MORNING BRIEFING
March 29, 2021

From the 4Ds to the 5Ds!

Check out the accompanying chart collection.

(1) Nostalgia time. (2) The bull's long charge. (3) Da Vinci Code again. (4) Fed resists pegging bond yield, and outsources inflation fighting to Bond Vigilantes. (5) Powell's happy spin. (6) The Fifth Dimension: Adding Desperadoes to the 4Ds. (7) The yield-curve spread is signaling economic expansion with rising bond yields. (8) The first future-shock business cycle on a fiscal and monetary cocktail of steroids and speed. (9) The bull market has been broadening since early September 2020. (10) Financials boosted by ascending yield curve and prospect of higher earnings, dividends, and buybacks. (11) Net charge-offs were remarkably moderate last year. (12) Rally in Emerging Markets MSCI could stall on rising US bond yields. (13) Movie review: "The Father" (+ +).

YRI Podcast. In our latest video podcast, Dr. Ed discusses the main points of today's *Morning Briefing*.

Strategy I: Happy 666 Anniversary! In the March 25, 2020 *Morning Briefing*, Joe and I wrote: "Don't Fight the Fed … Yesterday's big rally in the stock market followed the Fed's announcement on Monday morning that QE4 was no longer limited to $700 billion but could extend to 'infinity and beyond.' The Fed has turned into the Bank of Japan, offering an open-ended commitment to buy almost every financial asset forever, including investment-grade corporate bonds. Joe and I think that Monday might have made the low in this bear market."

Last Wednesday marked the one-year anniversary of the bull market that started on March 24, 2020. The day before, the S&P 500 bottomed at 2237.40, down 33.9% from the February 19 record high (*Fig. 1*). Since then, it is up 77.6% through the latest record high of 3974.54 on Friday.

The y/y percent gain in the S&P 500 peaked at 76.1% y/y on March 22, the best performance since April 1936. It had been up as much as 84.8% y/y during March 1936. The record high was 175.4% y/y during July 1933 (*Fig. 2*).

In our opinion, last year's plunge in the S&P 500 was more like a bear market correction similar to the one that occurred during October 1987 than to an outright bear market. Last year's selloff happened in just 23 trading days, and the S&P 500 was down by more than 20% from its February 19 peak during only seven of those days.

So we consider the rebound in stock prices since the March 23, 2020 bottom to be a continuation of the bull market since March 9, 2009. The S&P 500 is up 487.5% since then through Friday's close. Sure enough, many of the speculative excesses that have developed over the past year are reminiscent of the fourth and final phase of a bull market than the first phase (*Fig. 3* and *Fig. 4*). Notably, the S&P 500's forward P/E has remained elevated around 22 over the past year even though the bond yield has been rising.

By the way, I turned bullish on stocks 10 days after the S&P 500 fell to an intra-day low of 666 on March 6, 2009 and seven days after it fell to its closing low of 676.53 on March 9, 2009. In the March 16, 2009 *Morning Briefing*, I wrote: "We've been to Hades and back. The S&P 500 bottomed last week on March 6 at an intraday low of 666. This is a number commonly associated with the Devil. ... The latest relief rally was sparked by lots of good news for a refreshing change, which I believe may have some staying power ... I'm rooting for more good news, and hoping that 666 was THE low." That very same day, the bullish news included the Fed's announcement that its QE1 bond-buying program would be expanded to $1.25 trillion in mortgage-related securities and $300 billion in Treasury bonds.

Now for the past few weeks, the 10-year Treasury bond yield has been hovering around 1.666%, up from 1.000% at the start of this year (*Fig. 5*). However, I don't see this as a Da Vinci Code signal to turn bullish on bonds. I still expect that we'll see 2.000% before the end of this year.

Strategy II: Fed Outsourcing Tightening to Bond Vigilantes. The backup in bond yields so far this year has had a significant impact on financial markets. Apparently, there have been widespread expectations that the Fed wouldn't let this happen. After all, the Fed has been purchasing all the notes and bonds issued by the Treasury since March 23, 2020, when the Fed implemented QE4ever (*Fig. 6*). Yet here we are with the bond yield more than 100bps higher than it was on August 4 last year when it fell to a record low of 0.52%.

