



MORNING BRIEFING

December 1, 2021

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(1) The two Grinches: Omicron and Jay Powell. (2) Powell wants to speed up tapering trot. (3) Don't sell Santa Claus short. (4) The Fed averted a great credit crunch last year. (5) Animal spirits gone wild in capital markets. (6) The wealthy diversifying their wealth by funding more ventures and startups. (7) Record refinancing in nonfinancial corporate bond market. (8) C&I loans falling. (9) Leveraged loans at record high. (10) Lots of stock issuance. (11) Booming IPO issuance. (12) Lots of VCs. (13) Record M&A deal-making.

Strategy: Santa vs the Grinches. The Santa Claus rally started early this year. The question is whether it is over already. The S&P 500 dropped 5.2% from 4535.43 on September 3 to 4300.46 on October 4 ([Fig. 1](#)). From there, it rose 9.3% to a new record high 4701.70 on November 8. Its level was virtually the same on November 24, the day before Thanksgiving, at 4701.46. It dropped sharply on Friday, the day after Thanksgiving, rallied on Monday, and dropped again yesterday to close at 4567.00. It is now down 2.9% from its recent record high.

Did Santa come early this year to avoid the supply-chain disruptions? Might there be no Santa Claus rally between Thanksgiving and New Year's Day? On Friday, the markets discounted the possibility that the Omicron variant of Covid might be the Grinch who stole the Santa Claus rally. Yesterday, Fed Chair Jerome Powell became the Grinch.

Testifying before a Senate committee, the Fed chair said he thinks reducing the pace of monthly bond buys can move quicker than the \$15 billion-a-month schedule announced earlier this month. "At this point, the economy is very strong and inflationary pressures are higher, and it is therefore appropriate in my view to consider wrapping up the taper of our asset purchases ... perhaps a few months sooner," Powell said. "I expect that we will discuss that at our upcoming meeting."

In Monday's [Morning Briefing](#), Melissa and I observed: "As inflation has been heating up, more Fed officials have been hot to trot when it comes to speeding up the tapering of the Fed's bond purchases." We noted: "In the months leading up to the FOMC's decision to start tapering, made at its November 2-3 meeting of the Committee, Melissa and I

suggested that the Committee should move faster to do so. We figured that with inflation heating up, the Fed might need to raise interest rates sooner than officials were expecting. That's the conclusion they finally reached as well according to the [minutes](#) of their November 2-3 gathering."

Nevertheless, the markets were shocked yesterday to hear that Powell is now in the same camp as other hawkish FOMC participants who've been suggesting a faster pace of tapering. The next FOMC meeting will be held December 14-15.

We think the FOMC is behind the inflation curve, and we see the committee's attempt to get ahead of it as a positive development. However, stock investors' knee-jerk reaction may continue to be to take profits before the end of the year. Nevertheless, as we discussed on Monday, there is plenty of liquidity available to drive stock prices higher as dip-buyers enter the market. We aren't giving up on Santa Claus.

Corporate Finance I: Following the Fed. Thanks to the flood of liquidity provided by the Fed since the start of the pandemic last year, a credit crunch as severe as the one that occurred during the Great Financial Crisis (GFC) was averted. As a result, debt delinquencies and defaults have been remarkably low during the Great Virus Crisis, as we discussed in our April 28 [Morning Briefing](#). Corporate bankruptcies have fallen to historic lows in 2021, according to a more recent [report](#) from S&P Global. There has not even been a mild credit crunch. On the contrary, corporations have been able to raise record amounts in the bond and stock markets to fund their businesses and refinance their debts at record-low interest rates.

Investors have been contributing to this development in the capital markets by reaching for yield in the bond market and chasing momentum in the stock market as well as alternative markets. While Melissa and I are concerned about the elevated valuations in the capital markets, we also see some very positive consequences of these "animal spirits" gone wild. For one, more and more investors are getting wealthier and diversifying their gains to fund more and more innovations, especially in technology.

Looking ahead, it's possible that tightening monetary policy could threaten distressed companies' ability to find financing. But with all the money that's flowing around, it could take longer than usual to curb the enthusiasm in the capital markets. How fast and by how much market enthusiasm tapers may depend on how quickly the Fed tapers its bond purchases, as we discuss above.

