



MORNING BRIEFING

December 20, 2021

Santa vs the Two Grinches, Again

Season's Greetings and Happy New Year!
We will be back on January 4, 2022.

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

(1) Santa runs into turbulence. (2) The attack of the two variants. (3) Omicron is fast spreading, but less dangerous, especially to the vaccinated. (4) Will herd immunity be the outcome? (5) New cases soaring in Europe, but not hospitalizations, so far. (6) China faces the Omicron challenge. (7) The hawkish variant of the FOMC. (8) Levitating dot plot. (9) Waller says March is a “live meeting.” (10) Pivots and rotations. (11) A slimmed-down variant of Biden’s BBB likely to pass in early 2022. (12) People are disappearing in China, and so is retail sales growth. (13) Will China’s property bubble burst or just deflate? (14) Movie review: “Stewart” (+).

YRI Monday Webinar. There won’t be a webinar today, but please join Dr. Ed’s live Q&A webinar on most Mondays at 11 a.m. EST. You will receive an email with the link to the webinar one hour before showtime. Replays are available [here](#).

Strategy I: The Two Grinches. Late last week, the Santa Claus rally ran into some turbulence as investors turned more risk averse. They were clearly spooked again by the two Grinches—the Omicron variant of Covid-19 and the hawkish variant of the FOMC. Consider the following developments:

(1) *Fast-spreading Omicron variant.* Might Santa be an asymptomatic carrier of the Omicron variant of Covid-19? That’s unlikely since he never gets sick this time of year. Others aren’t so lucky: In recent conversations with friends, we have been hearing that quite a few have contracted the variant but have either no symptoms or minor ones. And, yes, a few of them have been fully vaccinated, including with booster shots.

The media is onto the story, with lots of ominous headlines. Rarely mentioned is that Omicron seems to hit hardest mostly the unvaccinated and that it may be spreading herd immunity. If so, it may bring the pandemic to an end sooner rather than later. We know that the variant is spreading like wildfire. Initial reports were that it is far less dangerous than previous variants of the virus, especially to people who have been vaccinated. Recent accounts have raised some doubts about that conclusion. In other words, we don’t know

very much about where the virus is taking us.

We should know more in coming weeks by comparing new cases to hospitalizations and deaths. In the US, there has been an upturn in both in recent days from recent lows ([Fig. 1](#)). The number of deaths continues to decline from its recent high ([Fig. 2](#)). Somewhat encouraging is that the recent jump in the count of new cases in the UK—to a pandemic-era record high—has yet to significantly boost hospitalizations ([Fig. 3](#)). New cases have been soaring in continental Europe too, but hospitalizations remain relatively low ([Fig. 4](#) and [Fig. 5](#)).

It's interesting to see that after a huge spike in India's new cases during the spring of this year, the cases there have remained remarkably low in recent weeks ([Fig. 6](#)). Might that suggest some degree of herd immunity?

China's new cases have remained extraordinarily low since the government imposed its zero-tolerance policies after the initial breakout of the pandemic over there during January and February 2020. However, the new Omicron variant may prove more challenging for China to contain. China has administered at least 2.6 billion doses of its killed-virus Covid vaccines, covering some 94% of the population. An October [article](#) in *Nature* noted that immunity from a double dose of the killed-virus vaccines wanes rapidly and that the protection given to older people may be limited. The Chinese vaccines aren't as effective as mRNA vaccines.

(2) *More hawkish FOMC variant.* Last Wednesday, the FOMC turned more hawkish. The committee's [statement](#) noted that the “path of the economy continues to depend on the course of the virus” and that progress on vaccinations should keep the economy growing. “With inflation having exceeded 2 percent for some time,” the FOMC decided to speed up the monthly pace of tapering its bond purchases from \$15 billion to \$30 billion starting in January. That presumably will set the stage for hiking the federal funds rate earlier next year.

