



MORNING BRIEFING

April 26, 2021

New World Disorder

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

(1) Head-spinning stuff. (2) A chat with a Canadian surgeon in a pool in Florida. (3) India's disaster. (4) Three red-hot US regional business surveys. (5) Home prices are on fire. (6) A shortage of blue-collar workers. (7) Prices-paid and prices-received indexes continued to soar in April. (8) Speed bumps for SPACs, cryptocurrencies, and stock prices. (9) Outperforming investment styles underperforming recently. (10) Bad actors: Putin and Xi. (11) Bond Vigilantes taking a siesta. (12) Movie review: "I Care a Lot" (+ +).

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

Strategy I: Disorderly Developments. Is your head starting to spin from all the head-spinning developments around the world? Here is a brief list of recent head-spinning developments, in no particular order since such events tend to be disorderly:

(1) *Virus still going viral.* My wife and I took a short vacation in Key Biscayne, Florida this past weekend. It was our first flight out of New York since the start of the pandemic more than a year ago. My last pre-pandemic flight was in late January 2020 to meet with accounts in Seattle. Little did I know that was where the pandemic started in the US at the very same time.

I enjoy striking up conversations with strangers when I am on the road. I always learn something interesting. I did so with a surgeon from Toronto at the hotel's pool. He also is an investor in a Canadian vaccine manufacturer. He said that some of his patients died last year when the government banned elective procedures during the worst of the pandemic, when hospitals were overrun with Covid-19 admissions. He said that he is now very worried about mutations of the virus, especially in India and Brazil where the virus is running rampant.

So there we were in the pool behaving as though the pandemic is over while chatting about the fact that while we're done with the virus, it isn't done with us. The doctor speculated that pandemics may be nature's way of culling the human race from time to time. At that point, I decided to join my wife for a poolside drink.

Life is rapidly returning to normal in the US as Covid-related hospitalizations and deaths decline ([Fig. 1](#) and [Fig. 2](#)). It has been back to normal in China since last spring, as new cases have been close to zero since then ([Fig. 3](#)). As we discussed in the April 8 [Morning Briefing](#), the Chinese authoritarian regime has been especially effective in testing and tracing its population, overcoming the fact that the Chinese vaccines are less effective than the ones in the US. On April 11, the director of the Chinese Center for Disease Control and Prevention, Gao Fu, admitted that their

efficacy rates needed improving.

Meanwhile, the pandemic is out of control in India. The 10-day moving average of the number of cases has soared from 52,553 at the end of March to 254,757 as of April 23 ([Fig. 4](#)). The April 24 issue of *The Economist* featured a [story](#) titled “India’s giant second wave is a disaster for it and the world.” (See also this April 24 [article](#) titled “People Are Talking About A ‘Double Mutant’ Variant In India. What Does That Mean?”)

(2) *Economic boomerang*. Meanwhile, this joint is jumping. The US economy continues to trace out a V-shaped recovery. The Atlanta Fed’s [GDPNow](#) model showed real GDP tracking at 8.3% (saar) during Q1. The three available regional business surveys conducted by five Federal Reserve Banks show the economy continued to boom during April ([Fig. 5](#)). The average of the composite business indicators for the New York, Philadelphia, and Kansas City districts jumped from 29.3 during March to a record high of 35.8 during April. Their comparable measures of unfilled orders or delivery times rose from 18.4 to a record high of 27.8 this month ([Fig. 6](#)).

These regional survey results were confirmed by April’s [IHS Markit Flash U.S. Manufacturing PMI](#), posting at 60.6, up from 59.1 in March. That’s despite capacity issues at suppliers and ongoing port delays that reportedly exacerbated supply-chain disruptions.

The IHS Markit Flash U.S. Services PMI Business Activity Index registered 63.1 in April, up from 60.4 in March, signaling the fastest expansion in service-sector activity since data collection for the series began in October 2009. The growth reportedly was driven by stronger demand and the reopening of many businesses amid the easing of pandemic-related restrictions.

