



MORNING BRIEFING

April 6, 2021

Floating on a Sea of Liquidity

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

(1) The M-PMI is highly correlated with the y/y changes in the S&P 500 and in the Treasury bond yield. (2) M-PMI currently bullish for stocks and bearish for bonds. (3) M2 up \$4.2 trillion y/y. (4) More helicopter money on the way. (5) M-PMI orders and production boom, and so does prices-paid index. (6) NM-PMI at record high. (7) Employment, usually a coincident indicator, has been a lagging one so far. (8) Our Earned Income Proxy jumped to a record high last month. (9) Fed will wait until economy reaches broad-based and inclusive maximum employment before tightening. (10) Plenty of signs of labor shortages despite high joblessness. (11) Wage inflation remains relatively subdued. (12) Movie review: "My Octopus Teacher" (+ + +).

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

US Economy I: PMIs Getting Hotter. Debbie and I had expected a strong reading for the March manufacturing purchasing managers index (M-PMI) based on the strength of the month's regional business surveys. We weren't disappointed when it was released on Thursday, April 1. Why should stock investors care about the M-PMI? Because the y/y percent change in the S&P 500 stock price index is highly correlated with the M-PMI ([Fig. 1](#)). That's because the y/y growth rate in S&P 500 revenues is highly correlated with the M-PMI ([Fig. 2](#)).

Furthermore, there has been a positive correlation between the M-PMI and both the level and the y/y change in the 10-year US Treasury bond yield ([Fig. 3](#) and [Fig. 4](#)). The M-PMI has been and continues to be bullish for stocks and bearish for bonds.

The M-PMI was hot during March and could get red hot during April as a result of the latest round of helicopter money. The first two rounds of "relief" checks combined with the Fed's QE4ever boosted M2 by a mind-boggling \$4.2 trillion over the 12 months through February ([Fig. 5](#)).

The M1 and M2 monetary aggregate series are no longer available weekly. They are available only monthly. However, the Fed still compiles a weekly series for total deposits at all

commercial banks, which rose by a record \$2.9 trillion y/y through the week of March 17. That's just about when the third round of relief checks started to be sent by the Treasury. We expect this weekly series to balloon further in coming weeks. The Treasury's checking account at the Fed plunged \$247 billion over the past two weeks through the March 31 week, as the Fed has been sending out checks and issuing direct deposits to the tune of \$1,400 per person ([Fig. 6](#)).

All that liquidity augurs for another strong, or stronger, reading in April's M-PMI and a continuation of the bull market in stocks. For now, let's have a closer look at the March readings of this index as well as the NM-PMI, i.e., the PMI for non-manufacturing industries:

(1) *M-PMI with orders and production*. The March M-PMI was 64.7, 3.9ppts higher than the February reading of 60.8 ([Fig. 7](#)). It is at the highest reading since December 1983 when it was 69.9. At 68.0, the new orders index was the highest reading since January 2004. The production index registered 68.1 in March, 4.9ppts higher than the February reading of 63.2 and also the highest since January 2004.

(2) *M-PMI backlogs*. Demand is outpacing supply. As a result, the supplier deliveries Index registered 76.6, 4.6ppts higher than February and the highest reading since April 1974 ([Fig. 8](#))! The backlog of orders Index registered 67.5 in March, a 3.5ppts m/m increase and the highest since reporting for this subindex began in January 1993. Part of the problem, according to survey respondents, is "record-breaking backlogs in ports of entry."

(3) *M-PMI prices paid*. The bad news is that inflationary-cost pressures remain elevated. The prices-paid index edged down 0.4ppts to 85.6 ([Fig. 9](#)). In the last two months, this index has been at its highest levels since July 2008.

(4) *Profit margins*. Interestingly, there isn't much of a correlation between the S&P 500 operating profit margin and the M-PMI prices-paid index ([Fig. 10](#)). The rising input costs of commodities should squeeze profit margins. However, rising commodity prices also boost the profit margins of commodity producers. Rising productivity might also explain why rising costs aren't depressing profit margins.

