



MORNING BRIEFING

April 19, 2021

The Off-the-Charts Economy

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

(1) Relief checks fuel retail buying spree. (2) GDPNow tracking at 8.3% for Q1. (3) Lots of record highs in major retail sales categories. (4) Gasoline usage almost fully recovered. (5) Housing-related retail sales booming. (6) Business sales are bullish for S&P 500 revenues. (7) Lean inventories set stage for even more economic strength in coming months. (8) NY and Philly business survey are on fire. (9) Tug of war in the bond market: Shoguns vs Vigilantes. (10) The Fed's talking heads can't stop talking. (11) More backward-looking forward guidance. (12) Movie review: "The Courier" (+ +).

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

US Economy I: Supermarket Sweep. *Supermarket Sweep* is a TV game show that includes a timed race through a large, vacant, but fully stocked supermarket by three teams of contestants. They have a minute and a half to load up their shopping carts. The winning team is the one with the highest value of items thrown into their cart. The original show was broadcast from late 1965 to mid-1967. It was subsequently revived a few times.

Actually, it seems to have been revived over the past year by our most generous Uncle Sam. Americans have been going on a supermarket sweep thanks to the three rounds of pandemic relief checks totaling \$3,200 per eligible person. We estimate that about 250 million Americans have received them. That adds up to about \$800 billion in cash available for sweeping through supermarkets, super stores, and shopping malls.

As we discussed last week in the April 12 [Morning Briefing](#), the Federal Reserve Bank of New York estimates that about 25% of that total has actually been spent on goods and services, with the remaining 75% going into saving (including paying down debt). Most of the money saved from the relief checks is sitting in a huge pile of liquid assets, which leaves plenty of purchasing power to keep the supermarket sweep going for some time. It can also continue to fuel the Mother of All Meltups in the stock market.

There certainly has been a sweeping frenzy in retail sales over the past year. That's because consumers have been constrained in their ability to purchase pandemically challenged services. So that left even more of the cash available from paychecks and relief checks to be spent on goods. Consider the following:

(1) *Total retail sales.* Retail sales rose to a record \$7.4 trillion (saar) during March ([Fig. 1](#)). It is up 28% y/y from \$5.8 trillion last March. Since bottoming last April at \$5.0, it is up 50%. The 12-month moving average of retail sales rose to a record \$6.5 trillion during March.

After the March retail sales report was released on Thursday last week, the managers of the [GDPNow](#) model at the Federal Reserve Bank of Atlanta raised their Q1 estimate of real personal consumption expenditures (PCE) growth from 7.2% to 9.5% (saar). As a result, real GDP is tracking at 8.3%, up from 6.0%.

(2) *Major categories.* Here are the percent changes in the 13 major categories of retail sales over the past 12 months through March: clothing & accessories (101.1%), sporting goods & hobby (73.5), motor vehicles & parts (71.1), furniture & home furnishings (46.8), food services & drinking places (36.0), gasoline stations (34.8), miscellaneous store retailers (31.2), building materials & garden equipment (29.4), nonstore retailers (28.7), electronics & appliances (28.5), health & personal care (5.5), general merchandise (4.6), and food & beverage (-11.8). All but gasoline stations, clothing stores, electronics & appliance stores, food & beverage stores, and food services & drinking places are at record highs.

(3) *Motor vehicles and gasoline.* The rebound in retail sales of motor vehicles and parts dealers has been an extraordinary 96% since April of last year through March ([Fig. 2](#)). That augurs well for March PCE on autos. Interestingly, most of the strength in PCE on autos over the past year has been in new, rather than used, cars ([Fig. 3](#)). That's a bit surprising, since used vehicle prices in the Consumer Price Index are up 9.4% y/y through March while new vehicle prices are up only 1.5% over the same period ([Fig. 4](#)).

Retail sales of gasoline stations have also soared since they bottomed last April through March. This category is up 78.1%, with retail gasoline prices up 57.2% over this period ([Fig. 5](#) and [Fig. 6](#)). Actual gasoline usage plummeted 43% during late March through mid-April last year during the lockdowns but has almost fully recovered since then ([Fig. 7](#)). This series has

been among the best high-frequency indicators of the course of the economy during the pandemic.

(4) *Housing-related*. The pandemic has had an especially significant impact on housing-related retail sales. Everyone has been getting cabin fever, whether they rent or own their cabins, and many Americans have found relief by shopping for new furniture, appliances, and home furnishings. Many also have moved out of rental units into their own bigger cabins and spent lots on decorating and renovating them. So it's not surprising to see that the sum of retail sales of building materials & garden equipment stores, furniture & home furnishing stores, and electronic & appliance stores rose to a record high during March ([Fig. 8](#)).

