MORNING BRIEFING
December 2, 2021

Consumers & Fusion

Check out the accompanying chart collection.

(1) Holiday gatherings should help propel retail sales. (2) Hoping Omicron doesn't play the Grinch. (3) Improving job market and rising incomes otherwise bode well for retailers. (4) Consumers' debt is up, but debt service relative to disposable income remains low. (5) S&P Consumer Discretionary sector beating the S&P 500. (6) Amazon weighs on the Retail Composite. (7) Analysts upbeat on retailers' earnings next year. (8) Nuclear fusion becomes a hot topic. (9) Fusion attracts big bucks from Gates, Bezos, and others. (10) Playing with the most powerful magnets on Earth. (11) Double-checking the math.

Consumer Discretionary: Ringing in the Holidays. Retail sales data over the Thanksgiving weekend weren't entirely jolly. Some data services reported that sales were up. Others said they fell slightly. Consumers have been actively consuming over the past two years, satiating pent-up demand and making a huge pop in retail sales unlikely this holiday. That said, we don't believe the mixed data are a sign that we're about to have a grinchy holiday either.

This year, friends and families are gathering, and that should drive purchases of clothing, decorations, and food. Meanwhile, consumers' financial position remains healthy, with jobs plentiful and debt-service levels low, giving them the means to spend. In fact, it's widely believed that consumers began holiday shopping sooner this year, prompted by dire headlines about snarled supply chains leading to empty shelves and delayed holiday gift deliveries. That's sure to muddy the data and require looking at it over a longer period.

Of course, all bets are off if the Omicron Covid-19 variant leads to mandated or self-imposed shutdowns. News of the first case in the US arrived yesterday; a person in California who had visited South Africa had mild symptoms despite being vaccinated. While we await additional data on the virus, let's take a look at some of the recent retail sales headlines and data on consumers' financial health:

(1) *Mixed messages.* As we mentioned, the data about retail spending over the holiday weekend was mixed. In the positive category, Mastercard SpendingPulse reported that US retail sales during the Thanksgiving weekend rose 14% y/y and 5.8% from 2019 levels,

according to a November 30 *WSJ* article. And Salesforce.com reported that shoppers spent $11.3 billion online in the US on Cyber Monday, up 3% y/y.

In the negative bucket, the number of shoppers declined this year, according to National Retail Federation data. Some 179.8 million shoppers hit the stores or shopped online between Thursday and Monday, down from 186.6 million in 2020 and 189.6 million in 2019, the *WSJ* article reported. A second negative datapoint came from the Adobe Digital Economy Index, which reported that US shoppers spent $33.9 billion online between Thanksgiving and Cyber Monday, a decline of 1.4% y/y. And a Placer.ai *blog post* said mobile phone data indicated that indoor mall traffic rose 83.5% y/y on Black Friday but was down 8.5% compared to pre-pandemic levels.

The Jackie Doherty traffic index indicates that all is fine. It took almost an hour to exit a Long Island Tanger Outlet on Friday afternoon.

(2) *Money in their pockets.* Lots of people having jobs always helps boost holiday shopping, and the US employment picture was robust last month, according to the latest data from ADP. The number of private-sector jobs increased by 534,000 in November, with services jobs representing 424,000 of those, ADP reported (*Fig. 1*).

The YRI Earned Income Proxy has also been on an upward path since bottoming in April 2020 (*Fig. 2*). The proxy multiplies the average weekly hours worked by the average hourly earnings of total private industries and annualizes the result. In October, the YRI Earned Income Proxy rose 9.3% y/y.

Retail sales growth historically has tracked the changes in the YRI Earned Income Proxy closely. But over the past two years, retail sales growth has been higher than the YRI proxy, bolstered by government remittances during Covid-19. As the benefit from the government payments fades, retail sales growth should more closely track the YRI proxy once again (*Fig. 3*).