(5) *NM-PMI*. March's NM-PMI was released yesterday. It rose from 55.3 during February to 63.7, the highest reading since the start of the series during July 1997 ([Fig. 11](#)). The NM-PMI's prices-paid index was also on fire, rising to 74.0, the highest since July 2008 ([Fig. 12](#)).

US Economy II: Hot Demand. The remarkably strong rebound in the M-PMI over the past year is attributable to the remarkably strong rebound in the demand for goods. That's attributable to the unprecedented stimulus provided by fiscal and monetary policies since the start of the pandemic. In addition, lots of money that still can't be spent on various services is boosting the demand for goods. The recent surge in the NM-PMI reflects the easing of restrictions that limited the activities of services businesses.

Consumers who haven't been able to spend money on travel and entertainment (T&E) have been spending more on fixing up their homes and buying new cars. February's construction spending and March's auto sales were smoking hot. Businesses that have been spending less on T&E have been boosting capital spending, especially on technology. Consider the following:

(1) *Construction.* During February, construction spending on new single-family homes held steady at \$377.0 billion (saar), the highest pace since October 2006. Meanwhile, spending on multi-family housing edged down from January's record high of \$94.5 billion, while spending on home improvements was a tick below January's record high of \$248.3 billion ([Fig. 13](#)).

(2) *Autos.* US motor vehicle sales rose to 18.0 million (saar) during March, the highest since July 2005 ([Fig. 14](#)). Leading the charge higher was sales of domestic light trucks ([Fig. 15](#)). Gasoline usage has strengthened in recent months too ([Fig. 16](#)).

(3) *Capital spending.* The M-PMI, which is also highly correlated with the y/y growth rate in nondefense capital goods excluding aircraft, currently is very bullish for such capital outlays ([Fig. 17](#)).

US Labor I: Unlocking the Labor Market. The US economy continues to recover from the two-month recession during March and April last year that was caused by lockdown restrictions imposed by well-intentioned state governors. They believed that by imposing these restrictions, they would flatten the curve of hospitalizations. The lockdowns worked, but at a terrible economic cost. Payroll employment plunged 22.4 million during March and April ([Fig. 18](#)). The number of people in the labor force dropped by 8.0 million during those two months as the number of unemployed workers soared by 17.4 million ([Fig. 19](#)).

As the lockdown restrictions were gradually eased, the economy came roaring back, but the labor market remained challenged, particularly in the services sector, which was still restricted by social-distancing rules. Consider the following:

(1) *Soaring economic activity.* Real GDP soared 18.0% (saar) during the second half of 2020 after falling 19.2% during the first half ([Fig. 20](#)). It is on track to fully recover during either Q1 or Q2 of this year. The latest (April 1) estimate of the Atlanta Fed's [GDPNow](#) model shows real GDP up 6.0% (saar) during Q1. The Weekly Economic Indicator compiled by the Federal Reserve Bank of New York is a good leading indicator of real GDP growth. It was up 7.3% y/y during the final week of March, suggesting that Q2 GDP growth will be even stronger than the Q1 rate ([Fig. 21](#)).

(2) *Lagging employment.* On the other hand, notwithstanding Friday's strong employment report for March, payroll employment was still 8.4 million below its record high of 152.5 million during February 2020. The labor force was 4.0 million below its record high of 164.6 million during December 2019. And the number of unemployed was up 2.5 million from a year ago to 9.7 million. Payroll employment is one of the four components of the Index of Coincident Economic Indicators, but it certainly has been a lagging indicator this recovery.