(5) *Clothing and food*. Retail sales of clothing has rebounded dramatically by 658% to \$274.3 billion (saar) during March since last April, when most stores were closed for business by lockdown restrictions ([Fig. 9](#)). This category has recovered to where it was just before the pandemic and probably will continue to climb higher as more people go back to the office, go out more to restaurants and entertainment venues, and go on vacations.

Food services & drinking places is included in retail sales. It has rebounded 107% since last April but remained 4.8% below the February 2020 level ([Fig. 10](#)). It should continue to climb into record territory during the second half of this year once most of the population is vaccinated and assuming restaurants no longer face occupancy restrictions.

(6) *Online shopping*. Of course, online retailers gained lots of market share during the lockdowns and have given back some of that as the lockdown restrictions have gradually eased. The latest available data show that online sales as a percent of online and GAFO (i.e., the type of merchandise sold at department stores) sales was 42% during February. That's down from the record high of 51% during April of last year, but still up from 36% a year ago. (See our [In-Store & Online Retail Sales](#).)

US Economy II: Business Sales Boom, But Shelves Are Bare. On Thursday, along with March retail sales, the Census Bureau released February data for business sales, which includes manufacturers' shipments, wholesale trade sales, and retail sales. The total was up 5.7% y/y, which augurs well for the growth rate of S&P 500 aggregate revenues during Q1 ([Fig. 11](#)). That's especially so given the strength in March retail sales ([Fig. 12](#)).

Many companies were preparing for the worst when the pandemic first hit as lockdowns caused their sales to plummet. But as soon as lockdown restrictions were gradually eased starting in May of last year, many companies had to scramble to keep up with demand, especially since their production schedules had been cut and their supply chains had been disrupted. As a result, business inventories were seriously depleted by the start of this year, while demand got another shot in the arm from another round of relief checks during January and again during March and April.

As a consequence, the real business inventory-to-sales ratio fell to 1.32 during January, the lowest since February 2006 ([Fig. 13](#) and [Fig. 14](#)). Inventory depletion has set the stage for even more economic growth as production ramps up to both meet demand and replenish inventories.

US Economy III: Getting Hotter in NY and Philly. March was a hot month for the economy according to the retail sales report. It got hotter during April according to two of the regional business surveys conducted by five of the 12 Federal Reserve Banks (FRB) every month. The FRBs of New York and Philadelphia report their results ahead of those in Richmond, Kansas City, and Dallas.

Both continued to soar this month, with the average of their business conditions indexes jumping from 31.0 during March to 38.3 during April, the highest readings on record ([Fig. 15](#) and [Fig. 16](#)). This augurs well for the results of the other three surveys as well as the national M-PMI.

Now for the bad news. In the NY region, the prices-paid index jumped from 64.4 during March to 74.7 this month, the highest reading since July 2008's record high of 77.9 ([Fig. 17](#)). The NY prices-received index rose to the highest on record. The comparable Philly price indexes remained elevated.

Bonds: Shoguns vs Vigilantes. The US Treasury bond yield rose from 0.93% at the end of last year to a recent peak of 1.74% on March 31 ([Fig. 18](#)). Notwithstanding the latest batch of booming and inflating economic indicators, the bond yield fell to 1.59% by the end of last week. How can that be?

Japanese institutional investors may be snapping up US bonds because their bonds yields remain close to zero ([Fig. 19](#)). Reuters scooped the story in an April 2 [post](#), which reported:

“Japanese life insurers are considering buying foreign bonds again after a record selling spree, as U.S. Treasuries’ yields have bounced back close to their comfort levels. Executives at Japan’s top four insurers, which manage more than \$1.6 trillion in assets, told Reuters U.S. bonds are becoming attractive at yields near 2%.”

Reuters also observed that Japanese life insurers had been selling foreign bonds for eight months since July, their longest net-selling streak since the Ministry of Finance started compiling the data in 2005, mostly shifting to domestic bonds ([Fig. 20](#) and [Fig. 21](#)).

Japanese institutional investors hedge against currency swings in their foreign bond portfolios. The cost of dollar hedges, tied to short-term US interest rates, is expected to remain low given the Fed’s pledge to keep the federal funds rate near zero for the foreseeable future.

