



MORNING BRIEFING

July 14, 2022

Europe Sans Gaz (ESG)

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Executive Summary: Russia's not above weaponizing its natural gas supplies to European nations; it has already frozen out Denmark, Poland, Bulgaria, and Finland in retaliation for decisions Putin didn't like. So does Russia's recent close-down of Nord Stream 1 for "repairs" mean that the pipeline critical to heating Germany this winter won't be reopening? Jackie looks at the potential for an energy crisis in Europe and how various nations might fare. ... Also: China faces mountainous economic challenges of its own. ... And: With electric vehicle prevalence forecast to skyrocket this decade, an important new industry is born—lithium battery recycling.

Energy: European Crisis Ahead? An energy crisis in Europe this winter isn't a forgone conclusion, but things aren't looking good. Towns in Germany plan to set up warming centers for people who can't afford to heat their homes. Cities have proactively started conserving energy in public facilities, a July 12 [article](#) in *The Local* reported. German residents are buying anything that heats without using natural gas, so wood-burning ovens and heat pumps have become hot commodities, a July 10 [article](#) in *The Guardian* reported.

The latest reason to worry emerged on Monday when Russia shut down the Nord Stream 1 natural gas pipeline to Germany for maintenance. Industry watchers fear Russia will keep the taps closed to retaliate against the West for its economic sanctions against Russia because of the Ukraine war.

Let's look at how Europe is positioned during this period of energy uncertainty:

(1) *Prices on the rise.* The US is blessed with the ability to produce more natural gas than it needs: 34.6 trillion cubic feet of production versus 30.8 trillion cubic feet of consumption, based on the 12-month sum through April ([Fig. 1](#)). Over the same period, the US had net exports of 4.0 trillion cubic feet of natural gas.

Limited capacity to turn natural gas into liquified natural gas (LNG) has kept the vast preponderance of the US's natural gas at home. An explosion at the Freeport LNG terminal in Texas on June 8 took a fifth of US export capacity offline, and it's not expected to resume until October at the earliest. Historically, the terminal's exports headed to Asia, but higher prices in Europe recently have lured shipments to Europe's shores. With the Freeport LNG

plant off line, more natural gas remains in the US, so the price of natural gas fell sharply from north of \$9 mmBTU prior to the explosion to \$6.16 mmBTU on Tuesday ([Fig. 2](#)).

The lower price of US natural gas does not mean that all's well in the world. The Freeport plant's explosion—and dwindling supplies from Russia—have sent natural gas prices up to \$51 mmBTU in Europe. That's better than this spring, when prices topped \$70, but far above the \$7-\$9 the price that natural gas fetched in “normal” times before the Ukraine war and Covid.

In addition, spot prices at dates further out the natural gas futures curve have been on the rise, which is sure to affect companies looking to hedge their natural gas exposure. “Back in March, a German manufacturer could lock in gas prices for all of 2023 at about 80 euros per megawatt hour; now, it has to pay a record high 145 euros to hedge the same price risk,” a July 11 Bloomberg [opinion piece](#) noted.

As European nations have scrambled to buy LNG, the price of LNG in East Asia has risen to \$38.43/mmBTU as of last week, up from \$13.17 a year ago, according to EIA [data](#). And as US capacity increases to export LNG in coming years, the US price for natural gas will probably rise as well.

(2) *Russia squeezes tight.* Last year, the EU imported about 140 billion cubic metres (bcm) of natural gas from Russia via pipelines, or about 40% of the EU's natural gas needs. Among EU nations, Germany is the biggest purchaser of natural gas, consuming 100 bcm of natural gas last year.

More than half of Germany's gas, about 55 bcm, is purchased from Russia and flows through the Nord Stream 1 pipeline. In June, Russia reduced the flow of natural gas to only 40% of the pipeline's capacity. Russia said the reduction occurred because a turbine was being fixed by Germany's Siemens Energy in Canada. Under sanctions, the turbine should not have been returned to Russia. But Canada made an exception and will allow the return of the repaired turbine to Russia because doing so supports Europe's ability to access reliable and affordable energy.