Indeed, the Fed's dot plot, released after the FOMC meeting on Wednesday, showed that all 18 members of the FOMC now expect at least one rate hike in 2022, up from only nine in September's forecast. Moreover, 12 of them now see at least three quarter-point hikes during the year, and two think four increases will be necessary.

Contributing to Friday's stock market selloff was Federal Reserve Governor Christopher Waller's characterization of inflation as “alarmingly high” in a speech to the Forecasters

Club of New York. He added that March's FOMC meeting may be "a live meeting," i.e., one in which a rate hike would be on the table.

Strategy II: Many Happy Returns? Santa's sleigh is loaded with bags full of liquidity. The financial markets are trying to ascertain whether he has enough to drown the Grinches. Joe and I think so. Consider the following financial market reactions to the two Grinches this past week:

(1) *Stock market rotating, again.* You need a neck brace to trade the stock market these days. The S&P 500 was up 3.8% two weeks ago, led by a 6.0% increase in its Information Technology sector ([Fig. 7](#)). This past week, it was down 1.9%, led by the Energy (-5.1), Consumer Discretionary (-4.3), IT (-4.0), and Industrials (-2.8) sectors. Cyclical got whacked by renewed fears of the rapidly spreading Omicron variant of Covid. Defensive sectors outperformed as follows: Health Care (2.5), Real Estate (1.6), Utilities (1.2), and Consumer Staples (1.2). (See our [Performance Derby tables](#) for the S&P 500 sectors and industries over the past week.)

The S&P 500 peaked at a record high of 4712.02 a week ago Friday. It was down every day this past week except for Wednesday, when a big jump took it almost back to Friday's high. That was surprising since the FOMC announced on Wednesday a faster pace of tapering and signaled three rate hikes in 2022. Coincidentally, there was also news suggesting diminishing odds of Congress' passing Biden's Build Back Better (BBB) bill. That might be viewed as bullish for stocks to the extent that more fiscal stimulus would push inflation even higher.

(2) *Yield curve flattening, again.* The flattening yield-curve spread between 10-year and 2-year Treasury notes suggests that three rate hikes next year might be enough to lower inflation, especially if Congress can't get enough votes for yet another round of fiscal stimulus ([Fig. 8](#)).

(3) *Commodity prices peaking.* Slower global economic growth, especially in China, and more hawkish central bank policies seem to be capping the CRB all commodities index and the CRB raw materials index ([Fig. 9](#)). The same can be said about the price of copper ([Fig. 10](#)).

US Fiscal Policy: No Xmas Gift. The Senate adjourned for the year early Saturday morning and will return to Washington on January 3. My vote is to let the senators stay home for 2022. *The Hill* [observes](#) that "leaving for the holidays officially punts both

President Biden's climate and social spending legislation and voting rights legislation, which would require a change in the Senate rules, into next year."

On Friday, Senate Majority Leader Charles Schumer (D-NY) acknowledged that Biden's BBB legislation won't be enacted this year. He is expecting that Biden will negotiate a BBB deal with Senator Joe Manchin (D-WV), a key vote, by early next year. Manchin would like to hold off on another round of fiscal stimulus because it would add to the current bout of inflationary pressures.

Jim Lucier, our good friend at [CapitalAlpha](#), is one of the most astute Washington watchers. He currently believes that a streamlined version of BBB could eventually get done, but probably not until February at the earliest. He expects it to be reduced to \$1.5 trillion and to maintain the 21% corporate tax rate as well as other positive features of the Trump tax reform. He attributes this expectation to the actions of Senator Kyrsten Sinema (D-AZ). To get her vote for BBB, she has demanded no corporate rate hike, no individual rate hike, no capital gains rate hike, and no broad based tax increase of any kind. The result would be a bill with \$1.5 trillion in other revenue raisers.