Corporate Finance II: Following Corporate Issues. Corporations have been raising lots of money in the bond and stock markets this year. While the rates of total new corporate issuance have cooled in both markets over recent months, they remain near record highs in the bond market and well past record highs in the equity market. Consider the following:

(1) *Bond issuance.* Over the past 12 months through September, companies raised \$2.15 trillion in the bond market ([Fig. 2](#)). Over this same period, nonfinancial corporations (NFCs) raised \$1.01 trillion, while financial ones raised a record \$1.14 trillion.

Corporations used some of the proceeds to refinance outstanding bonds at record-low yields. They've also paid down some of their bank loans. A portion of the remaining proceeds financed capital spending and stock buybacks or are sitting in liquid assets.

Based on the difference between gross and net bond issuance, which is available quarterly, NFCs refinanced a record \$1.0 trillion during the four quarters through Q2 ([Fig. 3](#) and [Fig. 4](#)). Commercial and industrial loans peaked at a record high of \$3.4 trillion during the week of May 6, 2020. They are down \$0.8 trillion since then through the November 17 week of this year ([Fig. 5](#)). On the other hand, quarterly data on "other loans," which consists mostly of leveraged loans, rose to a record \$2.1 trillion during Q2 ([Fig. 6](#)).

(2) *Stock issuance.* Corporations raised a near-record \$424.3 billion in the stock market over the past 12 months through September ([Fig. 7](#)). Data available through June show that the bulk of the nonfinancial corporate issues were seasoned equity offerings (SEOs) rather than initial public offerings (IPOs) ([Fig. 8](#)). SEOs have cooled somewhat in recent months, while IPOs continue to take off.

Corporate Finance III: Following VC Money. Many of the disruptive technologies that Jackie covers on Thursdays are developed by small enterprises funded by venture capitalists (VCs). "The venture industry has continued to prove its resiliency in 2021—a year marked by outsized funds, numerous mega-deals and the soaring interest of multistage investors looking to back younger startups," according to a PitchBook [note](#) covering its latest [US VC Valuations Report](#).

According to IMARC Group's latest VC investment report [summarized](#) on LinkedIn, the global venture capital investment market reached a value of \$197.7 billion in 2020. Looking forward, IMARC Group expects the market to grow at a cumulative annual growth rate of around 16% during 2021 through 2026.

For a point of reference, US venture capital deals totaled \$108 billion in 2019, the third-largest year ever, according to a Q4-2020 MoneyTree [report](#) by PwC and CBInsights. Funding was down slightly from 2018's \$118 billion and from the record year of 2000's \$119 billion.

Thanks to all the Fed-given liquidity floating around, public money is getting into VC too. "High demand from public market investors is [a] factor pushing VC valuation growth to new heights," according to PitchBook.

Three big VC themes that we have spotted coincide with three broader market trends that we have seen this year: pandemic driven interest in early biotech innovations, climate-change driven interest in technologies to combat it, and productivity driven interest in enterprise technology.

Here's more:

(1) *VC more adventurous*. Venture capitalists are getting into promising startups earlier in their lifecycle. The median early-stage valuation has roughly doubled in the past three years and cracked the \$50 million mark in Q3, observed PitchBook. Around 104 mega-deals were completed by Q3, a significant jump from the previous full-year record of 61 in 2020. Late-stage activity also has remained robust throughout the year.

Early-stage biotech startups are commanding the highest proportion of deals compared with other stages through Q3. The top quartile early-stage valuation in the sector also topped \$100 million for the first time.

(2) *Climate growth*. Valuations for early- and late-stage climate tech startups increased in Q3. Climate tech startups raised nearly \$13 billion in VC investment globally across 203 deals in Q3 2021, up 38.3% year over year, according to a recent Emerging Tech Research report by PitchBook mentioned in the note.

(3) *Enterprising technology*. Enterprise tech—i.e., technology that enables the integration of tech resources and data across an organization—commanded nearly half of all deal value through Q3.

Corporate Finance IV: Following PE Money. "A Pre-Thanksgiving Spree Takes Private Equity Deal Value Past \$1 Trillion For The First Time In History" was the title of a November 23 *Forbes* [article](#). That about sums up what is going on in the private equity (PE) markets.

But are we at peak private equity? We don't think so.