(3) *Hot houses*. Housing starts rose to 1.74mu (saar) during March, the highest reading since mid-2006 ([Fig. 7](#)). In the past, housing completions always exceeded new home sales ([Fig. 8](#)). That changed in July of last year as homes sold as rapidly as they were completed through October. In November, completions began to exceed new home sales again, though by a relatively slim margin.

During March, new home sales jumped 20.7% m/m, while existing home sales fell 3.7%. Demand continues to boom, while available supply continues to dwindle ([Fig. 9](#)). As a result, the median price of single-family homes jumped 18.4% y/y through March ([Fig. 10](#)). That’s the fastest pace on record. Lumber prices continue to go through the roof, skyrocketing 326% y/y ([Fig. 11](#)). The nearby futures price of copper closed at \$4.34 per pound on Friday, the highest since August 2, 2011 ([Fig. 12](#)).

I am considering tearing down my house to sell the two-by-fours and the copper pipe that I can salvage. I guess I should discuss that with my wife first.

(4) *Not enough blue-collar workers*. There are certainly no shortages of shortages, as evidenced by rapidly rising delivery times and commodity prices. In the April 21 [Morning Briefing](#), Debbie and I reviewed the latest signs of labor shortages.

There were labor shortages before the pandemic as well. They persist even though millions of people remain unemployed as a result of the pandemic. We believe that generous unemployment

benefits have caused many of the unemployed to wait until their benefits run out before they start filling up all the job openings.

A more fundamental problem in the labor market is that the blue-collar labor force (i.e., persons aged 25 years or older with no college degree) peaked at a record 87.7 million during November 2008 and fell to 79.0 million during March of this year ([Fig. 13](#)). The white-collar labor force (i.e., defined as Americans 25 years or older with a college degree) rose from 45.2 million to 60.8 million over this same period.

The Biden administration's hopes to "Build Back Better" may be frustrated by a shortage of blue-collar workers and could certainly exacerbate the shortage of skilled labor.

(5) *Mounting inflationary pressures.* All of the above increases the risk that inflation soon will be higher and more persistent than widely expected, even by us. That's why we continue to monitor inflation indicators so closely. April's prices-paid and prices-received indexes for the NY, Philly, and KC regions continued to trend higher, with the average of the three regions the highest on record for both measures at 72.3 and 36.8, respectively ([Fig. 14](#)).

The latest Markit survey cited above reported that "the rise [in input prices] was the second-fastest on record, with many firms seeking to pass on greater costs to clients. The pace of output price inflation for goods and services accelerated to a series high."

(6) *Speed bumps.* The meltups in some asset prices are starting to run into some regulatory speed bumps. We anticipated this might happen in the SPAC market. We last did so in the March 16 [Morning Briefing](#). We wrote: "The bottom line is that a few of the speculative excesses in the market are under scrutiny by the regulators. The SEC is warning about SPACs with conflicts of interest, and the major central banks are warning about cryptocurrencies being used for illegal activities."

On April 21, CNBC posted an [article](#) titled "SPAC transactions come to a halt amid SEC crackdown, cooling retail investor interest." It noted: "After more than 100 new deals in March alone, issuance is nearly at a standstill with just 10 SPACs in April, according to data from SPAC Research. The drastic slowdown came after the Securities and Exchange Commission issued accounting guidance that would classify SPAC warrants as liabilities instead of equity instruments. If it becomes law, deals in the pipeline as well as existing SPACs would have to go back and recalculate their financials in 10-Ks and 10-Qs for the value of warrants each quarter."

Cryptocurrencies also have had a bad case of the jitters over the past week or so on rumors that the Treasury Department could be looking to crack down on financial institutions for money laundering using cryptocurrency. During her congressional nomination hearing on January 19, Treasury Secretary Janet Yellen suggested that lawmakers "curtail" the use of cryptocurrencies such as bitcoin. Her concern is that they are "mainly" used for illegal activities, including "terrorist financing" and "money laundering."