We previously noted that Fed officials could have officially implemented either Yield-Curve Targeting or Operation Twist to peg the bond yield. Instead of doing so, they've put a positive spin on the backup in bond yields this year. Just last Wednesday, Fed Chair Jerome Powell said, "It seems that rates have responded to news about vaccination and ultimately about growth." He said so in a hearing before the Senate Banking Committee, adding "And that has been an orderly process." He also said that he "would be concerned if it were not an orderly process or if conditions were to tighten to the point where they might threaten our recovery." But he reiterated the Fed's view that the recent increase has come from "extraordinarily low levels … back up toward a level that we're more likely to see."

Melissa and I conclude that the Fed has decided to outsource the tightening of credit conditions to the Bond Vigilantes for now. That way, any "tightening tantrum" that results in other financial markets can be blamed on them rather than on the Fed. Recall that the Fed was blamed for the stock market's taper tantrums during May 2013, January 2016, and October 2018.

Could it be that Fed officials believe that if inflation turns out to be more than transient and more troublesome than they expected over the rest of the year, the Bond Vigilantes will squelch it? Whether Fed officials think so or not, the bottom line for us is that if push comes to shove, the Bond Vigilantes won't let inflation make a comeback. That's what they do for a living.

In other words, we are now expanding our 4Ds into the 5Ds. We've been talking about four deflationary forces for many years. They are Détente (a.k.a. globalization), (technological) Disruption, Demographics, and Debt. (See our *Four Deflationary Forces Keeping a Lid on Inflation*.) Now, the fifth D is Desperadoes (a.k.a. the Bond Vigilantes).

Strategy III: The Yield Curve's Message. The yield-curve spread has widened from 40bps last summer to 155bps currently (*Fig. 7*). The yield-curve spread is one of the 10 components of the Index of Leading Economic Indicators (LEI), which has traced out a V-shaped recovery since bottoming last April through February of this year (*Fig. 8*). The LEI is only 1.3% below its record high last January.

In our April 7, 2019 Topical Study *The Yield Curve: What Is It Really Predicting*, we concluded that the yield-curve spread tends to narrow during economic booms when the Fed is raising interest rates. The spread approaches zero as the yield curve anticipates that Fed tightening could trigger a financial crisis. That's happened on a regular basis in the past, resulting in a widespread credit crunch and a recession as well as a bear market in stocks.

Of course, there is no way that the yield curve saw the Great Virus Crisis coming. But it certainly signaled that monetary policy might be too tight during 2018 and 2019 as Trump's trade wars were pumping the brakes on global economic growth.

In any event, the yield curve did invert in late 1999 and early 2000, which often in the past has accurately signaled an imminent financial crisis, credit crunch, and a recession. Sure enough, there was a credit crunch in February and March of last year and a recession during March and April.

The yield-curve spread turned positive again on March 16 last year after the Fed cut the federal funds rate by 100bps down to zero. It rose to 155bps on Friday. Based on its previous cyclical behavior, it could easily get to 200-300bps if the Fed continues to keep the federal funds rate close to zero. We reckon that's the likely scenario through the end of this year. But sometime next year, the Fed is likely to start tightening. The Bond Vigilantes might conclude that they needn't be as vigilant. At that point, the yield-curve spread could peak between 300-400bps and start narrowing, as it has in the past.

Strategy IV: What's in Style? So did the bull market start on March 24, 2020 or on March 10, 2009? While this is a debatable question, we picked Door #2 above. Less debatable is whether a new business cycle started following last year's two-month recession during March and April. The official Dating Committee of the National Bureau of Economic Research (NBER) declared that real GDP peaked last February, but it has yet to declare the bottom of the recession even though real GDP likely fully recovered during Q1-2021 (*Fig. 9*)!

Debbie and I note that last year's unprecedented two-month lockdown recession during March and April was followed by an unprecedented V-shaped recovery now that real GDP has fully recovered its lockdown freefall during the current quarter. Fiscal and monetary policymakers are clearly overheating the economy to achieve their goal of full employment by next year. In other words, their policies have put the current business cycle on a mind-altering cocktail of steroids and speed! We view it as the first ever "future-shock" business cycle. (By the time that the NBER committee declares the current recession over, the next one could have started!)