However, as Jim observes, "The problem is that progressives and the Biden administration are not happy with \$1.5 trillion paid-for and still want to cram \$5 trillion worth of stuff in a \$2 trillion package." A December 10 [letter](#) from the director of the Congressional Budget Office (CBO) responded to questions from a couple of members of Congress about BBB. They wondered what the impact would be if "specified modifications ... would make various policies permanent rather than temporary." The response stated that it would increase the deficit by \$3.0 trillion over the 2022–31 period.

Late-breaking news: On Sunday morning, CNBC [reported](#) that Senator Manchin said he won't vote for Biden's Build Back Better Act, likely killing the bill, at least in its present form.

China: Disappearing People. People who have criticized China's Beijing regime often vanish for several months, during which time they are interrogated in a nondescript government building, according to a recent [article](#) in *The Telegraph*. They are abducted under the Chinese regime's program of "enforced disappearances," known officially as "RSDL," or "Residential Surveillance at a Designated Location." Many then "re-emerge in society with an outwardly different personality, their plucky mode of resistance replaced by a supine deference to Beijing authorities."

Chinese tennis star Peng Shuai went missing for more than two weeks after claiming in a

social media post that former Vice Premier Zhang Gaoli had forced her to have sexual relations with him. She briefly returned to the public eye when she spoke to the president of the International Olympic Committee during a 30-minute video call on Sunday, November 21. She insisted that she was safe and well at her home in Beijing.

Also gone missing is China's working-age population ([Fig. 11](#)). This development likewise can be attributed to the Chinese Communist Party's (CCP) authoritarian policies, particularly the one-child limits imposed on families from 1980 to 2015. The result has been a drop below the replacement fertility rate since the second half of the 1990s ([Fig. 12](#)). Rapid urbanization also contributed to the drop in fertility, which now is rapidly converting China into the world's largest nursing home.

The Chinese government reversed course in 2015, eliminating the one-child policy in an effort to boost population growth. The CCP wants China to be a global superpower. That's hard to do while the nation's demographic profile is turning increasingly geriatric. Consider the following:

(1) China's birth rate dropped to a new low in 2020, confirming the demographic challenge facing the government as it tries to deal with a shrinking labor force and growing population of elderly people. There were 8.5 births per 1,000 people last year, the lowest in data back to 1978, according to the latest yearbook from the National Bureau of Statistics.

(2) The number of newborns may decline again this year from the 12 million born in 2020, a health commission official said in July. Some demographers estimate that China's population could have started falling this year. Critics of the CCP have charged that Beijing is disproportionately reducing births among its Muslim minority in the Xinjiang region as part of an ethnic-cleansing crackdown.

(3) We believe that the combination of urbanization and the one-child policy is weighing heavily on Chinese consumers. Just think about all those young adults who are the only children of two elderly parents. In China, children have a social responsibility to take care of their aging parents. That's a heavy burden for only children. A married pair of only children has four older parents to support.

This certainly helps to explain why the growth rate of inflation-adjusted retail sales has plunged in recent years. Every month, the Chinese government releases data on the y/y growth in nominal retail sales and the CPI. A few years ago, we realized that we could easily calculate real retail sales using the two series ([Fig. 13](#)). During November, retail sales

rose only 3.9%, while the CPI increased 2.3%, resulting in a 1.6% increase in real retail sales.

To better see the underlying trend in real retail sales growth, Debbie and I track the 24-month percent change in the 24-month average of real retail sales at an annual rate ([Fig. 14](#)). It shows a calamitous plunge in real retail sales growth from about 18% ten years ago to ZERO as of November!

(4) That's very bad news for China's economy, especially now that China's speculative property bubble is bursting. On Friday, S&P Global Ratings downgraded China Evergrande Group to one of its lowest possible ratings, a cut that means the world's three largest credit-rating firms all now judge the giant developer to be in default. The December 17 *WSJ* [reported](#): "Failures to repay investors are piling up in China's property sector, as real-estate companies buckle under the strain of falling home sales, government curbs on borrowing and a massive bond-market selloff that has made it difficult for many firms to raise fresh funds."