Adding to the jitters in most financial asset markets was President Joe Biden's plan, announced last Thursday, April 22, to raise the capital gains tax from 20.0% to 39.6% for taxpayers earning over a million dollars. Since capital gains are also subject to the 3.8% Medicare tax, the new

capital gains rate would be 43.4%. Economist Larry Lindsey, who worked for the Bush administration, described this proposed increase as a “punitive” tax on the wealth.

On the other hand, Goldman Sachs opined on Friday that the end version likely will be something considerably less severe, which explains why stock prices rebounded that same day following the previous day’s selloff on the Biden proposal.

(7) *Style watching*. The stock market rally has broadened dramatically since early September of last year as investors discounted the end of the pandemic, at least in the US. They may be having second thoughts recently, as the global pandemic news remains unsettling. Over the past seven weeks or so, the S&P 500 equal-weighted stock price index has underperformed the market-cap weighted index ([Fig. 15](#)). The same can be said for Value versus Growth ([Fig. 16](#)). The S&P 400/600 SMidCaps has underperformed as well recently ([Fig. 17](#)). Meanwhile, Stay Home once again is outperforming Go Global ([Fig. 18](#)).

(8) *Bad actors*. Adding to the sense of global disorder are Vladimir Putin and Xi Jinping, the autocratic leaders of Russia and China. Putin recently amassed military forces on Russia’s border with Ukraine, suggesting that he was about to start a war. On Friday, he began to withdraw his forces, reducing tensions between Russia and the West over Ukraine.

Xi continues to threaten Taiwan, as we discussed in the April 15 [Morning Briefing](#). On Tuesday, Xi called for a rejection of hegemonic power structures in global governance. “The world wants justice, not hegemony,” Xi said in remarks broadcast to the annual Boao Forum for Asia.

Strategy II: Siesta Time for Bond Vigilantes. Notwithstanding all the latest signs of mounting inflationary pressures amid a red-hot US economy, the 10-year Treasury bond yield has been remarkably subdued, remaining just north of 1.50% in recent weeks.

Since last December, the Fed has been purchasing Treasury and mortgage-backed securities at a rate of \$120 billion per month. Commercial banks have been deluged with deposits and are parking the incoming funds in these securities as well. Since the last week of 2020 through the April 14 week, the Fed has purchased \$408 billion of these securities, while commercial banks have bought \$233 billion of the same ([Fig. 19](#)).

The ratio of the nearby futures prices of copper to gold suggests that the Treasury yield should be 2.44% currently, but Japanese investors may be exerting a gravitational pull on it since their comparable bond yield is only 0.07% ([Fig. 20](#)).

Nevertheless, we still expect to see the US Treasury yield at 2.00% before the end of this year in reaction to mounting concerns that US inflation could get higher and more persistent.

Movie: “I Care a Lot” (+ +) ([link](#)) is a very entertaining black comedy with Rosamund Pike’s great performance as a cold-blooded court-appointed guardian who seizes the assets of elderly people for herself and keeps the people locked up in retirement homes for “their own good.” The underlying theme is best summarized by former President Ronald Reagan’s famous quote: “The nine most terrifying words in the English language are ‘I’m from the Government, and I’m here to help.’” The evil guardian’s scam goes awry, recalling another famous quote. To paraphrase poet

Robert Burns: “The best laid plans of mice and women often go wrong.” In a case of life imitating art, actor Lindsay Lohan’s father was arrested on Friday for alleged “patient brokering,” meaning he is accused of bringing addicts to drug treatment centers in Florida in exchange for illegal kickbacks, according to charging documents reviewed by NBC News. Apparently, he cares a lot too.