(3) *Household balance sheets steady.* US household debt was at a record high in Q3, but low interest rates and higher incomes mean payments remain manageable (*Fig. 4*). Household debt balances were boosted by home mortgage debt, which has continued to rise since Q1-2017, when it first exceeded the mortgage debt peak that occurred before the housing bubble began to burst in 2009 (*Fig. 5*). But mortgage debt as a percentage of the value of household real estate remains low at 32.3% in Q2 compared to 54.0% at its peak in Q1-2012 (*Fig. 6*).

Auto loans and student loans outstanding continue their rapid increases (*Fig. 7* and *Fig. 8*). Their ascent is somewhat offset by the decade-long decline in home equity loans (*Fig. 9*). And credit card balances remain flat to down slightly through Q3 (*Fig. 10*).

Despite peak levels of consumer debt, the household debt service ratio—the ratio of debt service payments to disposable personal income—is near its recent low, helped by the low interest rate environment (*Fig. 11*). In addition, personal savings remains elevated (*Fig. 12*).

(4) *Retail stocks rally.* Investors appear sanguine about the consumer's ability and willingness to spend. The S&P 500 Consumer Discretionary sector was the second-best-performing sector in November, up 1.9% compared to the broader index's 0.8% decline. The Consumer Discretionary sector has also modestly outperformed so far this year, rising 24.1% ytd through Tuesday's close compared to the S&P 500's 21.6% return (*Fig. 13* and *Fig. 14*).

The S&P 500 Consumer Discretionary sector's ytd momentum has been propelled by industries related to housing and cars: Automobile Manufacturing (63.1%), Home Improvement Retail (51.3), Automotive Retail (46.1), and Homebuilding (33.5) (*Fig. 15*).

The Consumer Discretionary Retail Composite has had a tougher time of things, up 20.1% ytd, held back by Amazon, which is up only 7.7% ytd. Excluding Amazon, the Retail Composite would be up 46.6% ytd, Joe calculates. Within retail, the S&P 500 Specialty Stores industry has outperformed, rising 45.2% ytd, as has General Merchandise Stores, up 25.7%. Conversely, Apparel Retail (4.4%) and Internet & Direct Marketing Retail (10.0) have been drags on the sector's overall performance (*Fig. 16*).

The financial picture for the S&P 500 Consumer Discretionary Retailing industry looks favorable, with analysts forecasting consensus revenue growth of 17.5% in 2021 and 8.6% next year (*Fig. 17*). Earnings are forecast to post even stronger gains of 29.7% this year and 11.2% in 2022 (*Fig. 18*). This, of course, presumes that Omicron doesn't deliver a lump of coal in the next few weeks.

Disruptive Technology: Nuclear Fusion Heats Up. Nuclear fusion has long been the Holy Grail of the scientific world. It replicates what happens on the sun, where small atoms combine to make one larger atom and produce tons of energy in the process. In theory, nuclear fusion on Earth would produce vast amounts of energy without throwing off the CO2 produced by burning fossil fuels or the nuclear waste produced by nuclear power plants.

The energy would be available on demand and without the intermittency problem of solar or wind energy.

When we first wrote about nuclear fusion in the August 1, 2019 *Morning Briefing*, we introduced some of the largest players in the industry, which are still working to make nuclear fusion a reality. Unfortunately, the problem we highlighted two years ago remains a problem today: The amount of energy required for nuclear fusion exceeds the amount of energy it produces.

That said, scientists are excited by several recent advancements, and a number of companies believe they will solve the net negative energy problem and build working plants sometime in the next 20 years. The growing buzz surrounding the industry has led to articles about fusion popping up in non-scientific publications, the formation of new startup companies, and increased venture capital funding.