This certainly complicates the outlook for bond yields. During January and February, when the yield was rising rapidly, I thought there was a chance that the Fed might officially announce that the central bank would peg the bond yield either with yield-curve targeting or an Operation Twist. I gave up on that notion in March and concluded that the Fed had decided to outsource tapering credit conditions to the Bond Vigilantes. Now it seems that the Fed has outsourced the job of keeping a lid on the bond yield to Japanese bond buyers.

I’m still expecting to see the bond yield at 2.00% before the end of this year, but I’m now somewhat less certain of that. Undoubtedly, many stock investors also are rethinking the outlook for bond yields, which will make them only more bullish on stocks.

The Fed I: Powell Again and Again. Fed Chair Jerome Powell is the most talkative of the Fed’s talking heads. That makes sense since he is the head of the Fed. Is he talking too much? Melissa and I think so. But like beat reporters, we have to cover whatever he has to say whenever he says it. He was talking again on Wednesday of last week.

“We will reach the time at which we will taper asset purchases when we’ve made substantial further progress toward our goals from last December, when we announced that guidance,” Powell said Wednesday in a virtual event hosted by the Economic Club of Washington. “That would in all likelihood be before—well before—the time we consider raising interest rates. We haven’t voted on that order but that is the sense of the guidance.”

The appearance was the latest of several by Powell this month, including an interview on CBS's *60 Minutes* on Sunday, April 11. He said then that the economy appears to have turned a corner toward faster growth amid widening distribution of Covid-19 vaccinations but also that Fed officials would not be in a hurry to remove their support. Policymakers will wait until inflation has reached 2% y/y sustainably and the labor-market recovery is complete before considering lifting interest rates, and the combination is unlikely to happen before 2022, he said.

[Minutes](#) of the FOMC's March meeting, released April 7, said policymakers expect it will likely be "some time until substantial further progress" was made on employment and inflation. That refers to the tests they've set for scaling back bond purchases of \$120 billion a month.

On Wednesday, Powell [reiterated](#) that the federal funds rate would stay near zero until three "outcomes are achieved." They are: (1) "The recovery in the labor market is effectively complete." (2) "[I]nflation has reached 2% ... sustainably." (3) "[I]nflation is on track to run moderately above 2% for some time." Only after all three goals are met will the Fed consider raising interest rates, he said. "[T]hat's when we will raise interest rates. Until then, we won't."

However, well before Fed officials start raising rates, they first will terminate their bond purchase program, as Powell said. Melissa and I figure that they might announce that right after the summer and then actually stop buying by the end of this year. Maybe early next year, they'll start raising the federal funds rate.

"We're going to reduce the pace of purchases at some point, and that would occur prior to any decision about lifting off," Powell said in response to a question during the virtual event.

The Fed II: Clarida Again and Again. Also last Wednesday, Fed Vice Chair Richard Clarida gave a [speech](#) titled "The Federal Reserve's New Framework and Outcome-Based Forward Guidance." Is that a whacky title or what? Overall, the speech was just plain whacky. For starters, how can forward-looking guidance be based on an outcome, which requires a backward-looking assessment?

Noting that he has a "very robust" baseline outlook for US growth in 2021 that could be the fastest in 35 years, Clarida added that policymakers were not going to act on a forecast. "This is going to be outcome based. We're going to be looking at the labor market indicators and the inflation data as it comes in," he said.

Clarida listed five features “of the new framework for the Federal Reserve’s price-stability mandate.” Then he stated: “I believe that a useful way to summarize the framework defined by these five features is temporary price-level targeting (TPLT, at the ELB) that reverts to flexible inflation targeting (once the conditions for liftoff have been reached).” We aren’t making this up.

Then he said, “Our framework aims ex ante for inflation to average 2 percent over time but does not make a commitment to achieve ex post inflation outcomes that average 2 percent under any and all circumstances.”

And what about the Fed’s employment mandate, you might be wondering? Clarida explained, “An important evolution in our new framework is that the Committee now defines maximum employment as the highest level of employment that does not generate sustained pressures that put the price-stability mandate at risk.”

Clarida and his colleagues no doubt are talking so much to indicate that they are committed to transparency. But what they’re actually saying is confusing and often bordering on nonsense.

Movie. “The Courier” (+ +) ([link](#)) is a Cold War spy thriller based on a true story. British and American intelligence agencies had an informant in the Soviet Union who provided very valuable intelligence on his government’s plans to install nuclear missiles in Cuba during 1962. His handler was a British salesman who was recruited to act as the go-between in communications between the informant and MI6. While the Cuban Missile Crisis ended when the Soviets pulled out of Cuba, the current world geopolitical situation remains fraught with risks. The Cold War between the US and Russia is heating up again. So is the new Cold War between the US and China.

