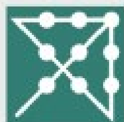
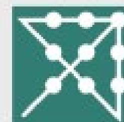
 Yardeni Research 

MORNING BRIEFING
March 30, 2022

It's Still a Bull Market

Check out the accompanying chart collection.

Executive Summary: March 8 may have marked the stock market's bottom for this year; it now seems rapidly to be approaching a new record high as investors turn to stocks as an inflation hedge. The fog of war had masked the outlook, but the long-term bull market, punctuated by panic attacks, remains intact. We peg the S&P 500's upside potential at 5000-6000 next year. … Also: We examine how the S&P 500 has performed historically during ups and downs of both the business cycle and the monetary policy cycle. … And: Melissa examines the economic toll Putin's war is taking on Europe and how European policymakers are responding.

Strategy I: The Next Panic Attack. Joe and I wish to amend our outlook for the S&P 500. We've already done that a couple of times this year. We don't usually change our outlook very often, but this year has been a wild ride so far, and it's only March 30. Consider the following:

(1) *From 5200 to 4800 to 4000 to 5000.* On January 31, we lowered our year-end target for the S&P 500 from 5200 to 4800. We anticipated that a more hawkish Fed and a possible invasion of Ukraine by Russia would make for a volatile market, "leaving the index essentially unchanged for the year." Russia invaded Ukraine on February 24. On March 3, we wrote: "We now think that this could turn out to be one of the most dangerous years for stock investors of the current bull market. So we are lowering our year-end target to 4000. That would be a 16% decline for the year. Our target for next year is now 5000, a 25% rebound to a new record high."

(2) *Making a bottom.* With the benefit of hindsight, our advice may have helped to make a bottom as contrarians figured that if bulls were getting war jitters, it was time to buy. The S&P 500 fell to a closing low of 4170.70 on March 8 (*Fig. 1* and *Fig. 2*). It closed at 4631.60 on Tuesday, up 11.1% from the low. That's an impressive rebound from the 13% correction that lasted 64 calendar days from the January 3 record high of 4796.56 to the March 8 low.

We should have known that a bottom was imminent because we observed that a very reliable buy signal for contrarians had turned bright green. The very first sentence of the Thursday, March 3 *Morning Briefing* stated: "The Bull-Bear Ratio (BBR) compiled by Investors Intelligence gave a screaming buy signal yesterday morning." A BBR reading of

1.0 or less has had an excellent record of calling bottoms in the S&P 500 (*Fig. 3*). Here are the ratio's readings during the first four weeks of March: 0.87, 0.90, 0.84, 1.00 (*Fig. 4*).

(3) *Rapidly approaching another record high.* It didn't take us long to hedge our outlook. On March 16, we wrote: "Joe and I see some more downside to the forward P/E of the S&P 500 to 16.0, which implies 4000 on the S&P 500 given our upbeat outlook for earnings. We expect the S&P 500 to resume its climb to new highs either later this year or early next year." Could this be the beginning of the climb to new highs already? It could be given that the S&P 500 closed yesterday just 3.4% below its record high on January 3!

(4) *Waiting for Panic Attack #75.* In any event, we are now thinking about what might cause Panic Attack #75. The combination of Panic Attack #73 (attributable to January's taper tantrum) and Panic Attack #74 (Putin's invasion in February) caused the 13.0% correction in the S&P 500 from January 3 through March 8. The S&P 500 is up 11.1% since the March 8 low despite lots of bad news about Ukraine, a more hawkish Fed, a flat 10-2 yield curve, a new Covid strain, and stagflationary economic data. (See our *Table of Panic Attacks Since 2009*.)

The next panic attack is likely to be attributable to a tightening tantrum as higher-for-longer inflation forces the Fed to maintain its hawkish stance. That could weigh on the S&P 500's forward P/E, while earnings continue to get a lift from higher inflation. Panic Attack #75 could happen after the S&P 500 rises to new record highs or it could happen after the May 3-4 meeting of the FOMC. The committee is widely expected to raise the federal funds rate by 50bps and signal more 50bps hikes ahead. In addition, the committee is likely to announce the details of how the Fed's balance sheet will be reduced.

We acknowledge that all this might already be discounted by the stock market—and so might not trigger Panic Attack #75. Possibly, it will be the release of the March CPI report on April 12 that triggers the next panic attack if it confirms that the Fed remains significantly behind the inflation curve.