Calendars

US: Mon: Durable Goods Orders Total & Ex Transportation 2.5%/1.6%, Dallas Fed Manufacturing Index. **Tues:** Consumer Confidence 112.1, Richmond Fed Manufacturing Index, S&P Cash-Shiller Home Price Index 11.6% y/y, API Crude Oil Inventories. (DailyFX estimates)

Global: Mon: Germany Ifo Business Climate, Current Conditions, and Expectations 97.8/94.4/101.3, Japan Leading & Coincident Indicators, China Industrial Profits, BOJ Interest Rate Decision -0.1%, BOJ Quarterly Outlook Report. **Tues:** Italy Consumer & Business Confidence 102.3/102.8, Japan Retail Sales 4.7% y/y, Australia CPI 1.4% y/y. (DailyFX estimates)

Strategy Indicators

Global Stock Markets Performance ([link](#)): Last week saw the US MSCI index tick down 0.1% for its first decline in five weeks. The US ranked 21st of the 49 global stock markets that we follow in a week when just 16 of the 49 countries rose in US dollar terms and the AC World ex-US index dropped 0.3%. BRIC was the best-performing region last week with a gain of 0.9%, ahead of EM Latin America (0.5%), EM Eastern Europe (0.5), EM Asia (0.4), EMEA (0.4), and EMU (0.1). EAFE was the sole underperformer with a decline of 0.5%. Egypt was the best-performing country last week, with a 6.2% gain, followed by Denmark (2.0), Brazil (2.0), and the Netherlands (1.9). Peru was the worst performer with a decline of 10.4%, followed by Turkey (-6.7), Chile (-5.4), and Colombia (-4.6). The US is the top-performing region so far in 2021 with a gain of 10.8%, ahead of EMU (9.6), EMEA (8.1), EAFE (6.5), and the AC-World ex-US (6.3). The following regions are lagging: EM Latin America (-1.4), BRIC (1.8), EM Asia (4.6), and EM Eastern Europe (4.9). The top-performing countries ytd: the Netherlands (19.1), Taiwan (17.2), Sweden (16.8), Chile (14.4), and South Africa (14.4). The biggest laggards of 2021 so far: Turkey (-23.9), Colombia (-18.7), Peru (-14.8), the Philippines (-11.3), and New Zealand (-8.1).

S&P 1500/500/400/600 Performance ([link](#)): Two of these three indexes rose last week, but only MidCap ended the week at record high. Large Cap and SmallCap remain close though, just 0.1% and 3.4% below their respective record highs on April 16 and March 12. MidCap gained 0.9% for the week, ahead of the SmallCap (0.2%) and LargeCap (-0.1) indexes as 18 of the 33 sectors rose. LargeCap Real Estate rose 2.0% in the best performance for the week, followed by SmallCap Health Care (1.9), LargeCap Health Care (1.8), MidCap Consumer Discretionary (1.6), and MidCap Real Estate (1.4). SmallCap Energy (-4.3) was the worst performer, followed by LargeCap Energy (-1.8), MidCap Communication Services (-1.7), and LargeCap Consumer Discretionary (-

1.2). SmallCap continues to lead so far in 2021 with a gain of 20.7%, ahead of both MidCap (19.0) and LargeCap (11.3). All 33 sectors are higher ytd, paced by these best sector performers: SmallCap Consumer Discretionary (40.2), SmallCap Energy (32.0), MidCap Energy (30.5), MidCap Consumer Discretionary (29.4), and LargeCap Energy (25.4). The biggest laggards so far in 2021, albeit with gains: LargeCap Consumer Staples (2.6), LargeCap Utilities (6.0), MidCap Communication Services (6.1), LargeCap Health Care (8.8), and LargeCap Consumer Discretionary (9.2).