The government is trying to engineer a soft landing. The People's Bank of China lowered reserve requirements by 50 bps on December 6 ([Fig. 15](#)). Yet a soft landing is a tall order because the ailing property market accounts for between a quarter to a third of annual GDP growth in China. Again, the CCP's aspirations to make China a superpower may flounder along with its economy.

Movie. "Spencer" (+) ([link](#)) is described as a fable based on what really happened to Princess Diana, admirably played by Kristen Stewart. It's an intense psychological look at her life focusing on three days over Christmas 1991 at Sandringham, Queen Elizabeth's estate in the UK. The biopic suggests that she might have hit bottom during those three days near the end of her unhappy marriage to Prince Charles. She did her best to spend as little time as she could with him and the other royals. Diana is clearly miserable, as shown by her eating disorder and visions of Anne Boleyn, who was beheaded by her faithless husband, King Henry VIII. This Christmas film is a depressing antithesis of "It's A Wonderful Life," and should be watched after the holiday season.

Calendars

US: **Mon:** Leading & Coincident Indicators. **Tues:** Current Account -\$191b. **Wed:** GDP

6.6%; GDP Price Index 6.1%; Core PCED 6.1%; Existing Home Sales 6.20mu; Chicago Fed National Activity Index. **Thurs:** Personal Income & Spending 0.2%/1/0%; Consumer Sentiment Index; Core Durable Goods Orders 0.5%; New Home Sales. **Fri:** None. (Bloomberg estimates)

Global: **Mon:** None. **Tues:** Eurozone Consumer Confidence; Germany Gfk Consumer Climate -0.5; UK Headline & Core Retail Sales 0.5%*m/m*/-2.0%*y/y* & 0.6%*m/m*/-3.1%*y/y*; UK CBI Industrial Trend Orders 13; Canada Retail Sales -1.7%. **Wed:** UK GDP 4.8%; UK Current Account – £15.6b; UK Gfk Consumer Confidence -19. **Thurs:** Germany Import Prices 19.6%*y/y*; Spain GDP 2.8%*q/q*/19.8%*y/y*; Italy Consumer & Business Confidence. **Fri:** None. (Bloomberg estimates)

Strategy Indicators

Global Stock Markets Performance ([link](#)): The US MSCI index fell 1.9% last week for its fourth drop in six weeks, and is now 2.4% below its record high on November 16. The US MSCI ranked 41st of the 49 global stock markets that we follow in a week when 12 of the 49 countries rose in US dollar terms. The AC World ex-US index dropped 0.9% for the week to 6.4% below its June 15 record high, as nearly all regions fell. EM Latin America was the best-performing region last week with a gain of 0.2%, ahead of EMEA (0.1%) and EAFE (-0.5). BRIC was the biggest underperformer, with a decline of 3.9%, followed by EM Asia (-2.4), EM Eastern Europe (-1.8), and EMU (-1.2). Sri Lanka was the best-performing country last week, with a gain of 6.1%, followed by Mexico (3.5), Thailand (2.1), the Philippines (2.0), and South Africa (1.7). Turkey was the worst performer, with a decline of 11.8%, followed by China (-4.7), India (-3.3), and the Netherlands (-2.8). The United States ranks third ytd of the 49 countries and is still the top-performing region ytd with a gain of 21.5%, ahead of EMEA (19.1) and easily beating EM Eastern Europe (11.0), EMU (7.3), EAFE (6.1), and the AC World ex-US (3.2). The following regions are lagging the AC World ex-US: BRIC (-14.6), EM Latin America (-13.2), and EM Asia (-8.0). The top-performing countries ytd: the Czech Republic (41.3), Austria (32.5), the United States (21.5), Taiwan (20.4), and Argentina (19.8). The biggest laggards of 2021 so far: Turkey (-36.5), Pakistan (-31.3), Peru (-25.2), China (-23.7), and Brazil (-22.8).