(5) *Inflation-proof stock market.* Alternatively, investors may be concluding that in a higher-for-longer inflationary environment, stocks are a good inflation hedge. Bonds would make sense only if and when interest rates get up to levels that cause a recession, which is the one sure way of bringing inflation down (*Fig. 5*). In this scenario, investors might remain willing to pay a relatively high forward P/E despite high inflation and higher interest rates because the S&P 500 stock price index along with its revenues, earnings, and dividends all tend to outpace inflation (*Fig. 6*, *Fig. 7*, *Fig. 8*, and *Fig. 9*).

(6) *Ending the suspense.* Our conclusion is that it's still a bull market. We still expect a new high in the S&P 500, but it is likely to come much sooner than we expected at the beginning of this month when we got caught up in the fog of war. For now, given the market's volatility, we are going to provide you with upside and downside targets for the S&P 500. For this year, the downside might have occurred on March 8 around 4200, while the upside might be at 5000 (*Fig. 10*). For next year, our range is 5000-6000.

(7) *Made in Japan.* While we are all focusing on the Fed's more hawkish monetary policy stance, the Bank of Japan (BOJ) announced on Monday unlimited bond-buying from Tuesday to Thursday to keep the 10-year Japanese government bond (JGB) yield from rising above an implicit 0.25% cap that the BOJ sets around its 0.00% target. The BOJ's aggressive efforts to cap yields has pushed the yen to six-year lows against the dollar. These actions might explain why the 10-year US Treasury yield declined yesterday from a peak of 2.53% at 7:49 a.m. to around 2.40% in mid-afternoon trading. That in turn helped to boost stock prices.

Strategy II: The S&P 500 & Fed Tightening Cycles. Now let's see how the S&P 500 and its P/E have performed since 1960 during the ups and downs of both the business cycle and particularly the monetary policy cycle, as reflected by the ups and downs of the federal funds rate (*Fig. 11* and *Fig. 12*). Here are a few conclusions:

(1) Perma-bulls tend to be right more often than wrong because bull markets last longer than bear markets and because bear markets tend to be followed by bull markets that bring new record highs. Perma-bears are right once in a while, during recessions, which don't last as long as economic expansions.

(2) Bear markets tend to occur near the end of tightening policy cycles and start just before recessions. Bear markets don't usually begin when the Fed is just starting a tightening monetary policy cycle, as it is now.

(3) Nevertheless, the forward P/E of the S&P 500 usually falls during tightening periods. It tends to rise during easing periods. Where are we now? The Fed just started to tighten during March. The S&P 500's forward P/E already has dropped sharply so far this year but might have more downside potential because the Fed needs to continue tightening since inflation is high. However, higher inflation is already boosting S&P 500 revenues and might do the same for earnings if companies can maintain their high profit margins.

(4) Forecasting the next bear market is easy. All we have to do is forecast the next

recession—which is the hard part. It partly depends on picking which yield-curve spread is sending the right signals. As we explained in Monday's *Morning Briefing*, we aren't buying the 10-year versus 2-year yield spread, which dropped almost to zero yesterday.

(5) The S&P 500 may soon make a new record high this year. Nevertheless, we expect more volatility as higher-for-longer inflation keeps the Fed on a tightening track, which should continue to weigh on the P/E. On the upside, investors might continue to rotate out of bonds and into stocks as a better hedge against inflation.

Europe I: Collateral Damage. Russia's war in Ukraine is taking a toll on the economies of neighboring European countries as well: Input price pressures, already heightened by the pandemic, are spilling over into consumer prices and straining consumer confidence. Europe's attempts to reduce its reliance on Russian energy put the region at risk of further economic stress.

All that comes just as the last of the Covid restrictions finally are being *lifted* in many European countries. Any reprieve from the Covid scourge, however, may be temporary as new virus strains proliferate and the war goes on. All the while, the European Central Bank (ECB) is attempting to stave off unruly rises in inflation caused by pandemic-era supply-chain backups further strained by the war.

Nevertheless, European stocks have taken such a beating that now may be the time to overweight them. The war will come to an end at some point, global supply chains eventually will find a way to work around the shortages, and the world is learning to live with the virus. Even the ECB expects economic conditions to normalize by 2024, with the caveat that the war's outcome and ultimate damages are highly uncertain.