There are at least 35 fusion companies around the world, 18 of which have received a combined $3.7 billion in private funding. “Of the 23 companies that responded to the survey, more than half were founded in the past five years,” an October 27 *FT* *article* reported. Four companies have received the bulk of private-sector funding: Commonwealth Fusion Systems, California’s TAE Technologies, Oxford-based Tokamak Energy, and Canada’s General Fusion. Let’s take a look at what they hope to achieve:

(1) *World’s strongest magnet.* Commonwealth Fusion Systems (CFS) was spun out of MIT’s research labs and still works with the university. In a major sign of confidence in its technology, CFS recently raised more than $1.8 billion from George Soros, Google, Marc Benioff’s TIME Ventures, venture capital firm DFJ Growth, and others, a December 1 *WSJ* *article* reported. Prior funding came from the likes of Breakthrough Energy, which is Bill Gates’ consortium of billionaires, along with Italian oil company ENI. CFS hopes to develop a demonstration plant that produces net positive energy by 2025 and a commercially viable plant by 2030 that supplies energy to the grid. The plant’s estimated cost is $3 billion.

To make nuclear fusion occur on Earth, huge amounts of energy are needed to heat up the atoms north of 100 million degrees kelvin. At those temperatures, matter becomes plasma and must not touch anything solid. CFS and some others create magnetic fields inside a container called a “tokamak” to control the plasma and provide thermal insulation. CFS has developed a new magnet that’s both super strong and super thin. It believes this magnet is the key to developing a fusion plant that generates net energy.

CFS uses high-temperature superconductors, made of a new material that can “carry a lot of current even when embedded in strong magnetic fields. Until now, all fusion magnets have been made with copper conductors or Low Temperature Superconductors which limit the strength of [the] magnetic field that can be produced,” an MIT *primer* explained. CFS’s high-temperature superconducting electromagnet reached a field strength of 20 tesla, the most powerful magnetic field ever created. It’s 12 times stronger than a traditional MRI and 400,000 times stronger than Earth’s magnetic field.

The new superconducting material is commercially available and comes in a flat, ribbon-like tape. The thin material “makes it possible to achieve a higher magnetic field in a smaller device, equaling the performance that would be achieved in an apparatus 40 times larger in volume using conventional low-temperature superconducting magnets,” a September 8 *article* in *MIT News* reported. The new material allows CFS’s fusion plant to be smaller, so it can be built faster and less expensively.

If the magnets work as expected, CFS believes that twice as much fusion energy will be produced by the plasma than is used to generate the reaction. But it’s unclear whether the amount of electricity the plant produces will be more or less than the amount required to run the entire plant and convert the heat energy into electricity.

Tokamak Energy is also using high-temperature superconducting magnets in a tokamak it developed that’s smaller and shaped more like an apple than the donut shape many companies use. The Oxford, UK-based company has raised $200 million in mostly private capital. It plans to achieve 100 million degrees Celsius in stable plasma this year, which would be a key milestone, a July 17 *article* in *Energy Digital* reported.

(2) *Using pistons.* General Fusion, a Canadian company backed by Jeff Bezos and others, will begin construction next year on a demonstration plant in the UK that it plans to open in 2025. The company announced on Tuesday that it raised $130 million to help fund the plant’s construction. The company aims to license its technology and provide core, proprietary components to those who want to build the plants, a November 30 *Globe and Mail* *article* reported.

General Fusion’s method of achieving fusion—magnetized target fusion--is different than CFS’s approach. General Fusion has built a cylinder that rotates and is surrounded by pistons. As the cylinder rotates, liquid metal inside of the cylinder is pushed to the walls and hydrogen plasma is injected into the middle of the cylinder. The pistons then push into the cylinder and the liquid metal, compressing the hydrogen plasma and causing fusion to occur. The fusion heats the liquid metal wall, which is then pumped through a heat exchanger to generate electricity via a steam turbine. A company *video* explains the process.

(3) *Harnessing a collision.* TAE Technologies, based in California, announced in April that it produced stable plasma at more than 50 million degrees with a new machine it calls “Norman.” At each end of the machine, it heats hydrogen gas to form plasmas. The two plasmas then are propelled to collide in the center of the machine and particle beam accelerators hold the two plasmas together so that fusion occurs, a CNBC *article* explains.