S&P 1500/500/400/600 Performance ([link](#)): All three of these indexes fell last week. MidCap and SmallCap were down for the fifth time in six weeks, while LargeCap was down for a fourth time. SmallCap fell 2.4% for the week, more than the 1.9% declines for MidCap

and LargeCap. LargeCap ended the week 1.9% below its record high of December 10, and MidCap dropped to 6.3% below its November 16 record. SmallCap is the biggest laggard, trading 8.2% below its record on November 9. Ten of the 33 sectors were higher for the week, down from 32 sectors rising a week earlier. SmallCap Utilities was the best performer of the week with a gain of 3.0%, ahead of LargeCap Health Care (2.5), MidCap Health Care (2.3), LargeCap Real Estate (1.6), and SmallCap Health Care (1.6). SmallCap Energy was the worst performer, with a decline of 9.3%, followed by SmallCap Consumer Discretionary (-5.5), LargeCap Energy (-5.1), MidCap Consumer Discretionary (-4.9), and LargeCap Consumer Discretionary (-4.3). LargeCap remains the leader in the 2021 derby with a gain of 23.0% ytd, ahead of SmallCap (20.2) and MidCap (18.3). Thirty-two of the 33 sectors are higher ytd, paced by these best sector performers: MidCap Energy (58.8), SmallCap Energy (55.6), LargeCap Energy (42.8), LargeCap Real Estate (36.7), and SmallCap Consumer Discretionary (30.5). The biggest laggards so far in 2021: MidCap Communication Services (-6.9), SmallCap Health Care (2.0), MidCap Consumer Staples (5.8), MidCap Health Care (7.1), and MidCap Tech (8.5).

S&P 500 Sectors and Industries Performance ([link](#)): Four of the 11 S&P 500 sectors rose last week and seven outperformed the composite index's 1.9% decline. That compares to all 11 sectors rising a week earlier when Tech was the only sector to outperform the composite index's 3.8% gain (incidentally, just one sector outperforming is a rare occurrence that has happened only twice prior to this since 1991—during the weeks ending February 4, 2000 and January 19, 2001). Health Care's 2.5% gain for the week led all sectors, and was followed by Real Estate (1.6%), Utilities (1.2), Consumer Staples (1.2), Materials (-0.8), Communication Services (-1.3), and Financials (-1.3). The following sectors underperformed: Energy (-5.1), Consumer Discretionary (-4.3), Information Technology (-4.0), and Industrials (-2.8). With respect to 2021's performance, the S&P 500 has risen 23.0% so far, with all 11 sectors higher ytd and four beating the broader index. Energy remains in the top spot as the leading sector with a gain of 42.8% ytd, followed by Real Estate (36.7), Financials (30.4), and Tech (28.5). This year's laggards to date, albeit with gains: Utilities (10.8), Consumer Staples (12.0), Industrials (15.3), Communication Services (18.5), Consumer Discretionary (18.6), Materials (20.4), and Health Care (21.1).

S&P 500 Technical Indicators ([link](#)): The S&P 500 fell 1.9% last week, and weakened relative to its 50-day moving average (50-dma) and 200-day moving average (200-dma). The index remained above its 50-dma for a second week after dropping below a week earlier for the first time in eight weeks, and was above its 200-dma for a 77th straight week. The S&P 500's 50-dma moved higher for a 10th week after falling for two weeks for the first time since last October. The index dropped to 0.2% above its rising 50-dma from 2.9%