European economic indicators don't yet capture the gloom suggested by the current situation and are likely to darken before improving. But here's a look at the latest batch:

(1) *Growth constrained.* Eurozone real GDP picked up during Q4-2021 to 4.6% y/y from 4.0% in Q3-2021 despite tightening supply bottlenecks, pandemic restrictions, and higher energy prices (*Fig. 13*). In March, the ECB lowered its *projection* for real GDP to 3.7% from the 4.2% expected in December to reflect the war's added strain on energy prices, confidence, and trade. The substitution of Russian gas with other energy sources and sustained geopolitical tensions could decrease GDP growth by 1.2-1.4ppts relative to the baseline, the bank said. "Still, the economy should keep growing as it continues to reopen."

(2) *Inflation out of range.* Exceptional energy price shocks from the conflict in Ukraine imply that "headline inflation in the baseline is projected to remain at very high levels in the coming months," predicts the ECB. Stronger demand for "contact-intensive services, indirect effects from higher energy prices and upward impacts from ongoing supply bottlenecks" are expected to keep upward pressure on the ECB's core measure of inflation (excluding food and energy) as well. Nevertheless, energy prices and other baseline prices are expected to ease in the coming years as these presumably temporary price pressures abate.

The Eurozone CPI rose 5.9% y/y during February, a record high since the start of the data series in the late 1990s (*Fig. 14*). The energy price component soared by 32.0%, more than double the previous record rate during July 2008 (*Fig. 15*). Excluding energy, food, alcohol, and tobacco, the CPI also advanced at a record pace (*Fig. 16*).

(3) *Input prices.* S&P Global's *flash* Eurozone composite purchasing managers index (PMI) of manufacturing and service activity fell to 54.5 in March from 55.5 in February but remained above the 50.0 level indicating expansion, as the positives of economic reopening offset the negative impacts of war (*Fig. 17*).

The Eurozone PMI input cost index reached an unprecedented 81.6 in March, up from 74.8 in February and a previous record high of 76.0 during November 2021. Manufacturing output slowed to its lowest rate since last October. Automakers were especially hard hit as output declined. Business optimism broadly weakened as firms braced for weaker economic growth.

(4) *Economic sentiment.* Eurozone consumer sentiment, released by the European Commission, for February came in as nearly as weak as during the height of the pandemic (*Fig. 18*). Nevertheless, the component makes up just 20% of the overall economic sentiment indicator, which ticked up in February and remained strongly above its long-term average. We would not be surprised to see a drop in the other components weighing down the indicator through March; that data will be released this morning.

(5) *Stock prices & valuation.* Europe's MSCI Index (in local currency) fell 16.2% from its record high on January 5 through its latest low on March 8. It rebounded 8.3% through Monday's close to 9.2% below its record high (*Fig. 19*). However, the index is trading at a forward P/E multiple near 13, down from over 17 in mid-2020, when pandemic lockdowns began to lift.

Europe II: Policy Conundrum. Europe's monetary and fiscal policymakers are caught between a rock and a hard place. They can't do much to support the war-strained economy because doing so would risk sending inflation spiraling further upward. Here's more:

(1) The ECB *announced* on March 10 a faster-than-expected tapering of its Pandemic Emergency Purchase Program. Bond purchases will end by Q3 as long as inflation continues to show no signs of cooling, with monthly net purchases slowing to €40 billion ($44.5 billion) in April, €30 billion in May, and €20 billion in June. ECB assets have grown from €4.7 trillion at the start of the program to €8.7 trillion through March 25 (*Fig. 20*).

The announcement included the ECB's decision to keep interest rates unchanged at 0.00% for the refinancing rate, 0.25% for the marginal lending facility, and -0.50% for the deposit facility. The bank said that interest rates could be raised "some time" after bond purchases are reduced.

In a March 26 *interview*, ECB President Christine Lagarde said: "The war is expected to have a considerable impact on the global economy, and especially on the European economy. It is likely to lower euro area growth and push up inflation in the short term. More than ever, we need optionality in our monetary policy." She added: "Economic dependence on hostile actors is indeed a vulnerability."

(2) The bank may need to adjust monetary policy even while an inflationary fiscal stimulus program, namely the NextGenerationEU fund, is rolling out. Individual country "recovery and resilience" plans are in the process of being endorsed by the European Commission (EC), and funds are to be raised through and distributed from the €750 billion *pot* through 2027. On March 22, the EC *said* in a press release that some €74 billion in Recovery and Resilience Facility payments had been distributed to a number of member states so far.