The situation grew more tenuous on Monday when Russia stopped the flow of ALL natural gas through the pipeline to do routine maintenance. The pipeline is expected to reopen on July 21. Officials who are concerned that Russia won't restart gas flows through the pipeline will be watching this date very, very closely. If Russia doesn't restart Nord Stream 1, Germany will likely need to institute natural gas rationing to ensure sufficient supplies this

winter.

(3) *Planning for winter.* Germany's natural gas storage facilities were 52% full in mid-June, a June 16 Reuters [article](#) reported. The country's goal is to have them 80% full by October and 90% full by November to prepare for winter. The longer Nord Stream 1 stays shut, the less likely reaching those goals becomes.

Germany doesn't have any LNG terminals, but plans to bring in four floating terminals, two of which should operate this year. It also plans to build traditional LNG facilities over the next three to five years. Taken together, the country will develop LNG importing capacity of 68 bcm, more than the Russian gas that needs to be replaced, stated an April 28 [article](#) in *Climate Change News*. Germany is also pushing through legislation to restart coal-fired power plants and plans to conserve energy as temporary fixes.

As for the rest of Europe, natural gas inventories are at about 62% of capacity, just below the five-year average, a July 12 [article](#) in *Natural Gas Intelligence* reported. The EU would like each country to have their natural gas storage at 80% of capacity by November 1.

The EU's goals are to cut imports of natural gas from Russia by two-thirds by year's end and to phase out Russian gas entirely by 2027. The EU will stop buying Russian coal in August and stop buying Russian oil in six months, a July 6 PBS [article](#) explained. The aim is to reduce the \$850 million per day in revenue Russia received from European energy sales prior to the Ukraine war.

(4) *Russia cuts off customers.* While Germany may be in the most dire position, it's not alone. Russia cut off natural gas sales to Denmark, Poland, and Bulgaria in April after those nations refused to pay in rubles. In May, Russia cut off supplies to Finland, after the country announced its intention to join NATO. And Russian gas supplies to Italy have been halved.

Poland is fortunate to have an LNG terminal that's running at full capacity. Poland's natural gas storage facilities, holding 3.2 bcm, were 97% full, a June 30 Reuters [article](#) reported. The country plans to expand its storage capacity 25% to 4.0 bcm to better serve the nation's annual consumption of about 20 bcm, or 2 bcm of gas per month in the winter.

Bulgaria plans to get natural gas from a pipeline that starts in Greece and delivers gas from Azerbaijan. Deliveries are expected to begin on October 1, an AP [article](#) reported on July 8.

Natural gas represents 19% of the energy Denmark consumes each year, and the country

produced about three-quarters of the natural gas it needed in 2019. At the end of last month, the country's gas stocks filled about 75% of storage capacity, a June 21 [The Local article](#) reported. Only 5% of total energy consumed by Finland is natural gas, a May 21 [PBS article](#) explained. The country can also tap the natural gas delivered via the Balticconnector gas pipeline between Finland and Estonia.

The UK gets only 4% of its natural gas from Russia, but the country is being hurt nonetheless because its natural gas imports have grown exponentially more expensive as the competition for natural gas has surged. UK households' gas and electric bills are expected to increase 65% this winter to more than £3,200 a year and may rise further early into next year, energy consultant Cornwall Insight reported in a July 8 [FT article](#).

(5) *Signs of stress.* The impact of higher gas prices is being felt in the business community. Utilities that use natural gas to produce electricity are hurting as the price of a primary expense surges. Germany's utility Uniper has requested a government bailout. And a small British household energy supplier, UK Energy Incubator Hub, has collapsed.

There's also concern that sharply higher natural gas prices could permanently damage some of Germany's largest industries—producers of aluminum, glass, and chemicals—which are large consumers of natural gas. According to the country's plan, industrial users of natural gas would be the first to be forced to cut back consumption in a crisis.

Uncertainty about the future of European natural gas and the potential for a European recession is pressuring the euro, which has fallen 17% since hitting a high in 2021 ([Fig. 3](#)). It is at parity with the dollar, which last occurred in December 2002. Ironically, the lower the euro falls against the US dollar, the more expensive natural gas becomes for European buyers, because it's typically sold in dollars.