CALENDARS

US: **Mon:** None. **Tues:** API Crude Oil Inventories. (DailyFX estimates)

Global: **Mon:** Japan Industrial Production -2.1%, Bundesbank Monthly Report, RBA Meeting Minutes. **Tues:** UK Unemployment Rate 5.1%, ECB Bank Lending Survey, Buch. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index rise 1.4% for its third straight weekly gain as it ranked 26th of the 49 global stock markets we follow in a week when 42 of the 49 countries rose in US dollar terms and the AC World ex-US index rose 1.5%. EM Eastern Europe was the best-performing region last week with a gain of 4.4%, ahead of EM Latin America (2.9%), EMEA (2.3), EMU (2.1), and EAFE (1.6). EM Asia and BRIC were the biggest underperformers, albeit with gains of 1.0%. Russia was the best-performing country last week, with a 5.4% gain, followed by South Africa (4.3), Norway (4.1), and the Czech Republic (4.0). Egypt was the worst performer with a decline of 2.2%, followed by Hungary (-1.9), and India (-1.2). The US is the top-performing region so far in 2021 with a gain of 10.9%, ahead of EMU (9.5), EMEA (7.7), EAFE (7.1), and the AC-World ex-US (6.6). The following regions are lagging: EM Latin America (-1.9), BRIC (0.8), EM Asia (4.2), and EM Eastern Europe (4.4). The top-performing countries ytd: Chile (20.9), Sweden (18.7), South Africa (17.3), the Netherlands (16.9), and Taiwan (15.9). The biggest laggards of 2021 so far: Turkey (-18.4), Colombia (-14.7), the Philippines (-9.9), Egypt (-9.2), and New Zealand (-8.0).

S&P 1500/500/400/600 Performance ([link](#)): All three of these indexes rose last week, but only LargeCap and MidCap ended the week at record high. SmallCap remains close; just 3.6% below its record high on March 12. MidCap gained 1.9% for the week, ahead of the LargeCap (1.4%) and SmallCap (1.0) indexes as 32 of the 33 sectors rose. LargeCap Utilities rose 3.7% in the best performance for the week, followed by MidCap Health Care (3.3), LargeCap Materials (3.2), MidCap Utilities (3.1), and LargeCap Health Care (2.9). LargeCap Communications (0.0) was the worst performer, followed by miniscule gains for MidCap Communication Services (0.1), LargeCap Energy (0.2), and SmallCap Energy (0.3). SmallCap continues to lead so far in 2021 with a gain of 20.5%, ahead of both MidCap (18.0) and LargeCap (11.4). All 33 sectors are higher ytd, paced by these best sector performers: SmallCap Consumer Discretionary (40.6), SmallCap Energy (38.0), MidCap Energy (31.4), LargeCap Energy (27.6), and MidCap Consumer Discretionary (27.3). The biggest laggards so far in 2021, albeit with gains: LargeCap Consumer Staples (3.0), LargeCap Health Care (6.9), LargeCap Utilities (7.0), MidCap Communication Services (7.8), and MidCap Health Care (9.7).

S&P 500 Sectors and Industries Performance ([link](#)): Ten of the 11 S&P 500 sectors rose last week as five outperformed the composite index's 1.4% gain. That compares to a 2.7% gain for the S&P 500 a week earlier when 10 sectors rose and only three outperformed the

index. Utilities rose 3.7% for the biggest gain of the week, ahead of Materials (3.2%), Health Care (2.9), Real Estate (2.6), and Consumer Discretionary (2.0). The worst performers, albeit mostly with gains: Communication Services (0.0), Energy (0.2), Industrials (0.6), Financials (0.7), Tech (1.1), and Consumer Staples (1.3). The S&P 500 has risen 5.4% so far in April, but only two sectors are beating the index: Tech (8.0) and Consumer Discretionary (7.4). If April were to end with just two sectors ahead of the S&P 500, that would mark the first time in 15 years that it happened. With respect to 2021's performance, the S&P 500 has risen 11.4% so far, with all 11 sectors higher ytd and six beating the broader index. The leading sectors so far in 2021: Energy (27.6), Financials (19.9), Industrials (14.1), Materials (13.9), Real Estate (13.5), and Communication Services (13.5). This year's laggards to date: Consumer Staples (3.0), Health Care (6.9), Utilities (7.0), Tech (9.9), and Consumer Discretionary (10.6).