For the system to create net energy, the plasma must reach temperatures higher than 100 million degrees Celsius. That’s the goal of its next machine, dubbed “Copernicus.” The company plans to have a demonstration power plant online by the late 2020s.

The company raised two rounds of financing earlier this year, totaling more than $400 million, which brought the company’s total funding from investors to $880 million. Investors include Vulcan, Venrock, NEA, Wellcome Trust, Google, the Kuwait Investment Authority, the family offices of Addison Fischer, Art Samberg, and Charles Schwab.

(4) *Government-funded research at work too.* The most ambitious nuclear fusion government project is being developed by ITER, which is supported by 35 countries around the world including the US. The organization is building a fusion reactor in southern France with a price tag of $22 billion. Testing is scheduled for 2025, and full operation is slated for 2035, a November 17 *article* in *Nature* reported.

The plant is expected to generate 500 megawatts of power, while the plasma uses just 50 megawatts. Those figures don’t include the energy needed to run the plant or the energy lost when the fusion heat is converted to electricity. The plant requires 440 megawatts to operate, and the amount of energy it produces shrinks to about 250 megawatts once it’s converted to electricity, Sabine Hossenfelder points out in this “Science without the Gobbledygook” *video*. By focusing only on the energy used by the plasma in this project and many others, scientists and investors are underestimating what it will take to make these projects commercially viable.

Countries including China and South Korea as well as those in the EU also are expected independently to build their own reactors. Experiments at the Lawrence Livermore National Laboratory in California used lasers to trigger a fusion reaction that generated almost as much energy as was used by the lasers, reported a November 30 *article* on the American

Physical Society website. (Privately funded Marvel Fusion in Germany is also using lasers.) The Chinese Academy of Sciences heated its plasma to 120 million degrees Celsius and held that temperature for a minute and a half.

Calendars

US: Thurs: Initial & Continuous Jobless Claims 240k/2.00m; Natural Gas Storage; OPEC Meeting; Barkin, Bostic, Quarles. **Fri:** Payroll Employment Total, Private, and Manufacturing 550k/530k/45k; Unemployment Rate 4.5%; Average Hourly Earnings 0.4%m/m/5.0%y/y; IHS Markit C-PMI & NM-PMI; ISM NM-PMI 65.0; Factory Orders 0.5%; Baker-Hughes Rig Count. (Bloomberg estimates)

Global: 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. **Fri:** Eurozone Retail Sales 0.2%m/m/1.2%y/y; Eurozone, Germany, and France C-PMIs 55.8/52.8/56.3; Eurozone, Germany, France, and Italy NM-PMIs 56.6/53.4/58.2/54.8; France Industrial Production 0.5%; UK C-PMI & NM-PMI 55.8/56.6; Canada Employment Change & Unemployment Rate 35k/4.5%; Canada Labor Productivity -0.8%; Lagarde, Saunders, Lane. (Bloomberg estimates)