Calendars

US: Wed: ADP Employment 438k; GDP 7.1%; GDP Price Index 7.2%; Headline & Core PCED 6.3%/4.5% (quarterly) y/y; MBA Mortgage Applications; Crude Oil Inventories. **Thurs:** Personal Income & Spending 0.5%/0/5%; Core PCED 0.5%m/m/5.5%y/y; Initial & Continuous Jobless Claims 197k/1.35m; Chicago PMI 57.0; Natural Gas Storage; OPEC Meeting; Williams. (Bloomberg estimates)

Global: Wed: Eurozone Business & Consumer Survey 109.0; Germany CPI 1.6%m/m/6.3%y/y; Germany Import Price Index 2.0%m/m/26.9%y/y; Italy Consumer & Business Confidence 110.5/111.5; Spain CPI 8.1% y/y; UK Current Account -15.6b; Japan Industrial Production 0.5%; Broadbent. **Thurs:** Eurozone Unemployment Rate 6.7%; Germany Retail Sales 0.5%m/m/6.1%y/y; Germany Unemployment Change & Unemployment Rate -20k/5.0%; France CPI; UK GDP 1.0%q/q/6.5%y/y; Italy CPI 0.9%m/m/6.4%y/y; Italy Unemployment Rate 8.7%; UK Nationwide HPI 0.8%m/m/13.5%y/y; Japan Tankan Index Large Manufacturers & Non-Manufacturers 12/5; Japan Housing Starts 1.1%; China Caixin M-PMI 50.0; Guindos. (Bloomberg estimates)

Strategy Indicators

MSCI World & Region Net Earnings Revisions (*link*): Analysts' recent earnings revisions through March suggest weaker, but still mostly positive optimism about profits throughout the world. The US MSCI's NERI was positive in March for a 20th straight month after 14 negative readings, but dropped to a 20-month low of 1.8% from 6.1% in February. That compares to the 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 negative for the first time in 18 months, falling to -0.6% from 0.6% in February. NERI was negative in March for EM Asia and the Emerging Markets as all but EM Latin America weakened m/m. Here are March's scores among the regional MSCIs: EMU (3.5% in March [12-month low], down from 5.2% in February), Europe (3.0 [11-month low], 5.2), Europe ex-UK (2.9 [14-month low], 5.0), EAFE (2.1 [16-month low], 4.0), US (1.8 [20-month low], 3.6), EM Eastern Europe (1.7 [17-month low], 5.9), EM Latin America (1.0, -1.3), AC World (0.1 [19-month low], 1.4), AC World ex-US (-0.6 [18-month low], 1.3), Emerging Markets (-2.5 [20-month low], -1.8), and EM Asia (-3.3 [20-month low], -2.4).

MSCI Countries Net Earnings Revisions (*link*): NERI was positive for 27/41 MSCI countries in March. That's down from 28/41 in February and the lowest count since November 2020. It had peaked at 35/41 during May 2020, which nearly matched the record-high 36/41 from June 2004. That also compares to zero countries with positive NERI from April to June 2020. NERI improved m/m in March for 13/41 countries, down from 19/41 in February. Among the countries with improving NERI in March, Turkey remained near a record high and South Africa was at a 13-month high. The US and the following four countries have had positive NERI for 20 straight months: Canada, Norway, Sweden, and Taiwan. New Zealand has the worst negative-NERI streak, at 18 months, followed by Hong

Kong (10), China (7), and Malaysia (7). NERI flipped back into positive territory for the Philippines, but turned negative for Denmark and Singapore. The highest NERI readings in March: Turkey (21.0%), the Czech Republic (17.7), Austria (13.6), France (10.8), South Africa (10.7), and Chile (10.2). The weakest NERIs occurred this month in Israel (-13.3), Hong Kong (-12.7), Korea (-7.2), Belgium (-5.9), Switzerland (-5.3), and China (-3.9).