Here are the 12-month changes in payroll employment through March in the following sectors of the labor market (in thousands):

Total (-6,720)

Services (-4,970)

Goods (-589)

Construction (-91)

Education and Health Services (-954)

Financial Activities (-62)

Information (-225)

Leisure and Hospitality (-2,352)

Manufacturing (-434)

Mining & Logging (-64)

Other Services (-301)

Professional and Business Services (-534)

Trade, Transportation, & Utilities (-542)

Federal Government (3)

State & Local Governments (-1,164)

(3) *EIP at record high*. To avoid information overload from all the information in the monthly employment report, Debbie and I like to start by calculating our Earned Income Proxy (EIP) for private-sector wages and salaries, which is one of the main drivers of personal income, which drives personal consumption, which drives the economy. It rose 1.4% during March to a record high ([Fig. 22](#)). Here are the m/m changes in the components of our EIP: payroll employment (0.6%), average weekly hours (0.9), and average hourly earnings (-0.1).

This augurs well for the March personal income report, which will also get a huge boost from the latest round of relief checks, sent by the Treasury starting around mid-March. (NB: The three series we use to construct our EIP all are for the private sector.)

US Labor II: Fed Sets a High Bar. Fed Chair Jerome Powell often has stated that the Fed isn't likely to start tightening until the economy has achieved "broad-based and inclusive maximum employment." Friday's employment report suggests that the labor market is heading in the right direction with March payrolls rising 916,000 and with January and February estimates revised higher by a total of 156,000. In other words, payroll employment rose 1.6 million during the first three months of the year.

The unemployment rate dropped from 6.7% at the end of last year to 6.0% during March. However, both Powell and Treasury Secretary Janet Yellen believe that the unemployment rate is actually closer to 10%. Consider the following:

(1) *Powell*. In a February 10 webcast with the Economic Club of New York, Powell presented a [speech](#) titled "Getting Back to a Strong Labor Market." The word "unemployment" was mentioned 17 times, while "inflation" was mentioned 14 times. He said:

"Fear of the virus and the disappearance of employment opportunities in the sectors most affected by it, such as restaurants, hotels, and entertainment venues, have led many to withdraw from the workforce. At the same time, virtual schooling has forced many parents to leave the work force to provide all-day care for their children. All told, nearly 5 million people say the pandemic prevented them from looking for work in January. In addition, the Bureau of Labor Statistics reports that many unemployed individuals have been misclassified as employed. Correcting this misclassification and counting those who have left the labor force

since last February as unemployed would boost the unemployment rate to close to 10 percent in January.” (See Figure 6 in the [chart deck](#) accompanying Powell’s speech.)

Powell reiterated that “maximum employment is a broad and inclusive goal” of the Fed’s monetary policy. He explained, “This means that we will not tighten monetary policy solely in response to a strong labor market.” Powell wants the economy to run hot:

“In particular, we expect that it will be appropriate to maintain the current accommodative target range of the federal funds rate until labor market conditions have reached levels consistent with maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.”

In other words, the Fed won’t be thinking about raising interest rates until the unemployment rate is down to around 4.0%, as long as it is consistent with broad-based and inclusive maximum employment.

(2) *Yellen*. On Sunday, February 7, Yellen strongly endorsed President Biden’s American Rescue plan. She said, “We’re in a deep hole with respect to the job market and a long way to dig out,” on CBS News’ “[Face the Nation](#).” She predicted that the plan could restore full employment by 2022. “There’s absolutely no reason why we should suffer through a long, slow recovery,” Yellen said. Interestingly, in her interview, Yellen agreed that the unemployment rate is close to 10%.

(3) *Summers*. Neither Powell nor Yellen mentioned in their most recent public appearances that the government’s very generous unemployment benefits might be providing a disincentive for some people to go back to work. This possibility was recently raised by former Treasury Secretary Larry Summers, however. (See our February 10 [Morning Briefing](#) titled “Help Wanted.”)