Strategy Indicators

Stock Market Sentiment Indicators (*link*): The Bull/Bear Ratio (BBR) fell this week for the second week, to 2.00, after climbing the prior four weeks from 1.81 to 2.67. Bullish sentiment sank for the second week to 49.4% this week after climbing 16.8ppts (to 57.2% from 40.4%) the prior six weeks; the 40.4% reading eight weeks ago was the lowest percentage since early April 2020. Meanwhile, the correction count climbed for the third week to 25.9% after a five-week decline of 15.9ppts (to 21.2% from 37.1%); the 37.1% percentage eight weeks ago was the highest since March 2020. Bearish sentiment rose this week for the second week, to 24.7%—just above the end-of-October reading of 24.1%—once again showing the most bears since May 2020. The AAII Ratio slumped last week for the second week, to 48.6%, after climbing the prior two weeks from 57.5% to 66.7%—which was the highest since the end of June. Bullish sentiment fell last week for the second week, to 33.8%, after climbing from 39.8% to 48.0% the prior two weeks, while bearish sentiment rose for the second week, to 35.7%, after falling from 29.4% to 24.0% over the previous two-week period.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): The S&P 500's forward profit margin remained steady last week at a new record high of 13.3%. Since the end of April, it has exceeded its prior record high of 12.4% in September 2018. It's now up 3.0ppts from 10.3% during April 2020, which was the lowest level since August 2013. Forward revenues and earnings per share both rose w/w. They've both been making new record highs since the beginning of March and for the first time since February 2020. Since the Q2-2021 earnings season came in way better than expected, analysts have been playing catch-up with their lowball estimates from the Covid-19 shutdown period. Prior to this catch-up period, consensus S&P 500 forecasts had been falling at rates paralleling the declines during the 2008-09 financial crisis. Forward revenues growth edged up 0.1ppt w/w to 7.7% and is up from an 11-month low of 7.4% in early November. That's down from a record high of 9.6% growth at the end of May and should continue to move lower as base effects subside. Still, that's up from 0.2% forward revenues growth during April 2020, which was the lowest reading since June 2009. Forward earnings growth rose 0.1ppt to 10.2%, but remains near its 13-month low of 10.0% in early November. It should also continue to move lower due to base effects. That's down from its 23.9% reading at the end of April, which was its highest since June 2010, and up substantially from its record low of -5.6% at the end of April 2020. On a positive note, this year analysts have been raising their consensus forecasts for 2021 and 2022 revenues and earnings growth; the imputed profit margin estimate that we calculate from those forecasts has been rising too. They expect revenues to rise 16.0% in 2021 (up 0.1ppt w/w) and 7.1% (unchanged w/w) in 2022 compared to the 2.1% decline reported in 2020. They expect earnings gains of 49.8% in 2021 (up 0.1ppt w/w) and 8.2% in 2022 (up 0.2ppt w/w) compared to a 13.4% decline in 2020. Analysts expect the profit margin to rise 3.0ppts y/y in 2021 to 13.1% (unchanged w/w) from 10.1% in 2020 and to improve 0.1ppt y/y to 13.2% in 2022 (unchanged w/w). The S&P 500's weekly reading of its forward P/E rose 0.1pt to a five-month high of 21.5, up from a 17-month low of 20.4 in mid-October. That compares to 23.1 in early September 2020, which was the highest level since July 2000 and up from a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio rose 0.01pt w/w to a new record high of 2.86. That's up from a four-month low of 2.69 in mid-October and compares to its prior record high of 2.81 at the beginning of September and a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Earnings, Revenues, Valuation & Margins (*link*): Last week saw consensus forward revenues rise for eight of 11 S&P 500 sectors and forward earnings rise for seven sectors. Nearly all sectors are at or near record highs in their forward revenues, earnings, and profit margin. Energy still has forward revenues and earnings well below record highs, but its profit margin is the highest since June 2011. Financials, Real Estate, and Utilities have forward earnings at or near record highs, but their forward revenues and margins are lagging. Only three sectors posted a higher profit margin y/y in 2020: Consumer Staples, Tech, and Utilities. For 2021, a y/y improvement is expected for all but Utilities. Five sectors are expected to see margins decline or remain flat y/y in 2022: Communication Services, Financials, Health Care, Materials, and Real Estate. The forward profit margin was at record highs during 2018 for 8/11 sectors, all but Energy, Health Care, and Real Estate. Here's how they rank based on their current forward profit margin forecasts along with their record highs: Information Technology (25.0%, down from its 25.1% record high a week earlier), Communication Services (16.7, down from its 17.0 record high in early October), Real Estate (16.6, down from its 19.2 record high in mid-2016), Utilities (14.7, down from its 14.8 record high in early May), Materials (13.3, down from its 13.4 record high a week earlier), S&P 500 (13.3, record high this week), Health Care (11.1, down from its record high of 11.2 in April 2018), Industrials (10.2, down from its record high of 10.5% in mid-December), Consumer Staples (7.6, down from its 7.7 record high in early June), Consumer Discretionary (7.9, down from its 8.3 record high in mid-2018), and Energy (9.1 [10-year high], down from a record-high 11.2 in mid-2007).