This certainly explains the V-shaped bull market in stock and commodity prices since last March and the V-shaped bear market in bond prices since last summer. It explains the V-shaped rebound in inflationary expectations (*Fig. 10*). Now consider some of the related recent developments in the three major investment styles:

(1) *LargeCaps vs SMidCaps.* Joe and I have previously observed that the bull market started to broaden in early September of last year, one month after the bond yield bottomed at its record low. Investors were clearly starting to anticipate that vaccines would soon be available. That was confirmed by Pfizer and Moderna in November, and the bull market continued to broaden led by the so-called "reopening" trades.

We also previously noted that the Magnificent Five big-cap stocks outperformed the S&P 500 starting in late 2016 through August 28 of last year (*Fig. 11*). The ratios of the S&P 400 MidCaps and the S&P 600 SmallCaps to the S&P 500 LargeCaps also bottomed at the start of September (*Fig. 12*).

I asked Joe to construct ratios of the equal-weighted to the market-cap-weighted S&P 500 and its 11 sectors (*Fig. 13*). With the S&P 500 sectors, the Magnificent Five have dominated the market capitalization of Communication Services, Consumer Discretionary, and Information Technology. Their ratios mostly fell over the two years prior to early September 2020 and have rebounded since then, confirming the broadening of the bull market in those three sectors.

(2) *Growth vs Value.* The Magnificent Five also dominated the Growth versus Value investment style story from late 2016 through the start of last September when the former outperformed the latter (*Fig. 14*). But Value has been catching up fast since then, led by the Energy, Financial, and Materials sectors of the S&P 500. Rising commodity prices have benefitted Energy and Materials, while the steepening yield curve has boosted Financials.

The Financial sector received some good news last Thursday from the Fed, which said that temporary limits on dividend payments and share buybacks will end for most banks after June 30, following the completion of annual stress tests to determine their resilience to a hypothetical downturn.

Last year, provisions for loan losses at all FDIC-insured financial institutions well exceeded actual net charge-offs, which remained remarkably low (*Fig. 15*). As a result, bank earnings will get a big boost from lowering their allowances for losses (*Fig. 16*).

(3) *Stay Home vs Go Global.* The trade-weighted dollar has firmed up in recent weeks as US bond yields have moved higher (*Fig. 17*). That suggests that the run-up in commodity prices since last spring could stall. Of course, the bad news out of Europe about setbacks in Covid

vaccinations is also contributing to the strength of the dollar and the weakness of commodity prices.

The backup in US bond yields may be starting to weigh on the Emerging Markets MSCI stock price index (*Fig. 18*). This index is also highly correlated with the 10-year expected inflation proxy in the TIPS market, which rose on Friday to 2.34%, the highest since May 10, 2013 (*Fig. 19*).

At some point, perhaps sooner rather than later, rising inflationary expectations could boost nominal bond yields further, throwing a wet towel on inflationary expectations, commodity prices, and emerging market stock prices. That would be good for the dollar and for Financials. Stay Home would probably outperform Go Global again. In other words, the fifth D is likely to play a major role in the financial markets in coming months.

Movie. "The Father" (+ +) (*link*) is a movie about getting old and suffering from dementia. It stars … I just forgot … now I remember: Anthony Hopkins. Sorry, I couldn't resist the senior moment, though it's obviously not a funny subject and very painful for those who suffer from the degenerative ailment and for their close relatives. Hopkins' emotional performance is remarkable as he bounces between anger and fear over what has happened to him. Sadly, it is a movie for our times, as millions of baby boomers are aging seniors. Dementia keeps the mind from clearly seeing reality—which has become a problem throughout our society these days, resulting from increasingly deranged partisanship among people no matter their age.

CALENDARS

US: Mon: Dallas Fed Manufacturing Index, Waller. **Tues:** Consumer Confidence 97.0, S&P Case-Shiller House Price Index 11.0% y/y, API Crude Oil Inventories, Quarles. (DailyFX estimates)