S&P 500 Sectors and Industries Performance ([link](#)): Four of the 11 S&P 500 sectors rose last week as five outperformed the composite index's 0.1% decline. That compares to a 1.4% gain for the S&P 500 a week earlier when 10 sectors rose and five outperformed the index. Real Estate rose 2.0% for the biggest gain of the week, ahead of Health Care (1.8%), Industrials (0.4), Materials (0.4), and Financials (0.0). The worst performers: Energy (-1.8), Consumer Discretionary (-1.2), Utilities (-0.9), Communication Services (-0.6), Tech (-0.5), and Consumer Staples (-0.5). The S&P 500 has risen 5.2% so far in April, with five sectors beating the index, up from just two ahead a week earlier. With respect to 2021's performance, the S&P 500 has risen 11.3% so far, with all 11 sectors higher ytd and six beating the broader index. The leading sectors so far in 2021: Energy (25.4), Financials (19.9), Real Estate (15.9), Industrials (14.6), Materials (14.3), and Communication Services (12.8). This year's laggards to date: Consumer Staples (2.6), Utilities (6.0), Health Care (8.8), Consumer Discretionary (9.2), and Tech (9.4).

S&P 500 Technical Indicators ([link](#)): The S&P 500 dropped 0.1% last week and weakened relative to its 50-day (50-dma) and 200-day moving averages (200-dma). It was above its 50-dma for an eighth 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 43rd straight week after being below for 13 weeks through late May. The S&P 500's 50-dma rose for a 25th week after falling for a week at the end of October for the first time in six months. The price index dropped to 5.1% above its rising 50-dma from a 19-week high of 5.8% 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 43rd week, but dropped to 14.5% above its rising 200-dma from a 14-week high of 15.4% a week earlier. It had been at 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, unchanged a week earlier and down from all 11 in the prior two weeks; that compares to four above at the end of January. Energy was the sole laggard, trading below its 50-dma for a second week after 10 weeks above. Looking at the longer-term 200-dmas, all 11 sectors traded above them for an eighth week. During April 2020, just one sector (Health Care) was above its 200-dma. The 50-dma has been rising for all 11 sectors for three weeks. 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 seven weeks. Energy's 200-dma finally turned higher in mid-December after mostly falling since October 2018.

US Economic Indicators

Leading Indicators ([link](#)): March Leading Economic Indicators (LEI) advanced for the 10th time in 11 months, rebounding 1.3% from February's 0.1% downtick, climbing 15.3% over the period to within 0.4% of last January's record high. The Conference Board notes that the recent trend in the LEI indicates a pickup in economic growth in coming months. All 10 LEI components contributed to March's jump, led by jobless claims (0.35ppt), ISM new orders index (0.26), interest rate spread (0.17), average workweek (0.13), leading credit index (0.12), and consumer expectations (0.11); the remaining components contributed from 0.02 to 0.08ppts. "The widespread gains among the leading indicators are supported by an accelerating vaccination campaign, gradual lifting of mobility restrictions, as well as current and expected fiscal stimulus," according to the Conference Board.

Coincident Indicators ([link](#)): March's Coincident Economic Index (CEI) rose 0.6% after falling 0.1% in February (the first decline since last April) and rising 0.5% in January; the CEI showed no growth the final two months of 2020. It's up 12.1% since bottoming last April to within 3.2% of last February's record high. All four components of the CEI contributed positively last month; here are the contributions from highest to lowest: 1) Employment (0.34ppt) gains blew past forecasts again in March, jumping 916,000, and revisions boosted February and January payrolls by 156,000. Leisure & hospitality was once again the job magnet in March, jumping 280,000, as pandemic-restrictions eased in many parts of the country, though many industries posted impressive gains last month. 2) Industrial production (0.21) 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. 3) Real personal income less transfer payments (0.05) increased 0.2% for the second straight month in March after falling 1.3% during the three months through January. It's up 6.4% since April's bottom to within 2.2% of last February's record high. 4) Real manufacturing & trade sales (0.01) rose for the third month by 0.1% in March and 3.5% over the period to a new record high. (Note: Latest data for both real personal income less transfer payments and real manufacturing & trade sales are estimated using statistical imputations to address the problem of lags in available data.)