above a week earlier and an eight-week low of 0.2% below the week before that. That compares to a 27-week high of 4.9% in early November and an 11-month low of 2.0% below in early October. The index had been mostly trading above its 50-dma since late April 2020; in June 2020, it was 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 77th week last week, but slipped to 6.0% above its rising 200-dma from 8.6% above a week earlier. That's up from an 11-month low of 5.0% at the beginning of October and below its nine-week high of 10.8% in early November. That also compares to 17.0% above in December 2020, 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](#)): Six of the 11 S&P 500 sectors traded above their 50-dmas, down from eight a week earlier; that compares to all 11 above during the first half of November. Consumer Discretionary and Industrials moved back below in the latest week, joining these three other sectors below their 50-dma: Communication Services, Energy, and Financials. That compares to just two sectors above in early October. Eight sectors now have a rising 50-dma, down from 10 a week earlier, as Energy and Financials reversed lower and joined Communication Services as the only sectors with a falling 50-dma. Looking at the more stable longer-term 200-dmas, the number of sectors above that measure dropped to nine last week from 11 as Communication Services and Industrials reversed lower in the latest week. For perspective, back in April 2020, just one sector (Health Care) was trading above its 200-dma. Notably, Energy's 200-dma finally turned higher in mid-December 2020 after mostly falling since October 2018.

US Economic Indicators

Industrial Production ([link](#)): Output continued to rebound in November, climbing to its highest level since September 2019, as motor vehicle output increased for the second month after a two-month slide. Headline production jumped 2.2% over the two months through November from a 1.1% drop during the two months through September, with motor vehicle output soaring 12.5% after falling 9.9% over the comparable periods; motor vehicle production remained weak, down by 5.4% y/y, due to the computer chip shortage. The recent rebound in motor vehicle production pushed manufacturing output up 2.0% during

the two months ending November to its best level since the start of 2019. By market group, consumer goods production rebounded 1.7% during the two months ending November following a two-month drop of 0.9%, driven by a 6.1% jump in consumer durable goods output over the two-month period—reflecting an 11.1% surge in automotive output. Meanwhile, production of consumer nondurable goods edged up 0.5% over the two-month span. Production of business equipment has been moving sideways recently, rising 0.7% the past two months after a two-month decline of 1.4%, as output of transit equipment and information processing equipment increased 6.4% and 0.4%, respectively, over the past two months, more than offsetting a 1.4% drop in output of industrial equipment. Here's a snapshot of November production by market group (and their components) since last April and where they stand relative to their pre-Covid levels: business equipment (+46.1% & +1.7%), led by transit equipment (+266.3 & -0.7), followed by industrial equipment (+29.3 & +0.9) and information processing equipment (+12.5 & +6.1). The gain in consumer goods (+21.1 & +1.7) production was led by a surge in consumer durable goods (+92.9 & +1.8)—led by auto products (+213.3 & -1.8)—while nondurable goods (+8.8 & +1.5) output was more subdued.

Capacity Utilization ([link](#)): The headline capacity utilization rate rose for the second month to 76.8%—the highest since November 2019—after falling from 76.2% in July to 75.3% by September. The rate is 13.4ppts above last April's low of 63.4% and is currently 2.8ppts below its long-run average. Meanwhile, the manufacturing capacity utilization rate climbed to a 35-month high of 77.3%, up from its recent low of 72.8% in February. The capacity utilization rate for mining advanced for the second month, from 73.9% in September to 77.7% in November—the highest since March 2020—while the utilities' rate edged down to 73.2% last month after climbing from 73.6% to 74.0% in October. The capacity utilization rates for manufacturing, mining, and utilities all remained below their long-run averages.

Regional M-PMIs ([link](#)): Three Fed districts (New York, Philadelphia, and Kansas City) now have reported on manufacturing activity for December and show the manufacturing sector expanded at a near-record pace. The composite index (to 23.8 from 31.3) eased this month, though is not far from April's record high of 35.8; it was at 10.0 a year ago. Manufacturing activity in both the New York (31.9 from 30.9) and Kansas City (unchanged at 24.0) regions held around November's pace, while growth in the Philadelphia (15.4 from 39.0) region was more than cut in half. The new orders (22.6 from 24.1) measure held at a steady rate this month, with Kansas City (27.0 from -4.0) billings expanding at a rapid rate after contracting during November, while new orders growth in the Philadelphia (13.7 from 47.4) area slowed appreciably. Meanwhile, billings growth in the New York (27.1 from 28.8) region was little changed from November's rate. Jobs' (24.4 from 26.7) growth remained at a healthy rate,

expanding in the Philly (33.9 from 27.2) region at a record high and slowing, though remaining solid, in both the New York (21.4 from 26.0) and Kansas City (18.0 from 27.0) regions.