Global: Mon: Japan Retail Sales -2.8% y/y, Japan Unemployment Rate 3.0%. **Tues:** Eurozone Economic & Sentiment & Consumer Confidence 96.0/-10.8, France Consumer Confidence 91, Germany CPI 0.5%m/m/1.7%y/y, Japan Industrial Production -1.2%, China NBS M-PMI 51.0. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance (*link*): Last week saw the US MSCI index rise 1.3% as it ranked third of the 49 global stock markets we follow in a week when only 16 of the 49 countries rose in US dollar terms and the AC World ex-US index fell 1.1%. The EMU was the best-performing region last week, albeit with a decline of 0.2%, ahead of EAFE (-0.6%). EM Latin America was the biggest underperformer with a decline of 3.7%, followed by BRIC (-3.6), EMEA (-2.2), EM Asia (-2.1), and EM Eastern Europe (-1.4). The Netherlands was the best-performing country last week with a 3.3% gain, followed by the Philippines (1.9), US (1.3), Pakistan (1.0), and Singapore (0.9). Among the 17 countries that underperformed the AC World ex-US MSCI last week, Turkey fared the worst with a decline of 21.1%, followed by Brazil (-5.5), Peru (-4.9), Colombia (-4.9), and New Zealand (-4.4). The EMU leads so far in 2021 with a gain of 3.8%, slightly ahead of EAFE (3.3) and the AC-World ex-US (3.0). The following regions are lagging: EM Latin America (-7.8), BRIC (-0.9), EM Eastern Europe (1.1), EM Asia (1.6), and EMEA (2.7). The top-performing countries ytd: Chile (13.9), Sweden (11.5), the Netherlands (11.0), Taiwan (10.0), and South Africa (9.5). The biggest laggards of 2021 so far: Turkey (-20.1), Colombia (-16.9), Brazil (-13.5), New Zealand (-13.1), and the Philippines (-9.5).

S&P 1500/500/400/600 Performance (*link*): Two of these three indexes rose last week, but only LargeCap was at a record high. LargeCap gained 1.6% for the smallest decline, ahead of the MidCap (0.5%) and SmallCap (-1.8) indexes as 17 of the 33 sectors rose compared to four rising a week earlier. Four sectors ended the week at a record high: LargeCap Consumer Staples and Industrials, and MidCap Consumer Staples and Materials. LargeCap Real Estate rose 4.2% in the best performance for the week, followed by LargeCap Consumer Staples (3.9), LargeCap Energy (3.0), MidCap Consumer Staples (3.0), and LargeCap Utilities (2.8). SmallCap Communication Services was the biggest underperformer last week with a decline of -5.2%, followed by MidCap Communication Services (-3.2), SmallCap Consumer Discretionary (-2.7), SmallCap Health Care (-2.6), and SmallCap Financials (-2.2). SmallCap leads so far in 2021 with a gain of 19.0%, easily beating both MidCap (13.9) and LargeCap (5.8). All but three of the 33 sectors are higher ytd. The best sector performers so far in 2021: SmallCap Energy (47.5), MidCap Energy (39.1), SmallCap Consumer Discretionary (38.1), LargeCap Energy (33.2), and MidCap Consumer Discretionary (21.9). The biggest laggards so far in 2021, albeit with gains: LargeCap Consumer Staples (1.0), LargeCap Utilities (1.1), LargeCap Tech (1.7), LargeCap Consumer Discretionary (1.7), and LargeCap Health Care (3.1).

S&P 500 Sectors and Industries Performance (*link*): Nine of the 11 S&P 500 sectors rose last week as eight outperformed the composite index's 1.6% gain. That compares to a 0.8% decline for the S&P 500 a week earlier when three sectors rose and six outperformed the index. Real Estate rose 4.2% for the biggest gain of the week, ahead of Consumer Staples (3.9%), Energy (3.0), Utilities (2.8), Tech (2.5), Materials (2.5), Industrials (2.2), and Health Care (2.1). The worst performers: Communication Services (-1.9), Consumer Discretionary (-0.2), and Financials (1.0). The S&P 500 has risen 5.8% so far in 2021, with all 11 sectors now higher ytd and six beating the broader index. The leading sectors so far in 2021: Energy (33.2), Financials (16.7), Industrials (10.9), Materials (9.8), Real Estate (9.6), and Communication Services (6.4). This year's laggards to date: Consumer Staples (1.0), Utilities (1.1), Tech (1.7), Consumer Discretionary (1.7), and Health Care (3.1).