The pall cast by the natural gas market and the risk of recession have hurt many European stock markets too. Here's a performance derby for the ytd through Tuesday's close for many of the European stock markets (in local currencies): Hungary (-34.0%), Ireland (-29.6), Poland (-28.3), Netherlands (-27.8), Germany (-24.0), Sweden (-22.1), Italy (-20.8), France (-15.0), Switzerland (-14.9), Finland (-14.3), and Greece (-12.1).

China: Developments To Watch. Europe is not the only region facing difficulties. China continues to watch its real estate market deflate and its Covid cases inflate, while worries about its banking system grow. No wonder the recent rally in Chinese shares came to an abrupt halt ([Fig. 4](#)). Here's some news that caught our eye:

(1) *Housing troubles spread.* We've been tracking Chinese property developers that have filed for bankruptcy protection after borrowing too much. Now their customers are showing signs of distress too. Buyers of 35 projects across 22 Chinese cities have stopped paying their mortgages as of July 12 due to project delays and a drop in real estate prices, a July 13 Bloomberg [article](#) reported, citing research from Citigroup. Average selling prices of properties in nearby projects were 15% lower than the purchase price over the past three years, the research states.

Mortgage defaults could reach 561 billion yuan (\$83 billion), or about 1.4% of outstanding mortgage balances, according to the article. China Construction Bank, Postal Savings Bank of China, and Industrial & Commercial Bank of China may have outsized exposure to mortgage loans.

(2) *More banking troubles.* Investigators froze accounts in April at five rural banks in Henan province under investigation for fraud. About 1,000 angry customers protested on Sunday, demanding access to their deposits. A video in a July 14 *South China Morning Post* [article](#) shows a surprisingly unruly crowd for the normally subdued country.

The China Bank and Insurance Regulatory Commission subsequently said that individuals with deposits of up to 50,000 yuan (\$7,430) will be repaid first, and those with larger deposits will need to wait, a July 12 Bloomberg [article](#) reported. Whether this is a one-off situation or a sign of problems lurking in China's banking system is unclear. The country's nearly 4,000 small and medium-sized banks control less than 1% of the industry's total assets, Bloomberg reports, so most banking in China involves large banks.

(3) *Covid continues.* China remains consumed by its zero-Covid policy. One Covid case prompted the lockdown of 320,000 people in Wugang, a city known for steelmaking, a July 12 NDTV [article](#) reported. Nearly 250 million people face some form of restriction, according to Nomura data cited in the article. That's twice the number of people who were under Covid restrictions the prior week.

Macau's casinos are shut, and the cities of Xi'an, Lanzhou, and Haikou recently imposed partial lockdowns with nonessential businesses closed due to Covid cases, a July 11 *NYT* [article](#) reported. And with new daily Covid cases in the double digits—too far above zero for the government's comfort—most of Shanghai's residents were ordered to get two Covid tests between Tuesday and Thursday. Buying in bulk has resumed.

Disruptive Technology: Battery Recycling. Last Thursday's [Morning Briefing](#) looked at

the dirty business of manufacturing lithium batteries, which are used in electric vehicles (EVs) and many consumer electronics. With the raw materials expensive and difficult to extract from the earth, you'd think recycling lithium batteries would be a must. Yet less than 1% of lithium ion batteries are recycled in the US versus 99% of lead-acid batteries (used in cars and power grids).

However, about two dozen entrepreneurs in North America and Europe are setting up recycling facilities. Recycling may help ease the shortage of metals needed to make the batteries, and it will keep these flammable materials out of landfills. In coming years, these new companies will have plentiful supplies of used batteries to recycle: While only 10 million EVs are on the road today, that's expected to rise 30-fold by 2030 to 300 million, according to IEA data cited in a June 13 *WSJ* [article](#).

Here's a look at some of the US players in lithium ion battery recycling business:

(1) *Tesla co-founder sets up shop.* JB Straubel, co-founder of Tesla, left the EV manufacturer in 2019 to launch Redwood Materials, a lithium ion battery recycler. With more than 300 employees, it has supply contracts with Ford and Panasonic, which makes batteries for Tesla.