S&P 500 Sectors Forward Revenues and Earnings Recovery from Covid-19 Trough (*link*): The S&P 500's forward revenues and earnings as well as its implied forward profit margin bottomed at cyclical lows on May 28, 2020 after 14 weeks of Covid-19-related declines. Forward revenues and earnings have risen 20.9% and 56.4%, respectively, since then to new record highs. The forward profit margin has risen 3.2ppts to a record high of 13.3%, which exceeds its prior pre-Covid record of 12.4% in late 2018. During the latest week, nine of the 11 sectors posted gains in either their forward revenues, earnings, or profit margin. Here's how the S&P 500 and its 11 sectors rank by their changes in forward revenues and forward earnings since May 28, 2020: Energy (forward revenues up 38.6%, forward earnings up 2,107.7%), Materials (32.4, 100.4), Information Technology (27.0, 46.1), Industrials (24.9, 73.9), Communication Services (23.8, 55.2), S&P 500 (20.9, 56.4), Financials (18.9, 67.3), Health Care (16.9, 30.1), Consumer Discretionary (15.8, 95.7), Real Estate (12.3, 31.2), Consumer Staples (12.9, 19.8), and Utilities (-0.2, 5.6).

US Economic Indicators

ADP Employment (*link*): "The labor market recovery continued to power through its challenges last month," said Nela Richardson, chief economist, ADP. "Service providers, which are more vulnerable to the pandemic, have dominated job gains this year. It's too early to tell if the Omicron variant could potentially slow the jobs recovery in coming months." Private payroll employment rose 534,000 in November, following gains of 570,000 in October and 526,000 in September, which were little changed from their previous readings of 570,000 and 523,000, respectively. Job gains have eclipsed 15.0 million since the recovery began, though are still 4.5 million short of pre-pandemic levels. Services providers added 424,000 jobs in November, slowing a bit from October's 458,000, which was the fastest since June. Goods-producing companies added over 100,000 to payrolls for the second month, up 110,000 in November and 112,000 in October—more than double the average monthly gain posted during the eight months through August. Year to date, total payrolls are up 5.40 million, with service-providing and goods-producing climbing 4.72 million and 684,000, respectively, over the comparable period. Here's a tally of industry performances from strongest to weakest year to date, since bottoming last April and where they stand relative to last February's levels: leisure & hospitality (+2.1 million, +5.7 million, -2.0 million), trade transportation & utilities (+729,000, +2.4 million, -752,000), health care & social assistance (+597,000, +1.8 million, -277,000), administrative & support services (+330,000, +936,000, -612,000), professional & technical services (+327,000, +554,000, +21,000), manufacturing (+313,000, +1.0 million, -273,000), construction (+311,000, +1.0 million & +90,000), other services (+290,000, +1.0 million, -256,000), education (+157,000, +349,000, -100,000), financial activities (+117,000, +224,000, -41,000), natural resources & mining (+60,000, +42,000, -10,000), information services (+40,000, +7,000, -256,000), and management of companies & enterprises (+22,000, +1,000, -81,000). Here's the same exercise by company size: large (+2.3 million, +6.1 million, -3.2 million), medium (+1.7 million, +4.1 million, -799,000), and small (+1.4 million, +4.9 million, -481,000).