S&P 500 Technical Indicators (*link*): The S&P 500 rose 1.6% last week and improved relative to its 50-day (50-dma) and 200-day moving averages (200-dma). It had been below its 50-dma for a week at the end of February for only the second time since early November. It was above its 200-dma for a 39th straight week after being below for 13 weeks through late May. The S&P 500's 50-dma rose for a 21st week after falling for a week at the end of October for the first time in six months. The price index improved to 2.5% above its rising 50-dma from 1.3% above a week earlier. That compares to 0.1% below its rising 50-dma the week at the end of February and is down from a 13-week high of 6.0% above its rising 50-dma in mid-November. It has been mostly trading above its 50-dma since late April and peaked in early June at 11.7% above, which was 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 price index was above its 200-dma for a 39th week and rose to 11.8% above its rising 200-dma from 10.8% a week earlier. It had dropped to a 17-week low of 9.7% above at the end of February. That compares to a 17.0% reading in early December, which was the highest since November 2009 and up from the 26.6% below registered on March 23—the lowest reading since March 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*): Nine of the 11 S&P 500 sectors traded above their 50-dmas last week, up from seven a week earlier; that compares to four above at the end of January. Health Care and Utilities moved above their 50-dmas in the latest week, leaving only two sectors below: Consumer Discretionary and Information Technology. Looking at the longer term, all 11 sectors traded above their 200-dmas, unchanged from a week earlier as Utilities was above for a third week after two weeks below. Energy traded above its 200-dma for an 18th week and for the first time since January 2020. That compares to just one sector (Health Care) above its 200-dma in April 2020. Ten sectors have a rising 50-dma. That's up from six a week earlier, which had been the lowest count since early November. Consumer Discretionary is the only sector with a declining 50-dma now. Currently, all 11 sectors have rising 200-dmas, unchanged from a week earlier, as Utilities was above for a third week. Energy's 200-dma finally turned higher in mid-December after mostly falling since October 2018.

US ECONOMIC INDICATORS

Regional M-PMIs (*link*): Four Fed districts now have reported on manufacturing activity for March (Philadelphia, New York, Richmond, and Kansas City) and show the manufacturing sector expanded at a faster pace, thanks to a sharp acceleration in the Philadelphia and Kansas City regions. Prices-paid and -received indexes are accelerating in all four regions. The composite index (to 28.1 from 18.3) expanded at its fastest pace in the history of the series going back to mid-2001, as the Philadelphia (to 51.8 from 23.1) region posted its best performance since 1973 while Richmond's (26.0 from 24.0) reached a new record high (going back to mid-2001). Meanwhile, New York (to 17.4 from 12.1) recorded its strongest growth since last summer, while Richmond's (17.0 from 14.0) has held at a steady pace the past four months. The new orders measure jumped from 15.1 to 26.8 this month, its best performance since May 2018 and not far from its record high of 30.2 during December 2003. Billings in the Philly (to 50.9 from 23.4) region expanded at the fastest pace since 1973, while Kansas City's (37.0 from 16.0) was the best since December 2003's record high of 40.0. New York's (9.1 from 10.8) measure showed orders expanding at a similar pace to that of February this month, while Richmond's (unchanged at 10.0) grew at the same pace as last month. In the meantime, factories (to 19.6 from 20.1) added to payrolls at roughly the same pace as last month—which was the strongest since July 2014. The Philadelphia (to 30.1 from 25.3) region once again drove the growth in employment; Kansas City (17.0 from 21.0) and New York (9.4 from 12.1) manufacturers both hired at a slightly slower pace than last month, while Richmond's measure held steady at 22.0.

Regional Prices Paid & Received Measures (*link*): We currently have prices-paid and -received data for March from the Philadelphia, New York, Kansas City, and Richmond regions. The Philadelphia, New York, and Kansas City measures are diffusion indexes, while Richmond's measures are yearly percent changes. All four regions are showing a sharp acceleration in prices, though Philadelphia's is exhibiting the steepest rise. Prices-paid measures in the Philadelphia (to 75.9 from 54.4) and New York (64.4 from 57.8) regions accelerated at their fastest paces since March 1980 and May 2011, respectively, while Kansas

City's (66.0 from 68.0) was close to April 2011's record high of 71.0, and up sharply from its -13.0 reading a year ago. Richmond's prices-paid annual inflation rate rose to 6.2% from 2.1% at the end of last year and 0.8% at the start of 2020. The prices-received indexes in the Philadelphia (to 31.8 from 16.7), Kansas City (31.0 from 27.0), and New York (24.2 from 23.4) regions are also accelerating, though pale in comparison to the regions' input price indexes; that's also the case for Richmond. Richmond's prices-received annual inflation rate climbed to 3.5% from 1.8% in December and 1.3% at the start of last year.