While waiting for used EV battery supply to increase, the company is recycling the lithium ion batteries used in consumer products like lawnmowers, cell phones, and toothbrushes, Straubel told the AP in a January 31 [interview](#). While Redwood Materials isn't profitable yet because it's investing in its growth, the process of recycling is profitable, he said.

The metals in batteries—lithium, copper, nickel, cobalt, and manganese—can be reused and do not degrade. So once the US fleet of EVs is built, not much more mining will be necessary if the materials are recycled, Straubel contends.

(2) *Another Tesla alum.* Ryan Melsert helped develop the batteries and the battery factory Tesla uses. Now he's building a battery recycler, American Battery Technology. When the company's factory in Nevada is completed at the end of this year, it should take in 20,000 metric tons of recyclable material annually, about a fifth of which would be raw lithium, an April 19 [article](#) in *ARS Technica* reported. Anywhere you can buy a lead acid battery, you can also recycle one. Melsert suggests that a similar system be established for lithium ion batteries.

(3) *Repurposing batteries.* Before being recycled, some used EV lithium ion batteries are

used to store energy on the electric grid. Electricity generated by wind and solar panels is intermittent. So old EV batteries can store excess solar power by day that can be used if needed at night.

“Drivers can expect upward of 100,000 miles of use before a battery loses 20% or more of its capacity, roughly the point at which performance drops noticeably, experts say. But they remain useful for grid storage until their capacity drops to around 60%, potentially giving them another 10 to 15 years of service,” Hans Eric Melin, founder of Circular Energy Storage Research and Consulting, said in the *WSJ* article noted above.

There will be challenges. Unlike batteries in a gas-powered car, the format of EV batteries is not uniform across different car models. Batteries’ shapes and technology continue to change rapidly, adding a layer of complexity to recycling. But with the price of raw materials elevated, lithium batteries are too valuable to become landfill.

Calendars

US: Thurs: Headline & Core PPI 0.8%/m/m/10.7%/y/y & 0.5%/m/m/8.1%/y/y; Jobless & Continuous Claims 235k/1.383m; Natural Gas Storage; Waller. **Fri:** Headline, Core & Control Group Retail Sales 0.8%/0.6%/0.3%; Consumer Sentiment Index, Present Situation, and Expectations 49.9/52.5;47.0; Import & Export Prices 0.7%/1.1%; Empire State Manufacturing Index -2.0; Headline & Manufacturing Industrial Production 0.1%-0.1%; Capacity Utilization 80.6%; Business Inventories 1.3%; Baker-Hughes Rig Count. (Bloomberg estimates)

Global: Thurs: Japan Industrial Production & Capacity Utilization; China GDP 0.6%q/q, 4.4%/y/y; China Industrial Production 4.0% y/y; China Retail Sales -0.3% y/y; China NBS Press Conference; Mauderer. **Fri:** European Car Sales; Germany WPI; Italy CPI 1.2%/m/m, 8.0%/y/y. (Bloomberg estimates)

Strategy Indicators

Stock Market Sentiment ([link](#)): The Bull/Bear Ratio (BBR) was below 1.00 for the 11th consecutive week this week—edging up to 0.89 after slipping from 0.82 to 0.76 last week; it

was at 0.60 three weeks ago, which was the lowest since the week of March 10, 2009's 0.56. The BBR has been bouncing around 1.00 since late February. Bullish sentiment climbed to 32.4% this week after slipping 2.4ppts (to 30.5% from 32.9%) last week; it was at 26.5% three weeks ago—which was the fewest bulls since early 2016. Meanwhile, bearish sentiment fell for the second time in three weeks this week, from 44.1% to 36.6% over the period, while the correction count climbed for the second straight week from 27.1% to 31.0% over the period. Meanwhile, the AAll Sentiment Survey (as of July 7) showed the percentage expecting stocks to fall over the next six months jumped 6.1ppts to 52.8% after plunging 12.6ppts (to 46.7% from 59.3%) the prior week—with the percentage above 50.0% for the seventh time in 11 weeks. Meanwhile, the percentage expecting stocks to rise over the next six months sank 3.4ppts last week to 19.4%—below its 38.0% historical average for the 33rd successive week, and at “an unusually low level for the 22nd time in 26 weeks,” according to the report.