S&P 500 Technical Indicators ([link](#)): The S&P 500 rose 1.4% 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 seventh 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 42nd straight week after being below for 13 weeks through late May. The S&P 500's 50-dma rose for a 24th week after falling for a week at the end of October for the first time in six months. The price index improved to a 19-week high of 5.8% above its rising 50-dma from 5.2% 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 2020 and peaked in June 2020 at 11.7% above, which was the highest since its record high of 14.0% in May 2009. That compares to 27.7% below on March 23, 2020—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 42nd week and rose to a 14-week high of 15.4% above its rising 200-dma from 14.7% 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](#)): Ten of the 11 S&P 500 sectors traded above their 50-dmas last week, down from all 11 in the prior two weeks; that compares to four above at the end of January. Energy was the sole laggard, falling below its 50-dma for the first time in 11 weeks. Looking at the longer-term 200-dmas, all 11 sectors traded above them for a

seventh week. During April 2020, just one sector (Health Care) was above its 200-dma. All 11 sectors have a rising 50-dma, unchanged from a week earlier. That compares to just six sectors with a rising 50-dma in mid-March, which had been the lowest count since early November. All 11 sectors have had rising 200-dmas for the past six weeks. Energy's 200-dma finally turned higher in mid-December after mostly falling since October 2018.

US ECONOMIC INDICATORS

Retail Sales ([link](#)): Stimulus checks sent March retail sales into the stratosphere—boosting both headline and core retail sales to new record highs! Total retail sales rebounded 9.8% in March following a 2.7% decline in February and a 7.7% jump in January—which also received a boost from a round of stimulus checks. Core retail sales—which excludes autos, gasoline, building materials, and food—jumped 6.9%, fell 3.4%, and soared 8.7% over the comparable periods. All 13 retail sales categories contributed to March's increase—with seven posting double-digit monthly gains. Consumer spending should give a big boost to Q1 GDP. Here's a snapshot of the sales performances of the 13 categories during the first three months of this year from highest to lowest: sporting goods & hobby stores (27.2%), electronic & appliance stores (25.4), food services & drinking places (22.0), gasoline service stations (21.8), clothing stores (20.0), motor vehicle dealers (16.6), nonstore retailers (18.6), building materials & gardening equipment stores (15.1), furniture stores (14.7), general merchandise stores (13.7), miscellaneous store retailers (6.7), health & personal care stores (5.9), and food & beverage stores (2.5). Here's a list of the retailers that reached new record highs in sales during March: motor vehicles, furniture, building materials, health & personal care, sporting goods & hobby, general merchandise, miscellaneous store, and nonstore retailers.

Consumer Sentiment Index ([link](#)): Consumer sentiment in early April rose to its highest level since last March, as consumers listed “surging economic growth and strong job gains due to record stimulus spending, low interest rates, and the positive impact of vaccinations,” according to Richard Curtin, chief economist of the survey. The Consumer Sentiment Index (CSI) climbed for the second month to 86.5 in mid-April; it had dropped the first two months of the year from 80.7 in December to 76.8 by February. The present situation (to 97.2 from 86.2 in February) component climbed 11.0 points over the two-month period to a 13-month high, while the expectations (to 79.7 from 70.7) component rose 9.0 points over the period—with all the gain occurring in March. “Many fewer consumers mentioned the appeal of low prices and many more justified buying based on improved job and income prospects,” according to Curtin. Respondents were more upbeat about their current financial situation, and buying conditions

remained solid. “Many fewer consumers mentioned the appeal of low prices and many more justified buying based on improved job and income prospects,” noted Richard Curtin.

Regional M-PMIs ([link](#)): Two Fed districts now have reported on manufacturing activity for April (Philadelphia and New York) and show the manufacturing sector expanded at a faster pace, with both the Philadelphia and New York regions expanding at a better rate than March. Prices-paid and -received indexes are up sharply in both regions in recent months. The composite index (to 38.3 from 31.0) continued to climb this month, with growth up nearly five-fold since the end of last year (8.0), as the Philadelphia (to 50.2 from 44.5) region posted its best performance since the 1970s, while New York’s (26.3 from 17.4) was the strongest since October 2017. The new orders measure showed billings accelerating for the fourth month, from 2.9 in December to 31.5 this month—the highest since summer 2004—as orders in the New York (to 26.9 from 9.1) region grew at the fastest pace since October 2009 this month, while Philadelphia’s (36.0 from 38.2) was only a tad slower than March’s elevated rate. In the meantime, factories added to payrolls at the best pace since mid-2018, with the employment measure climbing from 18.4 to 22.4 this month and both the Philadelphia (to 30.8 from 27.4) and New York (13.9 from 9.4) regions hiring at a faster pace. New York’s prices-paid (to 74.7 from 64.4) measure accelerated at its fastest clip since July 2008’s record high of 77.9, while Philadelphia’s (to 69.1 from 72.6) was just below March’s—which was the highest since March 1980. Prices-received indexes in the Philadelphia (to 34.5 from 30.2) and New York (34.9 from 24.2) regions are accelerating, though pale in comparison to input prices.