US Labor III: Labor Shortages Without Wage Inflation. There certainly are lots of help-wanted signs out, notwithstanding the apparent slack in the labor market. Yet wage inflation remains relatively subdued. During January, when the number of unemployed workers was 10.1 million, the number of job openings was 6.9 million, according to the latest JOLTS report. March’s survey of small business owners conducted by the National Federation of Independent Business found that a record 42.0% had job openings and that 51.0% of them reported that there were few or no qualified applicants for their job openings ([Fig. 23](#)). The

March M-PMI survey reported one respondent saying, “Qualified new hires are an ongoing challenge. We have had to provide better compensation to keep qualified talent.” That may be so, but overall wage inflation remains subdued.

The average hourly earnings (AHE) measure of wages for production and nonsupervisory workers in the private sector rose 4.4% y/y during March ([Fig. 24](#)). A year ago, it was 3.7% and jumped to 7.8% during April. That happened because most of the job losses occurred among low-wage workers. The Atlanta Fed’s wage growth tracker is less prone to be distorted by this compositional issue and has remained relatively subdued around 3.5% over the past 12 months.

Movie. “My Octopus Teacher” (+ + +) ([link](#)) is a remarkable documentary about the friendship that develops between Craig Foster, a South African snorkeler, and a remarkably intelligent octopus. Then again, this very liquid and fast-moving animal is known to be one of the smarter ones swimming about in the water kingdom. The star of this show doesn’t disappoint. However, the human with whom she interacts has some serious flaws. I’m a sucker for animal movies. I often find myself rooting for them rather than the humans, even in “Planet of the Apes.”

CALENDARS

US: **Tues:** JOLTS 6.995m, API Crude Oil Inventories. **Wed:** Consumer Credit %5.0b, Balance of Trade -\$70.5b, MBA Mortgage Applications, EIA Crude Oil Inventories, FOMC Minutes, Evans, Barkin. (DailyFX estimates)

Global: **Tues:** Eurozone Unemployment Rate 8.1%, Italy Unemployment Rate 9.0%, RBA Interest Rate Decision 0.1%. **Wed:** Eurozone, Germany, and France, C-PMIs 52.5/56.8/49.5, Eurozone, Germany, and France NM-PMIs 48.8/50.8/47.8, UK C-PMI & NM-PMI 56.6/56.8, Japan Leading & Coincident Indicators. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index rise 1.3% as it ranked 17th of the 49 global stock markets we follow in a week when 33 of the 49 countries rose in US dollar terms and the AC World ex-US index rose 1.0%. EMEA was the best-performing region last week with a gain of 3.1%, ahead of BRIC (2.5%), EM Asia (2.3), EMU (1.4), and EM Eastern Europe (1.1). EAFE was the biggest underperformer, albeit with a gain

of 0.3%, followed by EM Latin America (0.9). South Africa was the best-performing country last week with a 4.9% gain, followed by China (3.0), Poland (2.7), and Korea (2.6). Egypt was the worst performer with a decline of 6.0%, followed by Indonesia (-4.7), the Philippines (-1.7), and Finland (-1.4). In March, the US MSCI rose 3.6% and ranked 14/49 as the AC World ex-US index underperformed with a gain of 0.9%. Twenty-eight of the 49 countries moved higher in March as most regions rose. Mexico was the best performer with a gain of 8.4%, followed by Ireland (8.1), Chile (8.0), and Norway (6.3). The worst-performing countries in March: Turkey (-17.0), Peru (-10.9), Egypt (-9.5), and Indonesia (-6.5). EM Latin America rose 4.0% in March, ahead of EMEA (3.9), EM Eastern Europe (3.2), EMU (3.1), and EAFE (1.8). BRIC was March's worst-performing region with a decline of 3.6%, followed by EM Asia (-3.1). EMEA now leads so far in 2021 with a gain of 5.9%, ahead of EMU (5.3) and the AC-World ex-US (4.0). The following regions are lagging: EM Latin America (-7.0), BRIC (1.6), EM Eastern Europe (2.2), EAFE (3.5), and EM Asia (4.0). The top-performing countries ytd: Chile (16.3), South Africa (14.8), the Netherlands (13.3), Taiwan (12.1), and Sweden (11.0). The biggest laggards of 2021 so far: Turkey (-18.5), Colombia (-17.0), Brazil (-12.7), New Zealand (-11.6), and the Philippines (-11.0).