AC World ex-US MSCI (*link*): This index is up 0.3% in local-currency terms so far in March, but is down 4.8% ytd. In US dollar terms, the index is actually down 1.6% so far in March and has declined a greater 7.3% for 2022 to date. Local-currency forward revenues has risen 9.6% since it bottomed in January 2021, but fell 0.8% m/m to 4.3% below its record high of May 2019. Local-currency forward earnings dropped 1.2% m/m and is now 2.2% below its early March record high, but has soared 48.7% since it bottomed in July 2020. Revenues are expected to rise 7.4% in 2022 and 3.8% in 2023 following a 15.5% gain in 2021, and earnings are expected to increase 8.9% (2022) and 6.8% (2023) after soaring 56.1% (2021). The industry analysts' sales forecasts imply short-term 12-month forward revenue growth (STRG) of 6.6% and short-term 12-month forward earnings growth (STEG) of 8.2%, 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 9.2% in 2022 and 9.5% in 2023, compared to 9.1% in 2021. The record-high forward profit margin forecast of 9.3% 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 negative for the first time in 18 months, dropping to -0.6% from 0.6% in February. That 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 12.5 is up from a 23-month low of 12.2 a week earlier, and compares to an 18-year high of 17.1 in February 2021. The forward P/E drops to 12.1 using normalized forward earnings. Those readings are up from their March 2020 lows of 10.8 and 10.2, respectively. The index is at a record-low 22% discount to the World MSCI P/E.

Emerging Markets MSCI (*link*): The EM MSCI price index is down 4.0% in US dollar terms so far this month to an 8.7% decline ytd. In local-currency terms, EM is down a lesser 3.3% month-to-date to a smaller ytd loss of 7.4%. Local-currency forward revenues has risen 7.7% since its bottom in January 2021, but dropped 3.4% m/m to 7.6% below its record high in May 2019. Local-currency forward earnings is up 32.5% since its bottom in June 2020, but tumbled 6.7% m/m and is now 7.3% below its record high in early March. Revenues are expected to rise 8.4% in 2022 and 6.1% in 2023 after jumping 20.1% in 2021. That's expected to lead to earnings gains of 8.9% in 2022 and 10.1% in 2023, following a 50.3%

recovery gain in 2021. Forecasted STRG of 7.8% is down from April 2021'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 9.4% from a record high of 33.7% in December 2020, but that's up from a 12-year low of 5.3% in December 2021. The implied profit margin is expected to rise to 7.7% in 2022 from 7.6% in 2021 and improve to 8.0% in 2023. The forward profit margin of 7.7% 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 March for a fifth straight month as it dropped to a 20-month low of -3.3%. That compares to an 11-year high of 6.0% in February 2021 and an 11-year low of -18.7% in May 2020. Emerging Markets' forward P/E of 11.0 is at a 23-month low and compares to a record high of 16.3 in February 2021. The P/E drops to 10.5 using normalized forward earnings. That's up from those figures' March 2020 lows of 10.1 and 9.3, respectively. The index is trading at a 31% discount to the World MSCI P/E, which is close to its biggest discount since 2005.

EMU MSCI (*link*): The EMU MSCI price index has dropped 1.3% month-to-date in local-currency terms to a ytd decline of 9.9%. In US dollar terms, the EMU is down a greater 3.6% so far in March to a bigger ytd drop of 8.7%. Local-currency forward revenues gained 1.9% m/m and has risen 12.7% since its bottom in January 2021, but is still 6.6% below its record high in September 2008. Local-currency forward earnings gained 1.5% m/m and is up 62.2% since its bottom in July 2020, but remains 7.4% below its record high from January 2008. Revenues are expected to rise 4.8% in 2022 and 3.6% in 2023 after gaining 14.9% in 2021. That's expected to lead to an earnings gain of 7.8% in 2021 and 8.2% in 2023, following a recovery gain of 75.7% in 2021. Forecasted STRG of 4.4% is down from a record-high 8.3% during April 2020, but that's up from an 11-year low of -0.9% during April 2020. STEG has dropped to 7.9% 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 8.5% in 2021 to 8.7% in 2022 and 9.1% in 2023. The forward profit margin has risen to a 13-year high of 8.8% from a 12-year low of 6.0% at the end of July 2020, but remains below its 9.1% record high in October 2007. NERI was positive in March for a 15th month after 27 straight negative readings, but dropped to a 12-month low of 3.5% from 5.2% in February 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 12.8 is up from a 24-month low of 11.9 a week earlier, and compares to a record high of 18.3 in July 2020. The P/E drops to 12.3 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 20% discount to the World MSCI P/E, which is among its worst readings since 2001.