S&P 500 Earnings, Revenues, Valuation & Margins ([link](#)): The S&P 500's forward profit margin remained steady w/w at 13.3%, down from its record high of 13.4% achieved intermittently from March to June. Since the end of April 2020, 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 were both back at record highs after ticking down briefly in early February. Both have been making new highs since the beginning of March 2021 after peaking just before Covid-19 in 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 fell 0.5ppt w/w to a 19-month low of 7.1%. That's down from a record high of 9.6% growth at the end of May 2021. Still, that's up from 0.2% forward revenues growth during April 2020, which was the lowest reading since June 2009. Forward earnings growth fell 0.4ppt w/w to a four-month low of 9.2%. It remains above its 16-month low of 8.2% in early December. That's down from its 23.9% reading at the end of April 2021, which was its highest since June 2010, and up substantially from its record low of -5.6% at the end of April 2020. So far this year, analysts' revisions to their forecasts for 2022 revenues have outpaced their revisions for 2022 earnings, so the imputed 2022 profit margin estimate that we calculate from those forecasts has ticked down 0.3ppt to 12.9%. They expect revenues to rise 11.8% (up 0.2ppt w/w) in 2022 and 4.5% in 2023 (down 0.1ppt w/w) compared to the 16.4% gain reported in 2021. They expect earnings gains of 10.9% in 2022 (up 0.1ppt w/w) and 8.8% in 2023 (down 0.3ppt w/w) compared to an earnings gain of 50.9% in 2021. Analysts expect the profit margin to drop 0.1ppt y/y to 12.9% in 2022 (down 0.1ppt w/w) compared to 13.0% in

2021 and to improve 0.6ppt y/y to 13.6% in 2023 (unchanged w/w). The S&P 500's weekly reading of its forward P/E remained steady w/w at 16.1, up from a 26-month low of 15.8 the week before that. That's down from an eight-month high of 21.7 at the end of 2021 and 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 2.15, up from a 26-month low of 2.10 the week before that. That compares to a record high of 2.88 at the end of 2021 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 10 of the 11 S&P 500 sectors, forward earnings gain for eight sectors, and the forward profit margin move higher for eight sectors. Just four sectors have forward revenues and forward earnings at a record high now. Most of the other sectors are below recent record highs in their forward revenues, earnings, and profit margins. Energy still has forward revenues well below a record high, but its forward earnings and profit margin rose to record highs this week. Utilities' forward revenues and margin are lagging. Only three sectors posted a higher profit margin y/y in 2020: Consumer Staples, Tech, and Utilities. During 2021, all but the Utilities sector posted a y/y improvement. Six sectors are now expected to see margins decline y/y in 2022: Communication Services, Consumer Discretionary, Consumer Staples, Financials, 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 (25.1%, down from its 25.4% record high in early June), Financials (18.7, down from its 19.8 record high in August 2021), Real Estate (18.2, down from its 19.2 record high in 2016), Communication Services (16.1, down from its 17.0 record high in October), Utilities (13.9, down from its 14.8 record high in April 2021), Materials (13.2, down from its 13.6 record high in early June), S&P 500 (13.3, down from its record high 13.4 achieved intermittently since March), Health Care (10.9, down from its 11.5 record high in early March), Industrials (10.4, down from its 10.5 record high in December 2019), Energy (11.8, down from its 11.8 record high in early June), Consumer Discretionary (7.6, down from its 8.3 record high in 2018), and Consumer Staples (7.4, down from its 7.7 record high in June 2020).

US Economic Indicators

Consumer Price Index ([link](#)): June's CPI increased 1.3%, the biggest monthly gain since September 2005 and the third reading of 1.0% or above in the past four months. Core