Regional M-PMIs ([link](#)): Three Fed districts have reported on manufacturing activity for April (Philadelphia, New York, and Kansas City) and show the manufacturing sector expanded at a faster pace, with all three 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 35.8 from 29.3) shows growth this month has more than tripled since the end of last year (10.0), as the Philadelphia (to 50.2 from 44.5) region posted its strongest performance since the 1970s, while Kansas City's (31.0 from 26.0) was the best in the history of the series going back to July 2001; New York's (26.3 from 17.5) was the strongest since October 2017. The new orders measure showed billings accelerating for third time in four months, from 9.9 in December to 30.6 this month—the highest since December 2003. Orders in the New York (to 26.9 from 9.1) region grew at the fastest pace since October 2009 this month. Philadelphia's (36.0 from 38.2) was only a tad

slower than March's rate—which was the best since 1973. Orders growth in the Kansas City (29.0 from 37.0) region slowed from the March level, which was the second strongest on record, behind December 2003's 40.0. In the meantime, factories added to payrolls at the best pace on record, with the employment measure climbing from 17.9 to 24.6 this month, with the Philadelphia (to 30.8 from 27.4), Kansas City (29.0 from 17.0), and New York (13.9 from 9.4) regions all hiring at a faster pace. Price pressures are mounting. Kansas City's prices-paid (to 73.0 from 66.0) measure accelerated at its fastest pace on record, while New York's accelerated at its fastest clip since July 2008's record high of 77.9; Philadelphia's (to 69.1 from 72.6) was just below March's rate—which was the highest since March 1980. Prices-received indexes in the Kansas City (to 41.0 from 31.0), Philadelphia (34.5 from 30.2) and New York (34.9 from 24.2) regions are all accelerating—with Kansas City's at a record high.

New Home Sales ([link](#)): New home sales soared in March, more than recovering February's weather-related plunge. New single-family home sales (counted at the signing of a contract) rebounded 20.7% to 1.032mu (saar)—the highest since August 2006, after severe winter weather pushed February sales down a whopping 16.2% to 846,000 units. Here's a regional snapshot of how new home sales fared on both a monthly and yearly basis in March: South (+40.2% m/m & +90.1 y/y), Midwest (+30.7 & +78.4), Northeast (+20.0 & +108.7), and West (-30.0 & -2.0). Low inventory remains a challenge for the housing market, as the number of homes on the market held at 307,000 in March—7% below year-ago levels. The months' supply fell from 4.4 to 3.6 in March; a six-month supply is generally indicative of a balanced market. 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 7 points below 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 points 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.

Existing Home Sales ([link](#)): “Consumers are facing much higher home prices, rising mortgage rates, and falling affordability, however, buyers are still actively in the market,” said Lawrence Yun, NAR's chief economist. “The sales for March would have been measurably higher, had there been more inventory,” he added. (Properties in March typically sold in 18 days—a record low.) Existing home sales—tabulated when a purchase closes—fell for the second month, by 3.7% in March and 9.8% over the period, to a seven-month low of 6.01mu (saar); despite the declines, sales were 12.3% above last March's level. Single-family sales declined for the fourth time in five months, dropping 4.3% m/m and 11.8% over the period to 5.30mu (saar), a level 10.4% above a year ago. Inventories for both total (to 1.07mu from 1.03mu) and single-family homes (900,000 from 870,000) held near February's record lows in March—down 28.2% and 31.3% y/y. Multi-family sales continued its up-and-down pattern, rising 1.4% in March to 710,000 units (saar) after a 6.7% loss and a 2.7% gain the prior two months. January sales were at 750,000—which was the highest since May 2006. Regionally, total sales fell in all four regions last month, but all remain above year-ago levels, the Midwest only slightly: Northeast (-1.3% m/m & +16.9% y/y), Midwest (-2.3 & +0.8) South (-2.9 & +15.9), and West (-8.0 & +15.5%). The lack of inventory has boosted existing home prices at a double-digit pace in all regions since March 2020: Northeast (21.4% y/y), West (16.8), South (15.6), and Midwest (13.5). Yun is optimistic about the housing market going forward: “At least half of the adult population has received a COVID-19 vaccination, according to reports, and recent housing starts and job creation data show encouraging dynamics of more supply and strong