US Manufacturing PMIs (*link*): Manufacturing activity in November remained robust, though below recent highs, according to both M-PMI measures. Meanwhile, price pressures in the ISM survey eased a bit, while IHS Markit's survey saw input inflation reach a new record high—though output price inflation eased as firms sought to win customers. November's ISM M-PMI edged up to 61.1 after edging down from 61.1 to 60.8 in October. It was at 64.7 in March, which was the best reading since 1983. Both production and new orders remain robust—with both back above 60.0. The production (to 61.5 from 59.3) measure has been bouncing in a flat trend around 60.0 the past seven months, while the orders measure has dropped from a cyclical high of 68.0 in March to 61.5 in November, which is an uptick from October's 59.8. Manufacturers continued to accumulate inventories at their fastest rate since the mid-1980s, with the measure jumping from 48.9 in July to 57.0 by October, and holding around that rate in November (56.8). Meanwhile, the employment (to 53.3 from 52.0) gauge moved further above the breakeven point of 50.0, after slipping below in August (49.0). The supplier deliveries (to 72.2 from 75.6) component of the M-PMI was above 70.0 for the ninth month this year, continuing to reflect the difficulties suppliers experience due to Covid-19 impacts. ISM's price (to 82.4 from 85.7) index eased, down from June's 92.1—which was the fastest since summer 1979. Looking at IHS Markit's M-PMI, it fell for the fourth month since reaching a record-high 63.4 in July, slumping to an 11-month low of 58.3 in November—though remaining considerably above the breakeven point of 50.0. The report notes that production posted its second-weakest performance over the past 14 months as "producers reported further near-record supply delays and a slowing of new order inflows to the softest so far this year." Manufacturers continued to face strong headwinds from supply-chain bottlenecks and trouble filling job vacancies.

Construction Spending (*link*): Total construction spending was little changed in October for the second consecutive month, yet did reach a new record high. Total spending ticked up 0.2% in October after ticking down 0.1% in September from the previous record high in August. October's gain was led by a 1.8% jump in public construction spending—boosted by a 2.4% surge in spending on highways. It was the third increase in public construction spending in four months, up 4.3% over the period after contracting 5.2% the first half of the year. Meanwhile, private construction spending remained stalled around August's record high in October, slipping 0.4% during the two months through October. Residential spending fell 0.8% the past two months, but is only fractionally below June's record high, while nonresidential spending has climbed 2.2% during the four months through October, and is up 6.4% from its recent low at the end of last year. Within residential spending, single-family (-0.8%), multi-family (-0.1) and home improvement (-0.2) expenditures all moved lower in October, but multi-family and home improvement spending are within 0.3% and 1.9% of their respective record highs during July and June, while single-family investment is within 1.3% of its July cyclical high.

Global Economic Indicators

Global Manufacturing PMIs (*link*): "Global manufacturing output rises again but price and supply shortage measures stay close to recent highs" was the headline of November's report. The JP Morgan Global M-PMI (to 54.2 from 54.3) was little changed for the third month in November; it was at an 11-year high of 56.1 in May. All five of the PMI components were at levels normally associated with positive trends in operating performance. The index is up 14.6 points since bottoming at 39.6 last April. The M-PMI for advanced economies ticked up to 56.9 in November after slowing the prior three months from its recent high of 59.8 posted in July (and May) to 56.6 in October. The M-PMI for the emerging economies eased to 51.2 after climbing the prior two months from 49.6 during August to 51.6 by October. Of the 30 nations for which November data were available, 26 saw expansions, while four (China, Brazil, Mexico, and Myanmar) saw a contraction in manufacturing activity. Once again, the Eurozone was a bright spot—with four of its members finishing in the top five; the US came in sixth. Here's a country ranking of November M-PMIs from highest to lowest: Italy (62.8), Netherlands (60.7), Ireland (59.9), Australia (59.2), Greece (58.8), EUROZONE (58.4), US (58.3), Austria (58.1), UK (58.1), India (57.6), Germany (57.4), Canada (57.2), Spain (57.1), Czech Republic (57.1), France (55.9), Taiwan (54.9), Colombia (54.9), Japan (54.5), Poland (54.4), WORLD (54.2), Indonesia (53.9), Malaysia (52.3), Vietnam (52.2), Turkey (52.0), Philippines (51.7), Russia (51.7), South Korea (50.9), Thailand (50.6), China (49.9), Brazil (49.8), Mexico (49.4), Myanmar (46.7).

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