growth have improved from their Q3 measures, but the percentage of companies reporting a positive revenue and earnings surprise has ticked down. The Q4 reporters so far collectively have 2.9% y/y revenue growth and a y/y earnings gain of 4.8%. Those results mark a big recovery from Q2-2020, which was the worst quarter for growth since Q1-2009 during the financial crisis. A whopping 82% of the Q4 reporters so far has reported a positive earnings surprise, and 75% has beaten revenues forecasts. Slightly more companies have reported positive y/y earnings growth in Q3 (62%) than positive y/y revenue growth (61%), which bodes well for profit margins. Excluding the FAANGM stocks, the earnings surprise drops to 15.2% from 17.8%, and the revenue surprise falls to 2.5% from 3.0%; earnings would decline 2.7% y/y without the FAANGMs instead of rising 4.8%, and revenues would be flat y/y instead of up 2.9%. These figures will continue to change as more Q4-2020 results are reported in the coming weeks but less so, and we expect positive surprises like those seen so far to continue.

US ECONOMIC INDICATORS

Regional M-PMIs (*link*): The three Fed districts that have reported on manufacturing activity for February (Philadelphia, New York, and Dallas) indicate that growth is expanding at a faster pace. Both the New York and Dallas regions saw and acceleration in growth this month, while Philadelphia's saw a slowing—though it was still stronger than the other two regions. Input prices accelerated in all three regions, while output prices heated up in two of the three regions. The composite index improved for the second month to 17.5 this month from 12.3 January and 8.2 in December. The Dallas (to 17.2 from 7.0) region expanded at its fastest pace since October, while New York's (to 12.1 from 3.5) measure accelerated for the first time in five months. Meanwhile, growth in the Philadelphia (23.1 from 26.5) region slowed a bit after rebounding in January from December's seven-month low of 9.1. The new orders' measure improved for the second month, from 8.3 in December to 15.7 by February, with billings in the Dallas (to 13.0 from 6.3) region expanding at double the pace of January, while growth in New York's (to 10.8 from 6.6) orders also picked up. Still, while orders' growth slowed in the Philadelphia (23.4 from 30.0) region, it was still more than double New York's pace and close to double Dallas'. In the meantime, factories added to payrolls (to 16.7 from 16.8) at virtually the same pace as last month—which was the strongest since August 2018—with the employment measure climbing for the second month from 13.6 in December. Hiring in the Philadelphia (to 25.3 from 22.5) region was the best since July 2019, while employment in the New York (12.1 from 11.2) region was little changed from January's pace, and Dallas' (12.7 from 16.6) was slower. Prices-paid measures in the New York (to 57.8 from 45.5), Dallas (57.4

from 55.0), and Philadelphia (54.4 from 45.4) regions accelerated at their fastest paces since May 2011, April 2011, and August 2018, respectively. The prices-received index in the New York (23.3 from 15.2) and Dallas (23.0 from 13.9) regions accelerated at their fastest clips since May 2011 and June 2018, respectively. Meanwhile, Philadelphia's prices-received (16.7 from 36.6) measure was half that of January—which was the highest since February 1989.

Leading Indicators (*link*): "While the pace of increase in the U.S. LEI has slowed since mid-2020, January's gains were broad-based and suggest economic growth should improve gradually over the first half of 2021," said Ataman Ozyildirim, senior director of economic research at The Conference Board. Leading indicators were stronger than expected in February, posting their ninth successive increase in January. Leading Economic Indicators (LEI) rose 0.5% in January and 14.0% since bottoming in April to within 1.5% of last January's record high. Seven of the 10 components contributed positively to January's LEI, while initial claims (-0.16ppt), consumer sentiment (-0.02), and real core capital goods (-0.01) once again were the only negative contributors. The positive contributions were broad based, led by building permits (0.29ppt) followed by the average workweek (0.14), new orders diffusion index (0.11), the interest rate spread (0.11), stock prices (0.10), leading credit index (0.10), and real consumer goods orders (0.01). The Conference Board expects the U.S. economy to expand 4.4% this year after contracting 3.5% last year: "As the vaccination campaign against Covid-19 accelerates, labor markets and overall growth are likely to continue improving through the rest of this year as well."

Coincident Indicators (*link*): The Coincident Economic Index (CEI) hasn't posted a decline since last April's record 11.8% plunge. January's CEI climbed 0.2% last month and 11.3% since last April, to within 3.8% of its record high posted in February. All four components of the CEI contributed positively last month. Here are the contributions from lowest to highest: 1) Industrial production (0.13ppt) continued to climb in January, posting its eighth increase since bottoming last April. Headline production advanced 0.9% last month and 17.4% over the nine months through January, to within 1.9% of pre-Covid levels. 2) Real personal income less transfer payments (0.05ppt) increased 0.2% in January after falling 1.0% the last two months of 2020. It's up 7.0% since April's bottom to within 1.7% of February's record high. 3) Real manufacturing & trade sales (0.03ppt) rose for the eighth time in nine months, by 0.3% in January and 20.1% over the period to a new record high. 4) Employment (0.02ppt) in January fell short of expectations on a surge in Covid-19. Payroll employment climbed only 49,000, while revisions showed a net two-month loss of 159,000 to December and November jobs. Accounting for January's lower-than-expected gain were job losses in several industries.

Within service-providing industries, jobs were cut in leisure & hospitality (-61,000), health care & social assistance (-40,800), retail trade (-37,800), and transportation & warehousing (-27,800); in goods-producing industries, manufacturing (-10,000) and construction jobs (-3,000) were in the red after enjoying eight months of gains. Meanwhile, on the positive side, employment in professional & business services rose by 97,000—with temporary help services (81,000) accounting for most of the gain. (Note: Latest data for both real personal income less transfer payments and real manufacturing & trade sales are estimated using statistical imputations to address the problem of lags in available data.)

GLOBAL ECONOMIC INDICATORS

Germany Ifo Business Climate Index (*link*): “The German economy is proving robust despite the lockdown, especially thanks to strength in industry,” according to Ifo’s business climate report for February. German business confidence posted its biggest monthly gain in six months, with both the present situation and expectations measures improving this month. Ifo’s Business Climate Index climbed 2.1 points in February to 92.4, not far from its recent high of 93.2 last September, led by a 2.7-point increase in the expectations component this month to 94.2; the present situation component climbed 1.4 points to 90.6. By sector, February’s manufacturing index (to 16.1 from 9.1) jumped to its highest level since November 2018, with the present situation (14.5 from 8.0) and expectations (17.6 from 10.3) components the highest since June 2019 and November 2017, respectively. In the service sector, more service providers were satisfied with their current situation (to 4.6 from 2.1), while their business expectations (-8.8 from 10.7) were less pessimistic. The report points out, “For the first time, the tourism industry is showing cautious optimism regarding the coming vacation season.” The business climate improved in the construction (to -3.6 from -4.9) sector due to less pessimistic expectations (-23.5 from -26.9). The assessment of the current situation (18.5 from 19.9) fell to its lowest level since March 2017 due to unusually cold weather; it was at 25.7 at the end of 2020. The business climate for the trade sector improved to -14.6 this month after sinking from 0.3 in December to -17.2 in January—the weakest reading since last May—as business expectations (-18.7 from -26.2) were less pessimistic, though current business expectations (-10.4 from -7.6) were more so.

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

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Debbie Johnson, Chief Economist, 480-664-1333

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