S&P 1500/500/400/600 Performance ([link](#)): All three of these indexes rose last week for the first time in three weeks, but only LargeCap was at a record high. LargeCap gained 1.1%, ahead of the MidCap (0.8%) and SmallCap (0.7) indexes as 24 of the 33 sectors rose. Just two sectors ended the week at a record high: LargeCap Industrials and MidCap Materials. LargeCap Communication Services rose 3.4% in the best performance for the week, followed by SmallCap Energy (2.9), MidCap Communication Services (2.8), and SmallCap Tech (2.8). SmallCap Financials was the biggest underperformer last week with a decline of -1.1%, followed by LargeCap Consumer Staples (-0.8), MidCap Consumer Staples (-0.8), SmallCap Consumer Staples (-0.6), and LargeCap Health Care (-0.6). MidCap rose 4.5% during March, ahead of LargeCap (4.2) and SmallCap (3.2) as 28 of the 33 sectors rose. March's best performers: MidCap Materials (14.9), MidCap Utilities (10.3), MidCap Consumer Staples (10.2), and LargeCap Utilities (10.1). March's biggest laggards: SmallCap Tech (-1.8), MidCap Health Care (-1.7), SmallCap Communication Services (-0.5), SmallCap Health Care (-0.04), and SmallCap Energy (-0.4). SmallCap continues to lead so far in 2021 with a gain of 19.8%, easily beating both MidCap (14.8) and LargeCap (7.0). All 33 sectors are higher ytd, paced by these best sector performers: SmallCap Energy (51.8), MidCap Energy (38.8), SmallCap Consumer Discretionary (38.8), LargeCap Energy (32.7), and MidCap Consumer Discretionary (22.7). The biggest laggards so far in 2021, albeit with gains: LargeCap Consumer Staples

(0.2), LargeCap Utilities (1.9), LargeCap Health Care (2.5), LargeCap Tech (3.9), and LargeCap Consumer Discretionary (4.0).

S&P 500 Sectors and Industries Performance ([link](#)): Seven of the 11 S&P 500 sectors rose last week, but only three outperformed the composite index's 1.1% gain. That compares to a 1.6% gain for the S&P 500 a week earlier when nine sectors rose and eight outperformed the index. Communication Services rose 3.4% for the biggest gain of the week, ahead of Consumer Discretionary (2.2%) and Tech (2.1). The worst performers: Consumer Staples (-0.8), Health Care (-0.6), Energy (-0.4), Materials (-0.2), Financials (0.2), Real Estate (0.4), Industrials (0.5), and Utilities (0.8). The S&P 500 rose 4.2% in March as all 11 sectors moved higher and six beat the broader index. That compares to seven rising in February, when five beat the S&P 500's 2.6% gain. The leading sectors in March: Utilities (10.1), Industrials (8.8), Consumer Staples (7.7), Materials (7.3), Real Estate (6.3), and Financials (5.6). March's smallest gainers: Tech (1.6), Energy (2.7), Communication Services (3.1), Consumer Discretionary (3.6), and Health Care (3.7). The S&P 500 has risen 7.0% 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 (32.7), Financials (16.8), Industrials (11.4), Real Estate (10.1), Communication Services (10.0), and Materials (9.6). This year's laggards to date: Consumer Staples (0.2), Utilities (1.9), Health Care (2.5), Tech (3.9), and Consumer Discretionary (4.0).