demand in the housing sector.” He also noted that mortgage rates remain at a favorable level.

Global Economic Indicators

US PMI Flash Estimates ([link](#)): “U.S. private sector businesses registered a survey-record expansion of output during April, as looser COVID-19 restrictions and strong client demand boosted business activity,” according to IHS Markit’s flash estimates for April—and firms remained strongly upbeat regarding the outlook for output over the coming 12 months. This month’s C-PMI (to 62.2 from 59.7) posted its best performance since data collection began in October 2009, with both the NM-PMI (63.1 from 60.4) and M-PMI (60.6 from 59.1) at series highs—with the latter accomplishing this despite unprecedented supply-chain disruptions. New orders growth accelerated again in April, with firms posting the best upturn on record as the reopening of large portions of the economy increased demand. Simultaneously, total new export orders advanced at the fastest pace since the composite data series began in September 2014, as many export markets reopened. Meanwhile, the supplier shortages, along with a big rise in transportation fees, triggered the sharpest increase in input costs since summer 2008, with many firms seeking to pass on greater costs to clients. Output price inflation for goods and services accelerated to a series high.

Eurozone PMI Flash Estimates ([link](#)): Eurozone business activity in April accelerated at its best pace since last July, according to flash estimates, led by the fastest growth in manufacturing activity on record (since June 1997). The Eurozone’s C-PMI climbed for the third month to 53.7 in April after falling from 49.1 in December to 47.8 in January; it was at a recent low of 45.3 in November. The M-PMI (to 63.3 from 62.5) continued to set new highs this month, while the NM-PMI (50.3 from 49.7) shows the service sector returned to growth for the first time since last August. Looking at the top two Eurozone economies, Germany’s M-PMI (to 66.4 from 66.6) shows manufacturing activity was little changed around March’s record pace, while France’s M-PMI (59.2 from 59.3) was the second best recorded over the past three years. Record manufacturing output growth was seen across the rest of the Eurozone region as a whole. Meanwhile, Germany’s NM-PMI (to 50.1 from 51.5) shows growth in the service sector is back down near the breakeven point between contraction and expansion, after new lockdown measures were introduced to control further waves of the virus, while France’s NM-PMI (to 50.4 from 48.2) was back above 50.0 for the first time since last August. The rest of the Eurozone saw marginal expansions for the first time since last summer as companies prepared for better times ahead. Inflationary pressures accelerated as average input prices across both manufacturing and services rose at the sharpest rates in ten years, as supply shortages pushed factory input cost inflation to a new decade-high. These higher costs were often passed on to customers, pushing the average price charged for goods and services to its fastest rate since January 2018, fueled by a record increase in goods prices.

Japan PMI Flash Estimates ([link](#)): The Japanese private-sector economy returned to expansion territory for the first time since January 2020, led by the manufacturing sector. The C-PMI climbed for the 11th time in 12 months, from 25.8 last April to 50.2 this April, according to flash estimates. Japan’s M-PMI climbed above 50.0 in February (to 51.4) for the first time since April 2019 and rose further this month to a three-year high of 53.3. According to the report, “While some Japanese

private sector businesses noted that a resurgence in COVID-19 cases could dampen prospects in the second quarter of the year, firms remained optimistic that overall business activity would improve in the coming 12 months. That said, there is concern the impact of the pandemic will be prolonged further.”

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