“The momentum from late 2020 is expected to continue through 2021 for private equity (PE) firms. The first five months in 2021 saw PE deal volume increase 21.9% compared with the same period last year, resulting in 2,346 deals,” wrote PwC in its midyear 2021 PE deals [outlook](#). It added: “Private equity firms are benefiting from significant market tailwinds triggered by historically low interest rates as well as record fundraising, which is at an all-time high with US PE dry powder at \$150.1 billion.”

Here are a few interesting PE trends to follow:

(1) *ESG-experts wanted*. PwC anticipates that environmental, social, and governance (ESG) considerations will become an integral part of strategic PE valuation from the initial screening phase of deal-making through the exit of an investment. As such, PwC expects PE firms to conduct more thorough analyses of ESG risks across portfolios.

So it's no wonder that climate science and biodiversity candidates are heavily sought after by PE firms. Top ESG hires have been propelled into the seven-digit annual pay league, as a recent Bloomberg [article](#) explored.

(2) *SPAC attack*. The recent emergence of special purpose acquisition companies (SPACs) has posed a challenge for PE firms: to match or beat SPAC valuations. As we discussed in our April 28 *Morning Briefing* linked above, recent regulatory scrutiny has tempered the hype around SPAC investments.

Briefly, SPACs were seen as an interesting exit strategy for some PE-held organizations. PwC sees the growing disinterest in SPACs as an opportunity to advance PE as a capital channel into traditional initial public offerings. Low interest rates and “abundant capital” should continue to flow back into PE.

(By the way, PwC thinks that tax law uncertainty could spur more PE exit activity to accelerate timing and avoid potentially unfavorable tax outcomes in the future.)

(3) *Teaming upward*. PwC indicated that portfolio companies increasingly are viewing PEs as a strategic partner to help them achieve their growth aspirations. That's important because PEs' increasing comfort level with their ability to execute on strategic initiatives is driving valuations. Many of the larger recent PE transactions depended upon strategic partnerships. Only a few key players represent the bulk of the PE market, noted a [press](#)

[release](#) from Market Insights Reports.

Corporate Finance V: Following the Deals. Global M&A hit a record high in the first nine months of 2021, [according](#) to Dealogic. Venture capitalist Marc Andreessen expressed in 2011 the idea that “software is eating the world.” M&A deals in 2021 fully reflected this expression, observed Dealogic. Technology accounted for 27% of global deal value (\$1.2 trillion across 8,797 deals) so far this year, the largest-ever share.

Healthcare came in second place, with 10.5% of total deal value, followed by the real estate (6.7%), finance (6.4), utility & energy (6.0), and telecommunications (5.7) sectors. North America accounted for more than half (51.2) of global deal value during the first nine months, followed by Asia-Pacific (21.6) and Europe (21.3).

By the way, Dealogic emphasized SPACs in its [M&A Highlights: First Half 2021](#). US SPACs issuance collapsed in Q2 (see Dealogic’s [chart](#)). SPAC business combinations were a major theme of US M&A early this year, with 155 deals worth \$379 billion announced in H1-2021 alone. However, SPAC IPO issuance dropped significantly in April, with the bulk of activity occurring in Q1. On the other hand, SPACs typically have a 24-month window to complete a transaction, so deal-making by SPACs in the US could continue unabated in the coming quarters, says Dealogic.

Calendars

US: Wed: ADP Employment 520k; ISM M-PMI & Price Index 61.0/85.5; Motor Vehicle Sales; Construction Spending 0.4%; MBA Mortgage Applications; Crude Oil Inventories; Beige Book; Powell. **Thurs:** Initial & Continuous Jobless Claims 240k/2.00m; Natural Gas Storage; OPEC Meeting; Barkin, Bostic, Quarles. (Bloomberg estimates)

Global: Wed: Eurozone, Germany, France, Italy, and Spain M-PMIs 58.6/57.6/54.6/61.1/57.9; Germany Retail Sales 1.0%/m/m/-2.0%/y/y; UK M-PMI 58.2; UK Nationwide HPI 0.5%/m/m/9.3%/y/y; Australia Retail Sales 4.9%; Beermann, Suzuki. **Thurs:** Eurozone Unemployment Rate 7.3%; Eurozone PPI 3.5%/m/m/19.0%/y/y; Italy Unemployment Rate 9.1%; Japan Household Confidence; Panetta. (Bloomberg estimates)