S&P 500 Technical Indicators ([link](#)): The S&P 500 rose 1.1% last week and improved relative to its 50-day (50-dma) and 200-day moving averages (200-dma). It was above its 50-dma for a fifth week after dropping below for a week at the end of February for only the second time since early November. It was above its 200-dma for a 40th straight week after being below for 13 weeks through late May. The S&P 500's 50-dma rose for a 22nd week after falling for a week at the end of October for the first time in six months. The price index improved to 3.3% above its rising 50-dma from 2.5% 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 40th week and rose to 12.4% above its rising 200-dma from 11.8% 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](#)): All 11 S&P 500 sectors traded above their 50-dmas last week, up from nine a week earlier; that compares to four above at the end of January. Consumer Discretionary and Information Technology moved above their 50-dmas in the latest week. Looking at the longer term, all 11 sectors traded above their 200-dmas, unchanged from a week earlier as Utilities was above for a fourth week after two weeks below. Energy traded above its 200-dma for a 19th week and for the first time since January 2020. That compares to just one sector (Health Care) above its 200-dma in April 2020. Nine sectors have a rising 50-dma, down from 10 a week earlier and six the week before that, which had been the lowest count since early November. Consumer Discretionary and Health Care are the only sectors 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 fourth week. Energy's 200-dma finally turned higher in mid-December after mostly falling since October 2018.

US ECONOMIC INDICATORS

Employment ([link](#)): Employment gains blew past forecasts again in March, led by a surge in private-sector jobs, while both February and January payrolls were much stronger than previously forecast. Nonfarm payroll employment jumped 916,000 in February, following upwardly revised gains in February (to 468,000 from 379,000) and January (233,000 from 166,000), for a net gain of 156,000. Private payrolls surged 780,000, with revisions adding a net 125,000 to February (to 558,000 from 465,000) and January (122,000 from 90,000) payrolls. Leisure & hospitality once again was the job magnet in March, jumping 280,000, as pandemic restrictions continued to ease in many parts of the country—with restaurants (176,000) accounting for over 60% of this gain. Many private industries posted impressive gains last month: construction (110,000), education & health services (101,000), professional & business services (66,000), manufacturing (53,000), and transportation & warehousing (48,000), wholesale trade (23,700), retail trade (22,500), and natural resources (20,000). Here's a tally of industry performances from strongest to weakest during the 11 months through March, and where they stand relative to last February's pre-pandemic levels: Leisure & hospitality (5.09 million & -3.13 million), retail trade (1.99 million & -381,000), professional & business services (1.70 million & -685,000)—boosted by temporary-help services (822,500 & -175,500), health care (1.06 million & -556,800), construction (931,000 & -182,000), manufacturing (870,000 & -515,000), transportation & warehousing (508,500 & -66,100), social

assistance (395,500 & -305,900), education (215,500 & -309,700), financial activities (192,000 & -87,000), wholesale trade (175,300 & -233,900), information services (40,000 & -241,000), and mining (-11,600 & -75,700).

Earned Income Proxy ([link](#)): Our Earned Income Proxy (EIP), which tracks consumer incomes and spending closely, rebounded 1.4% in March—to a new record high—after posting its first loss in 10 months in February (-0.4%); it's up 15.0% since bottoming last April. The average hourly earnings component of the EIP dipped 0.1% in March, following a 2.2% jump during the eight months through February. Meanwhile, aggregate weekly hours, the EIP's other component, rebounded 1.5% in March, after falling 0.8% in February and rebounding 1.0% in January from December's 0.6% shortfall. Compared to a year ago, the EIP rebounded 2.1% in April, after dipping into negative territory in February; it posted its first positive reading since March 2020 in January (+0.5%). Average hourly earnings rose 4.2% y/y in March, slowing from 5.2% during the first two months of the year, and 5.5% at the end of 2020. Aggregate weekly hours fell 2.1% y/y last month, its 13th consecutive negative reading, though it has narrowed fairly steadily from last April's -15.8% bottom.