prices climbed 0.7%, a 12-month high, following gains of 0.6% the prior two months. June's yearly headline rate accelerated 9.1%, the highest since November 1981, while the core rate eased for the third month to 5.9% in June from 6.5% in March—which was the highest since August 1982. Here's a look at yearly rates across the spectrum: food (10.4% y/y) costs are accelerating at the fastest pace since the February 1981, with the rate for food away from home (7.7) the highest since November 1981 and the rate for food at home (12.2) the highest since spring 1979. The yearly rate for energy (41.6) costs accelerated to its fastest pace since April 1980. The rate for fuel oil (98.4) eased from May's record high of 106.7, while the rate for gasoline prices moved above its recent volatile flat trend, accelerating 59.9%—its fastest pace since March 1980. The increase in electricity (13.7) accelerated at its fastest rate since April 2006; it was near zero during summer 2020. Meanwhile, the yearly gain in natural gas prices hit 38.4% in June—the highest since October 2005—after slowing steadily from 28.1% in October to 21.6% in March. The consumer durable goods yearly inflation rate slowed for the fourth month from February's 18.7%—which was the highest rate since the record high of 20.2% in the early 1940s—to a 14-month low of 8.4% in June, while the yearly rate for consumer nondurable goods shot up to 16.2%, more than double last June's rate and the highest since the 1940s. The rate for new vehicles (11.4) held near April's near-record rate, while the rate for used cars & trucks slowed sharply from 41.2% in February to 7.1% in June—the lowest since August 2020; it was at a record-high 45.2% during June 2021. The rate for apparel prices was little changed again in June at 5.2%, slowing from its recent peak of 6.8% in March—which was its fastest rate since the end of 1980—while the rate for furniture & bedding (13.1) is down from February's record high of 17.1%. The yearly rate for medical care commodities (3.2) remained positive for the eighth month, moving above 3.0% after bouncing around 2.0% in recent months. Within services, owners' equivalent and tenant-occupied yearly rents accelerated 5.5% and 5.8%, respectively, in June—up from recent lows of 2.0% and 1.8%, respectively—with the former the highest since fall 1990 and the latter since summer 1986; over the three months through June, they accelerated at annual rates of 7.1% and 7.9%, respectively. Meanwhile, the rate for lodging away from home (10.0) eased for the third month from the 25.1% record high posted in both February and March. Meanwhile, the yearly rate for hospitals' (3.9) services has been moving in a relatively flat trend, while the physicians' (1.0) services rate is down sharply from last March's 5.3% peak. The yearly rate for airfares (34.1) eased slightly from May's 37.8% record high—with these fares climbing 124.3% (saar) during the three months through June, slowing from May's 190.9%.

Global Economic Indicators

Eurozone Industrial Production ([link](#)): Headline production, which excludes construction, remains in a volatile flat trend, rising 1.3% during the two months through May after contracting 1.7% in March—with overall production 1.1% above its pre-pandemic level. Within the main industrial groupings, consumer goods production is on an upswing. Output of consumer nondurable goods has increased during five of the past seven months, by 7.8% to a new record high, while consumer durable goods production has been trending higher, climbing 7.6% during the nine months through May to its highest level since October 2008. Meanwhile, production of intermediate goods continued to fluctuate in a volatile flat trend around recent highs, with the yearly rate flat. Capital goods production showed more volatility, with output sliding 4.8% ytd after climbing 4.2% during the five months through December, remaining around post-pandemic lows. Production data are available for the top four Eurozone economies and show only Germany eked out a small gain of 0.1%, though declines in France (-0.1) and Spain (-0.3) were small, while Italy showed a larger 1.1% drop. However, on a year-over-year basis, Spain (4.6% y/y) and Italy (3.4) posted respectable gains, while Germany (-1.4) posted a loss; France's (-0.2) production was virtually flat with a year ago.

UK GDP ([link](#)): Real GDP was a surprise on the upside in May on widespread gains, though data was likely skewed by the celebration of the Queen's 70 years on the throne, including an extra public holiday. Economic growth expanded 0.5%, stronger than the expected 0.1% gain, with May's real GDP 1.7% above its pre-pandemic level. The service sector, which accounts for roughly 80% of UK output, expanded 0.4% in May—driven by health care as people returned to doctors' offices following the easing of Covid-19 restrictions. Production increased for the fifth time in seven months, by 0.9% in May and 2.9% over the period, with manufacturing output up 1.4% and 3.1% over the comparable periods. Within manufacturing, intermediate goods production reached a new record high, while output of consumer durable and nondurable goods remained on volatile uptrends. Meanwhile, construction output climbed for the seventh consecutive month, by 1.5% m/m and 6.8% over the period to its highest level since mid-2019.

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