Strategy Indicators

MSCI World & Region Net Earnings Revisions ([link](#)): Analysts' recent earnings revisions through November suggest sharply weaker, yet still positive, optimism about profits throughout the world. The US MSCI's NERI was positive in November for a 16th straight month after 14 negative readings, but dropped to a 16-month low of 6.1% from 14.4% in October. That compares to post-pandemic high of 21.1% in July and an 11-year low of -36.9% in May 2020. The AC World ex-US MSCI's NERI was positive for a 14th month after 30 straight negative readings, but dropped to a 13-month low of 1.7% from 4.2%. That compares to July's high of 6.4% and an 11-year low of -23.9% in May 2020. NERI turned negative in November for EM Asia and Emerging Markets as all but the EM Eastern Europe region weakened m/m. Here are November's scores among the regional MSCIs: EM Eastern Europe (8.0% in November, up from 6.7% in October), EMU (7.8, 12.3), Europe ex-UK (7.4, 12.2), Europe (7.1, 11.4), US (6.1 [16-month low], 14.4), EAFE (5.6, 8.9), AC World (2.9 [15-month low], 6.8), AC World ex-US (1.7 [13-month low], 4.2), EM Latin America (0.5 [14-month low], 4.4), Emerging Markets (-0.9 [15-month low], 0.8), and EM Asia (-1.5 [16-month low], 0.3).

MSCI Countries Net Earnings Revisions ([link](#)): NERI was positive for 32/44 MSCI countries in November. That's unchanged from October, but down from 34/44 in September and 38/44 during May, which had matched the record-high count from November 2009. That also compares to zero countries with positive NERI from April to June 2020. NERI improved m/m in November for 16/44 countries, up from 6/44 in October. Among the countries with improving NERI in November, only the Czech Republic was at a record high, and three had their highest readings in more than four years: Egypt, the Philippines, and Turkey. The US and the following five countries have had positive NERI for 16 straight months: Canada, Korea, Norway, Sweden, and Taiwan. New Zealand has the worst negative-NERI streak, at 14 months, followed by Hong Kong (6), Thailand (5), and Singapore (4). NERI flipped back into positive territory for Indonesia, Israel, and Pakistan, but turned negative for Argentina, Brazil, and South Africa. The highest NERI readings in November: Austria (30.0%), Hungary (22.5), the Czech Republic (19.8), Turkey (16.2), and Norway (16.2). The weakest NERIs occurred this month in New Zealand (-16.0), Peru (-10.0), Hong Kong (-8.0), Belgium (-6.7), and Brazil (-4.3).

AC World ex-US MSCI ([link](#)): This index has fallen 1.8% in local-currency terms so far in November, and is up 8.1% ytd. In US dollar terms, the index is down a greater 3.6% in November to a lesser 2.5% gain for 2021 to date. Local-currency forward revenues rose 1.9% m/m and has risen 8.3% since it bottomed in late January, but remains 5.4% below its

record high of May 2019. Local-currency forward earnings rose 2.3% m/m to another record high, its first since October 2018, and has soared 45.0% since it bottomed in July 2020. Revenues are expected to rise 14.4% in 2021 and 6.2% in 2022 following a decline of 6.2% in 2020, and earnings are expected to increase 53.9% (2021) and 6.8% (2022) after falling 13.9% (2020). The industry analysts' sales forecasts imply short-term 12-month forward revenue growth (STRG) of 7.1% and short-term 12-month forward earnings growth (STEG) of 9.7%, compared to 4.1% and 10.0% before Covid-19 hit the news. These measures bottomed at -0.1% and -0.3%, respectively, during May 2020. The profit margin implied by analysts' earnings and revenue estimates calls for a gain to 9.1% in 2021 and 9.2% in 2022 from 6.8% in 2020. The record-high forward profit margin forecast of 9.2% is up from a 10-year low of 6.6% at the end of May 2020 and first exceeded its prior 9.0% record high from September 2007 during August. The Net Earnings Revision Index (NERI) for the AC World ex-US MSCI was positive in November for a 14th straight month following 30 negative readings. It dropped to a 13-month low of 1.7% in November from 4.2% in October, which compares to a 12-year high of 6.4% in July and an 11-year low of -23.9% in May 2020. The forward P/E of 14.7 remains close to early October's 17-month low of 14.2 and compares to an 18-year high of 17.1 in mid-February. The forward P/E drops to 14.2 using normalized forward earnings. Those readings are up from their March 2020 lows of 10.8 and 10.2, respectively. The index's current 21% discount to the World MSCI P/E is at a record low now.