China MSCI (*link*): The China MSCI price index is the second-worst performer of the 49

MSCI countries so far in March, with a decline of 8.7% in local currency terms. Its 14.7% ytd decline ranks as ninth worst. Local-currency forward revenues has risen 5.7% since its five-year low in June 2021, but was down 2.7% m/m to 33.8% below its record high in October 2014. Local-currency forward earnings is up 7.7% since its bottom in June 2020, but fell 3.4% m/m to 11.5% below its record high in June 2018. Revenues are expected to rise 9.8% in 2022 and 6.9% in 2023 after surging 18.3% in 2021. That's expected to lead to earnings gains of 14.9% in 2022 and 14.5% in 2023, following a relatively meager 9.3% increase in 2021. Forecasted STRG of 9.0% is down from an 11-year high of 13.5% in April 2020, but that's up from a five-year low of 5.0% at the end of April 2020. STEG has dropped to 14.6% 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 rise from 4.5% in 2021 to 4.8% in 2022 and 5.1% in 2023. The forward profit margin of 4.8% is down from a record high of 5.2% in July 2021, but that's little changed from its pandemic low of 4.5% in May 2020. NERI was negative for a seventh straight month in March, dropping to a 20-month low of -3.9% from -2.8% in February. That ranks sixth worst among the 41 MSCI countries that we follow. China's forward P/E tumbled to an eight-year low of 8.7 and drops to 8.1 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 46% discount to the World MSCI P/E, which is its biggest discount in 22 years.

US Economic Indicators

Consumer Confidence (*link*): Consumer confidence moved higher in March as a rebound in the present situation component more than offset a slide in expectations. Lynn Franco, senior director of economic indicators at the Conference Board, noted "consumer confidence continues to be supported by strong employment growth and thus has been holding up remarkably well despite geopolitical uncertainties and expectations for inflation over the next 12 months reaching 7.9%—an all-time high. However, these headwinds are expected to persist in the short term and may potentially dampen confidence as well as cool spending further in the months ahead." The Consumer Confidence Index (CCI) moved up to 107.2 this month after slumping the prior two months from 115.2 at the end of 2021 to 105.7 this February; it was as a recent high of 128.9 last June. The present situation component pushed the CCI higher this month, jumping to an eight-month high of 153.0 after dropping to a 10-month low of 143.0 in February. Meanwhile, the expectations component continued to slide, plunging 18.8 points the first three months of this year, from 95.4 in December to 76.6 this month—the lowest since February 2014. Consumers' appraisal of current business

conditions improved in March, with the percentage saying business conditions are good (to 19.6% from 17.6%) moving higher and the percentage saying conditions are bad (22.1 from 25.1) moving lower. The current appraisal of the labor market is strong, with percentage saying jobs plentiful (57.2 from 53.5) jumping to a new record high and the percentage saying jobs are hard to get (9.8 from 12.0) only a couple of ticks away from its record low of 9.6% in March 2000. Looking at expectations six months from now, the short-term business outlook is deteriorating, with the percentage expecting better business conditions (18.7 from 21.3) decreasing and the percentage expecting business conditions to worsen (23.8 from 19.9) increasing. Meanwhile, consumers were mixed about the short-term labor market, with the percentage expecting more jobs to be available (17.4 from 19.4) falling even though the percentage expecting fewer jobs (17.7 from 19.6) also moved lower.

JOLTS (*link*): Job openings in February remained close to December's record high, while the number of quits also remained in record territory. Job openings slipped for the second month since reaching a record-high 11.448 million in December, though was down only 17,000 in February and 182,000 over the period to 11.266 million. There were 6.27 million unemployed in February, so there were 1.8 million available jobs for each unemployed person last month. By industry, the biggest declines in February were posted by finance & insurance (-63,000), nondurable goods manufacturing (-39,000), accommodation & food services (-25,000), and transportation, warehousing & utilities (-21,000), while the biggest gains were recorded by arts, health care & social assistance (+54,000), entertainment & recreation (+32,000), retail trade (+32,000), educational services (+26,000), and the federal government (+23,000). The number of quits remains on a sharp accelerating trend, climbing 94,000 in February to 4.35 million—within 51,000 of December's record high. Before the pandemic, quits hovered around 3.5 million. Many employers are raising wages and incentives amid a severe labor shortage, which gives workers confidence that they can get better pay elsewhere. Hirings remain on a volatile uptrend, climbing 263,000 in February and 661,000 during the 12 months through February to 6.69 million.

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