Business Sales & Inventories ([link](#)): Nominal business sales in February dipped from January’s record high, while real business sales (reported with a lag) reached a new record high in January. Nominal business sales fell for the first time in 10 months in February, falling 1.9% after a nine-month surge of 33.0%, while real business sales rebounded 3.2% in January after slipping just below last October’s previous record high the final two months of 2020. Real sales of both retailers and wholesalers jumped to new record highs in January after stalling the last two months of 2020. Real manufacturing sales has advanced in eight of the past nine months, by a total of 18.1%, more than recovering its pandemic-related losses. February’s nominal inventories-to-sales ratio climbed to 1.30 after dropping to 1.27 in January, which was the lowest since February 2013. Meanwhile, the real inventories-to-sales ratio for January dropped to 1.32 from 1.37 at the end of last year; it had soared to a record high of 1.66 in April from 1.43 in February.

Industrial Production ([link](#)): Industrial production rebounded in March after contracting in

February for only the second time in 10 months, as severe winter weather triggered widespread declines. Headline production climbed 1.4% after falling 2.6% in February; it's up 15.7% since bottoming last April. Manufacturing rebounded 2.8% in March and 22.5% during the 11 months through March. Here's a snapshot of March output by market group (and their components) since last April and where they stand relative to their pre-Covid levels: business equipment (37.5% & -2.8%), led by transit equipment (273.3 & -5.7), followed by industrial equipment (26.8 & -2.4), and information processing equipment (4.6 & -1.3). The gain in consumer goods (19.8% & -0.7%) production was led by a surge in consumer durable goods (98.4 & -2.3), while nondurable goods (7.3 & -0.1) output was subdued.

Capacity Utilization ([link](#)): The headline capacity utilization rate also rebounded from February's weather-related decline. The overall utilization rate climbed from 73.4% in February to 74.4% last month after posting its first decline since last April in February. The rate is up 10.2ppts from last April's low and is currently 5.2ppts below its long-run average. Manufacturing's capacity utilization rate rebounded to 74.4% in March after tumbling from 75.3% to 72.4% in February, while the operating rate for mining increased 4.5ppts to 82.2%; the operating rate for utilities sank 9.0ppts to 68.8% last month. Both the mining and utilities rates remained below their long-run averages.

Housing Starts & Building Permits ([link](#)): Housing starts in March rebounded 19.4% to 1.739mu (saar)—the best reading since mid-2006—after severe winter weather during February caused housing starts to plummet a revised 11.3%. Single-family starts jumped 15.3% to 1.238mu (saar) after plummeting 18.8% the first two months of the year; they had surged 24.8% the last eight months of 2020. Meanwhile, volatile multi-family starts surged 30.8% last month to 501,000 units (saar) after plunging 21.8% in February and jumping 40.8% in January; they were at 628,000 units at the start of 2020. Building permits—a good leading indicator of housing starts—climbed 2.7% in March to 1.766mu (saar) after winter weather pushed permits down in February for the first time in six months, by 8.8%; permits soared 65.7% during the 11 months through March. Single-family permits rose for the 10th time in 11 months by 4.6% in March and 80.0% since bottoming last April to 1.199mu (saar), while multi-family permits climbed fell 1.2% and rose 41.8% over the comparable periods to 567,000 units (saar). In the meantime, homebuilders remain fairly optimistic despite surging lumber prices. NAHB's April Housing Market Index (HMI) shows builders' confidence ticked up to 83 after ticking down from 84 to 82 in March. It's within 7 points of November's record high of 90. Traffic of prospective homebuyers (to 75 from 72) posted the biggest gain of the three components in April's survey, climbing to within 2 points of November's record high of 77,

while the current sales (88 from 87) component was within 8 point of its November record high of 96. Meanwhile, the future sales measure fell for the fourth time in five months, to 81, since reaching a record high of 89 in November.

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