Emerging Markets MSCI ([link](#)): The EM MSCI price index has fallen 3.6% in US dollar terms so far in November to a 5.6% decline ytd. In local-currency terms, EM is down a tad lesser 2.6% in November to a smaller ytd loss of 2.8%. Local-currency forward revenues gained 2.0% m/m and has risen 9.1% since its bottom in late January but is still down 6.3% from its record high in May 2019. Local-currency forward earnings rose 1.1% m/m to a new record high and is up 39.1% since its bottom in June 2020. Revenues are expected to rise 19.1% in 2021 and 8.0% in 2022 after falling 1.2% in 2020. That's expected to lead to an earnings gain of 55.4% in 2021 and 5.9% in 2022, following a 2.5% drop in 2020. Forecasted STRG of 9.0% is down from April's 11-year high of 12.6%, which compares to a five-year low of 3.6% at the end of April 2020. STEG has dropped to 8.5% from a record high of 33.7% in December 2020, but that's up from a 14-month low of 7.5% in April 2020. The implied profit margin is expected to rise from 6.3% in 2020 to 8.2% in 2021 before dropping to 8.0% in 2022. The forward profit margin of 8.0% is up from a four-year low of 6.1% at the end of May 2020 and compares to its 10.3% record high in December 2007. NERI was negative in November for the first time since August 2020, as it dropped to a 15-month low of -0.9% from 0.8% in October. That compares to an 11-year high of 6.0% in February and an 11-year low of -18.7% in May 2020. Emerging Markets' forward P/E of

12.9 is up from a 17-month low of 12.5 in early October and compares to a record high of 16.3 in mid-February. The P/E drops to 12.4 using normalized forward earnings. That's up sharply from those figures' March 2020 lows of 10.1 and 9.3, respectively. The index is trading at a 30% discount to the World MSCI P/E, which is its biggest discount since 2005.

EMU MSCI ([link](#)): The EMU MSCI price index has fallen 2.4% in local-currency terms so far in November to a ytd gain of 15.6%. In US dollar terms, EMU is down a greater 5.0% in November to a smaller ytd gain of 6.5%. Local-currency forward revenues gained 1.4% m/m and has risen 8.5% since its bottom in late January but is still 10.0% below its record high in September 2008. Local-currency forward earnings gained 3.2% m/m and is up 52.5% since its bottom in July 2020, but remains 13.0% below its record high from January 2008. Revenues are expected to rise 11.1% in 2021 and 5.2% in 2022 after falling 8.1% in 2020. That's expected to lead to an earnings gain of 69.5% in 2021 and 8.0% in 2022, following a 29.7% decline in 2020. Forecasted STRG of 5.7% is down from a record-high 8.3% during April, but that's up from an 11-year low of -0.9% during April 2020. STEG has dropped to 11.0% from a record high of 47.4% in December 2020, but that's up from a record low of -6.7% in April 2020. The implied profit margin is expected to rise from 5.5% in 2020 to 8.4% in 2021 and 8.6% in 2022. The forward profit margin has risen to a 12-year high of 8.6% from a 12-year low of 6.0% at the end of July 2020, but remains well below its 9.1% record high in October 2007. NERI was positive in November for an 11th month after 27 straight negative readings, but dropped to 7.8% from 12.3% in October and from a record high of 15.2% in September. That compares to a record low of -35.9% in May 2020. EMU's forward P/E of 16.0 is up from a 17-month low of 15.3 in early October, which compares to a record high of 18.3 in July 2020. The P/E drops to 15.3 using normalized forward earnings. That's up sharply from those figures' March 2020 lows of 10.2 and 9.7, respectively. The index is trading at a 14% discount to the World MSCI P/E, which is in line with its discount since 2001.