Unemployment ([link](#)): March's unemployment rate fell to a 12-month low of 6.0% as the number of unemployed workers fell for the third month, by 262,000 in March and 1.0 million the past three months, to 9.7 million—the lowest in a year. While both measures are much lower than last April's highs, they are still well above their pre-pandemic levels of 3.5% and 5.7 million, respectively. The civilian labor force increased 347,000 in March after rising 50,000 in February and plunging 406,000 in January. The participation rate was little changed at 61.5%, down 1.8ppts from last February's 63.3%. Meanwhile, household employment rose for the 11th successive month by 609,000 in March and 1.75 million over the period. The number of unemployed persons on temporary layoff fell 203,000 to 2.0 million last month, 1.3 million higher than last February though well below last April's 18.0 million. By race, March unemployment rates fell for the third month for both Whites (to 5.4% from 5.6% in February) and Hispanics (7.9% from 8.5%) after rising in December (to 6.0% and 9.3%, respectively) for the first time since reaching record highs of 14.1% and 18.9% last April. The rate for African Americans (to 9.6% from 9.9%) fell again in March after rising in February for the first time in 10 months; the rate was at 16.7% during March and April of last year. The rate for Asians (to 6.0% from 5.1%) rose nearly a percentage point last month after sinking to an 11-month low in February. These rates were at 3.0%, 4.4%, 6.0%, and 2.4%, respectively, last February. By education, the unemployment rate for workers with less than a high-school diploma fell to 8.2% in March after jumping from 9.1% to 10.1% in February, while the rate with those with a high-

school degree (to 6.7% from 7.2%) continues to move lower, falling to its lowest rate in a year. In the meantime, those with some college remained at February's 11-month low of 5.9%, while the rate for those with a college degree or higher dropped to a 12-month low of 3.7%. These four rates had been at 5.8% 3.5%, 3.0%, 1.9%, respectively, last February, prior to pandemic lockdown effects.

Wages ([link](#)): Average hourly earnings for all workers fell for the first time in nine months, ticking down 0.1% in March after an eight-month gain of 2.2%. The yearly wage rate for private industry slowed to a 12-month low of 4.2% y/y from December's seven-month high of 5.5%; it was at a record high 8.2% last April. The yearly wage rate for service-providing industries (4.7% y/y) slowed from December's seven-month high of 6.1%, while the goods-producing (2.6) rate sank to a 23-month low. Within goods producing, the wage rate for manufacturing (2.8) slowed to a 17-month low, while the rate for natural resources (-0.4) was negative for the first time since January 2018. The construction (2.5) rate continued to fluctuate in a volatile flat trend near the bottom of its range. Within service-providing industries, the rate for financial activities (7.5) remained on a steep accelerating trend, reaching yet another new record high in March, while the rate for education & health services (4.0) eased for the third month from December's record high of 5.8%. The information services (1.4) rate was on an upswing, accelerating to a 14-month high of 5.6% in October, though has recently dropped to its lowest rate since November 2012; the utilities rate has slowed to 3.6% y/y since its October peak of 6.4%. Rates for retail trade (5.5) and transportations & warehousing (2.6) remain in volatile flat trends, though the former is at the low end of the range, while the wholesale trade (3.9) rate is stalled around recent highs. The rate for professional & business services (3.8) continued to hover around recent lows, while the leisure & hospitality (4.6) rate lifted off its recent low

Construction Spending ([link](#)): Construction Spending (link): Construction expenditures this February dipped slightly from January's record high, though is still 5.3% above last February's previous record high. Total construction spending slipped 0.8% in February after soaring seven of the prior eight months by 11.7%, with private construction spending falling 0.5% and rising 15.9% over the comparable periods. Meanwhile, public construction spending during February dropped 1.7% after climbing 4.3% during the four months through January. Within private construction spending, residential investment inched down 0.2% in February after soaring 33.0% during the eight months through January to a new record high; nonresidential construction spending contracted for the seventh time in eight months by 1.0% in February and 5.6% over the period. The rebound in residential construction has been widespread: Single-family (41.4%), home-improvement (27.8), and multi-family (17.9) construction all posted big

upswings during the nine months through February—with single-family construction soaring to a new cyclical high this February, while home-improvement (-0.2) and multi-family (-1.4) construction slipped a bit from January record highs.