Regional Prices Paid & Received Measures ([link](#)): Inflationary pressures slowed in December, though remained elevated. New York's prices-received (to 44.6 from 50.8) measure eased from November's record high, while its prices-paid measure (80.2 from 83.0) remained close to May's record-high of 83.5. Philadelphia's prices-received (50.4 from 62.9) measure slowed after accelerating in November to within striking distance of February 1974's record high of 63.8, while its prices-paid (66.8 from 80.0) gauge also eased after closing in on June's 80.7 recent high during November—which was the highest since mid-1979. Meanwhile, Kansas City's prices-received (43.0 from 50.0) measure slowed further from its record high of 61.0 recorded this August, while its prices-paid (73.0 from 77.0) measure slowed for the second month since reaching a new record high of 87.0 during October.

Housing Starts & Building Permits ([link](#)): Housing starts jumped to an eight-month high in November, while builders' confidence ended the year strong. Total starts rebounded 11.8% to 1.679mu (saar), after contracting three of the previous four months by 9.4%, despite builders facing headwinds from higher raw materials' prices and labor shortages. Both single- and multi-family starts soared 11.3% and 12.9%, respectively, to 1.173mu and 506,000 units—after falling 9.2% and 9.7% during the four months through October. Building permits—a good leading indicator of housing starts—advanced for the fourth time in five months, by 3.6% in November and 7.4% over the period to 1.712mu (saar), though remains in a very volatile flat trend. Permits are 9.1% below their cyclical high of 1.883mu at the start of this year. Single-family permits climbed for the third time in four months, by a total of 5.3%, to a six-month high of 1.103mu (saar), while volatile multi-family permits rebounded 11.7% over the two months through November, to a three-month high of 609,000 units (saar), after plunging 18.8% in September. NAHB's December Housing Market Index (HMI) shows builders' confidence improved for the fourth month by 9 points (to 84 from 75 in August); it's within 6 points of last November's record high of 90. Two of the three components of the HMI moved higher last month—the traffic of prospective homebuyers (to 70 from 69) and present sales (90 from 89)—while the measure for future sales was unchanged at 84 for the second month. They were at record highs of 77, 96, and 89, respectively, last November.

Global Economic Indicators

Eurozone CPI ([link](#)): November's CPI headline rate accelerated for the fifth month, to a record-high 4.9% y/y, matching its flash estimate. Prior to the 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 (27.5% y/y) posted the biggest gain—recording its largest y/y increase on record. The services inflation rate picked 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 accelerated from 1.9% in October to a 17-month high of 2.2% y/y in November, while the rate for non-energy industrial goods picked up to 2.4% y/y after slowing 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) and Spain (5.5) were above the Eurozone's headline rate of 4.9%, while rates for Italy (3.9) and France (3.4) were below.

Contact us by [email](#) or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Debbie Johnson, Chief Economist, 480-664-1333
Joe Abbott, Chief Quantitative Strategist, 732-497-5306
Melissa Tagg, Director of Research Projects & Operations, 516-782-9967
Mali Quintana, Senior Economist, 480-664-1333
Jackie Doherty, Contributing Editor, 917-328-6848
Valerie de la Rue, Director of Institutional Sales, 516-277-2432
Mary Fanslau, Manager of Client Services, 480-664-1333
Sandy Cohan, Senior Editor, 570-228-9102

Copyright (c) Yardeni Research, Inc. Please read complete [copyright and hedge clause](#).