China MSCI ([link](#)): The China MSCI price index is the ninth worst performer of the 49 MSCI countries so far in November, with a decline of 4.8% in local currency terms. Its 19.6% ytd decline ranks second-worst ytd. Local-currency forward revenues has risen 6.5% since its five-year low in June 2021 and was up 2.7% m/m, but is still down 33.3% from its record high in October 2014. Local-currency forward earnings is up 11.7% since its bottom in June 2020, and gained 1.4% m/m to 8.2% below its record high in June 2018. Revenues are expected to rise 18.3% in 2021 and 9.6% in 2022 after 0.2% growth in 2020. That's expected to lead to an earnings gain of 13.6% in 2021 and 16.0% in 2022, following a 4.1% gain in 2020. Forecasted STRG of 10.3% is down from an 11-year high of 13.5% in April, but that's up from a five-year low of 5.0% at the end of April 2020. STEG has dropped to

14.8% from a 10-year high of 18.6% during December 2020, which compares to a four-year low of 8.0% in April 2020. The implied profit margin ranks as one of the lowest in the world; it's expected to drop y/y to 4.7% in 2021 from 5.0% in 2020 and to rise to 5.0% in 2022. The forward profit margin of 5.0% is down from a record high of 5.2% in July, but that's little changed from its pandemic low of 4.5% in May 2020. NERI was negative for a third straight month in November, dropping to a 16-month low of -2.8% from -0.9% in October. That ranks tenth worst among the 44 MSCI countries that we follow. China's forward P/E of 13.4 remains near early October's 16-month low of 12.6 and drops to 12.5 using normalized forward earnings. That compares to those figures' March 2020 lows of 10.5 and 9.8, respectively. The index is trading at a 27% discount to the World MSCI P/E, which is near its biggest discount since 2015.

US Economic Indicators

Consumer Confidence ([link](#)): Consumer confidence fell in November for the fourth time in five months, dropping 2.1 points m/m and 19.4 points over the period to a nine-month low of 109.5. According to Lynn Franco, senior director of economic indicators at the Conference Board, “concerns about rising prices—and, to a lesser degree, the Delta variant—were the primary drivers of the slight decline in confidence” last month. The present situation component fell 3.0 points in November and 17.1 points during the five months through November to a seven-month low of 142.5, while the expectations component sank 1.4 points and 20.9 points over the comparable periods to an 11-month low of 87.6. (The present situation and expectations components had increased 1.2 points and 2.3 points, respectively, in October after a three-month slide.) Consumers' appraisal of current business conditions deteriorated in November as the percentage saying conditions are good (to 17.0% from 18.3%) fell and the percentage saying conditions are bad (29.0 from 25.5) rose. The former has dropped steadily since reaching a recent high of 25.2% in June, while the latter increased from a recent low of 19.1% in June. Meanwhile, consumers' assessment of the labor market improved, with those saying jobs are plentiful (to 58.0% from 54.8%) posting its highest percentage on record and those saying jobs are hard to get (11.1 from 11.0) not far from its record low of 9.6% recorded during July 2000. Looking at the expectations measures: The percentage of consumers expecting business conditions to improve (to 24.1% from 22.7%) over the next six months rose from recent lows, while the percentage that expects conditions to worsen (20.7 from 21.9) dipped a bit from recent highs. Meanwhile, the short-term labor market outlook deteriorated, with the percentage expecting jobs to be more available (to 22.1% from 24.4%) falling and the percentage

expecting fewer jobs (18.7 from 18.9) little changed. According to the report, the Conference Board is predicting “a good holiday season for retailers and confidence levels suggest the economic expansion will continue into early 2022.” They do caution, however, that consumer confidence and spending could face headwinds from rising prices and a potential resurgence of Covid in coming months.

Global Economic Indicators

Eurozone CPI Flash Estimate ([link](#)): November’s CPI headline rate is expected to accelerate for the fifth month, to a record-high 4.9% y/y; prior to that five-month acceleration, it had slowed from a then-30-month high of 2.0% in May to 1.9% in June. Looking at the main components, once again energy (27.4% y/y) is forecast to post the biggest gain—recording its largest year-over-year increase on record. The services inflation rate is expected to pick up for the fifth successive month, from 0.7% in June (which was the slowest since the end of 2020) to 2.7% y/y in November, the highest since 2008. Meanwhile, the yearly rate for food, alcohol & tobacco is expected to accelerate from 1.9% to a 17-month high of 2.2% y/y, while the rate for non-energy industrial goods is forecast to pick up to 2.4% y/y after slowing slow from 2.6% in August (which was the highest rate since the mid-1990s) to 2.0% in October. Of the top four Eurozone economies, rates for Germany (6.0% y/y) and Spain (5.6) are expected to be above the headline rate of 4.9%, while rates for Italy (4.0) and France (3.4) are expected to be below.

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