Auto Sales ([link](#)): Motor vehicle sales in March zoomed to its best reading since the summer of 2005 when aggressive incentives boosted sales above 20.0mu. Auto sales jumped to 18.0mu (saar) last month, more than double last April's record low of 8.7mu and above the 17.0mu just before the pandemic hit, as domestic light-truck sales jumped to 11.0mu (saar)—the best pace since July 2005's 11.3mu. Meanwhile, domestic car sales remained in a rut, little changed at 2.7mu (saar), up from last April's record low of 1.5mu, though still below the 3.3mu at the beginning of last year; car sales have been stalled around 2.7mu since last September. In the meantime, sales of imports have more than recovered their Covid-related declines, soaring to 4.4mu (saar) in March—the best sales pace since the late 1980s—led by a record 3.0mu in light truck sales!

GLOBAL ECONOMIC INDICATORS

Global Manufacturing PMIs ([link](#)): “Global Manufacturing PMI rises to ten-year high as growth of output, new orders and employment gather pace,” is the headline of the March report. The JP Morgan M-PMI climbed for the second month to 55.0 last month after dipping slightly in January to 53.6. The index is up 15.4 points since bottoming at 39.6 last April. The M-PMI for the advanced economies has increased all 11 months since bottoming in April by 21.7 points (to 58.5 from 36.8 in April), while the M-PMI for the emerging economies fell for fourth month, to 51.3 in March, after rising 11.2 points from 42.7 last April to 53.9 by November. Geographically, 23 out of the 27 nations for which March data were available had an M-PMI reading above the 50.0 mark—with five of the top six of those being Eurozone nations. Here's a country ranking of March M-PMIs from highest to lowest: Germany (66.6), the Netherlands (64.7), Austria (63.4), EUROZONE (62.5), Taiwan (60.8), Italy (59.8), France (59.3), US (59.1), UK (58.9), Canada (58.5), Czech Republic (58.0), Ireland (57.1), Spain (56.9), Australia (56.8), South Korea (55.3), WORLD (55.0), Poland (54.3), Vietnam (53.6), Indonesia (53.2), Brazil (52.8), Japan (52.7), Turkey (52.6), Greece (51.8), Russia (51.1), China (50.6), Malaysia (49.9), Thailand (48.8), Kazakhstan (48.5), and Myanmar (27.5).

US Manufacturing PMIs ([link](#)): Manufacturing activity in March was very strong, according to both the ISM and IHS Markit M-PMIs, and price pressures remain elevated. ISM's M-PMI (to 64.7 from 60.8) climbed further above 60.0 to its best reading since 1983, while the price index

(85.6 from 86.0) was little changed from February—which was the highest since July 2008. Both the new orders (to 68.0 from 64.8) and production (68.1 from 63.2) components continued to improve in March, posting their best performances since January 2004 for both. The new export orders (to 54.5 from 57.2) sub-index continues to bounce in a volatile flat trend around recent highs. Meanwhile, the employment measure (59.6 from 54.4) shows factories expanded payrolls at their best pace since February 2018, after reducing payrolls all but one month from August 2019 through November 2020. The supplier deliveries component of the M-PMI moved up for the eighth month to 76.6, with some of the recent increase reflecting the difficulties suppliers continue to experience due to COVID-19 impacts, after falling from 76.0 last April to 55.9 last July. The inventory measure indicated inventories (to 50.8 from 49.7) has fluctuated between contraction and expansion in the early months of 2021. Markit's M-PMI rose from 58.6 in February to 59.1 in March, the second-highest reading in the history of the series—this January's (59.2) being the highest. Manufacturers posted the fastest upturn in new business in almost seven years in March, while output rose for a ninth successive month, though the faster rise in demand did not translate into sharper production growth. Capacity is being “severely strained by the combination of soaring demand and supply chain disruptions,” according to the report, as “supply chain delays and backlogs of uncompleted orders are growing at rates unprecedented in the survey's 14-year history, meaning inventories of finished goods are falling at a steep rate.”

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