Personal Income & Consumption (*link*): Both personal income and spending fell during February but are expected to surge this month as the $1,400 stimulus checks are distributed. Personal income dropped sharply in February, reflecting a big drop in government social benefits—which got a big boost in January from the distribution of the $600 stimulus checks issued at the start of this year. Personal income sank 7.1% last month after jumping 10.1% during January as government social benefits to persons fell 27.6% and jumped 52.9% over the comparable periods. Meanwhile, wages & salaries held just south of last February's record high, after soaring 11.5% during the nine months through January. Consumer spending slumped 1.0% last month after soaring an upwardly revised 3.4% during January—a percentage point higher than the 2.4% initial gain. Real consumer spending fell 1.2% and rose 3.0% over the same periods. Goods consumption (-3.3% in February & +7.8% in January) drove the drop in real personal consumption expenditures during February and the jump in January. Personal saving dropped $1.39 trillion during February after getting a $1.48 trillion boost at the start of the year from January's Covid-related checks. March saving should get a major boost from this month's round of $1,4000 stimulus checks. February's personal saving rate fell to 13.6% after jumping to a stimulus-fueled eight-month high during January. As for inflation, February data show PCE core inflation increased 1.4% y/y, fluctuating between 1.3% and 1.5% the past seven months.

Consumer Sentiment (*link*): "Consumer sentiment continued to rise in late March, reaching its highest level in a year due to the third disbursement of relief checks and better than anticipated vaccination progress," according to Richard Curtin, chief economist of the survey. The Consumer Sentiment Index (CSI) jumped to a 12-month high of 84.9 (up from the mid-month reading of 83.0) this month after slumping the first two months of this year from 80.7 in December to 79.0 in January and to 76.8 in February, on widespread gains. The present situation component rebounded to a 12-month high of 93.0 after falling the prior two months, from 90.0 in December to 86.2 in February, while the expectations component jumped to 79.7 after a two-month drop from 74.6 to 70.7 during the two months ending February. (The final readings for both the present situation and expectations components were up from their mid-month readings of 91.5 and 77.5, respectively.) Only 45% of the Covid-related decline in the CSI has been recovered—the headline index, along with the present situation and expectations components, were at 101.0, 114.8, and 92.1, respectively, before Covid hit. The report notes that as the number of vaccinations has grown, so too has consumers' impatience with isolation, with nearly one-third voicing such concerns—the highest percentage in the last year. Inflationary concerns are starting to surface too: The one-year expected Inflation rate dipped to 3.1% after accelerating from 2.5% in December to 3.3% by February; it was at 2.1% last April. Meanwhile, the five-year expected inflation rate is at a six-year high of 2.8%.

GLOBAL ECONOMIC INDICATORS

Germany Ifo Business Climate Index (*link*): "Despite rising infection numbers, the German economy started spring with confidence," said Ifo President Clemens Fuest. "Companies were noticeably satisfied with their current condition." German business confidence in March posted its biggest monthly gain in nine months, with both the present situation and expectations measures improving. Ifo's Business Climate Index jumped to a 21-month high of 96.6 from 92.7 in February and 90.3 in January. The expectations (to 100.4 from 95.0) component was the highest since April 2018 this month, while the present situation (93.0 from 90.6) was the best since just before the pandemic hit. By sector, March's manufacturing index (to 24.1 from 16.1) jumped to its highest level since May 2018, with the present situation (22.6 from 14.6) and expectations (25.7 from 18.2) components the highest since April 2019 and November 2010, respectively. The service sector, which was hardest hit by the pandemic, got a shot of optimism this month, with its overall index (to 6.5 from -2.2) rebounding back in positive territory for the first time in five months—as the present situation (8.3 from 4.6) component moved further into positive territory and the expectations (4.7 from -8.7) measure jumped to its best reading since April 2019. The business climate improved in the construction (to 2.3 from -2.8) sector as well, with the current situation (26.5 from 18.5) component posting its most optimistic reading in a year and the expectations (-19.3 from -22.1) component less negative again this month.

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