Yardeni Research

MORNING BRIEFING
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On Consumers, Chips & The Oceans

Check out the accompanying chart collection. .

Executive Summary: Consumers are still spending robustly in many categories, as the surprisingly strong retail sales report for October showed. But Walmart and Target brass speaking on Q3 conference calls described heightened budget consciousness across income demographics. And while consumers have income, their balance sheets have been weakening as they take on more debt. … Are semiconductor stocks becoming attractive at their depressed valuations? Perhaps, but news this week reminds us why valuations are so depressed—demand is weak and analysts pessimistic. … Also: The oceans are about to get greener if innovative solutions employing AI, 3D printing, and low-tech dragnets succeed.

Consumer Discretionary: Feeling the Pinch. Mixed messages about consumer spending hit the stock market this week. Walmart's better-than-expected Q3 earnings report on Tuesday sent the shares rallying that day (by 6.5% versus a 0.9% gain for the S&P 500); but on the *conference call*, management gave a blunt and gloomy description of consumer spending. "[T]he consumer is stressed," said CEO Doug McMillon. The strength of consumers' strong balance sheets, boosted by stimulus payments, is "not going to last forever. And so, that's why we take a rather cautious view on the consumer."

Yesterday, Target announced results that missed expectations, and its management also sounded gloomy, sending its shares down 13.1% on Wednesday (versus a 0.8% decline for the S&P 500 that day). But the October retail sales report's 1.3% m/m increase and 8.3% y/y surge were better than expected. Consumers are spending, it appears—just not on general merchandise, sporting goods, hobbies, musical instruments, or books.

Let's take a look at the retail environment Walmart and Target described and consider October's retail sales report as well as other data related to the consumer's financial well-being:

(1) *Gaining market share.* Bad times are good times at Walmart. More than 50% of US sales are grocery items, and the company gains market share as consumers trade down to the retailer's less-expensive merchandise. Its market-share gains were raised repeatedly in the company's conference call. "Customers that came to us less frequently in the past are now shopping with us more often, including higher-income customers," said McMillon.

“Living with high prices through this year has [had] a cumulative impact on our customers, especially those that are most budget conscious. And so, we’re focused on bringing our costs and prices down as quickly as possible by item and category. Regardless of income levels, families are more price conscious now, so it’s as important as ever that we earn their trust with value.”

John David Rainey, Walmart’s CFO, said: The “macro backdrop remains challenging, as persistent inflation is impacting the consumer and our business.” He later added: “High fuel prices and mid-teens food inflation have forced consumers to manage household budgets more tightly, making frequent trade-offs and biasing spending toward everyday essentials.” Rainey noted that the company continues to gain market share in its grocery business from households across demographics, with nearly three-quarters of the share gain coming from households with annual income greater than $100,000.

Walmart increased its fiscal 2023 (ending January) guidance to reflect Q3’s surprisingly good results, but it didn’t boost the assumptions it had for Q4. “Despite a good start to Q4, our guidance assumes that the consumer could slow spending, especially in general merchandise categories, given persistent inflation pressures in food and consumables,” said Rainey. General merchandise prices and transportation costs have started to fall, but dry groceries prices and wages have risen and are sticky.

(2) *Missing the Target.* For the second consecutive quarter, Target missed analysts’ estimates. Its total revenue grew 3.4% to $26.5 billion, and comparable-store sales rose 2.7%; but adjusted Q3 earnings per share dropped 49.1% y/y. Inventory climbed 14.4%, while company’s operating margin fell to 3.9% compared to 7.8% in Q3-2021.

Target isn’t anticipating any improvement in the current quarter. “Based on softening sales and profit trends that emerged late in the third quarter and persisted into November,” the company forecasts a low-single-digit decline in comparable sales and an operating margin of 3%, plus or minus a large margin, in Q4.

“Clearly, it’s an environment where consumers have been stressed,” said Target CEO Brian Cornell according to a November 16 *WSJ* article. “We know they are spending more dollars on food and beverage and household essentials, and as they are shopping for discretionary categories, they are looking for promotions.” Target gets about a quarter of its sales from grocery items.

(3) *Spending on food & cars.* October’s retail sales report showed surprising strength in

consumer spending across a wide swath of categories. It may have received a boost from one-time tax refunds in California and a second Prime Day held by Amazon in October. Some m/m results that stood out: gasoline stations (4.1%), food services & drinking places (1.6), food & beverage (in stores) (1.4), motor vehicle & parts (1.3), non-store retailers (1.2), furniture & home furnishing (1.1), building material and garden equipment & supplies (1.1), health & personal care stores (0.5), and miscellaneous store retailers (0.3).

Categories that missed the m/m improvement mark include: electronics & appliance (-0.3%), sporting goods, hobby, musical instrument & books (-0.3), general merchandise (-0.2), and clothing & clothing accessories (0.0) (*Fig. 1*, *Fig. 2*, and *Fig. 3*). Once spending on autos, gas, and food is taken out of the equation and inflation is factored in, retail sales aren't as positive as the headline result would suggest (*Fig. 4*).

(4) *Where's the pain?* Most consumers still have jobs, with the October unemployment rate of 3.7% remaining near historical lows (*Fig. 5*). However, layoffs in the tech industry have surged, consumer prices continue to climb, and consumers' paychecks, when adjusted for inflation, are flat at best. Average hourly earnings adjusted for inflation for all workers held steady in September at $26.16, but that's down from a peak of $27.22 in April 2020 (*Fig. 6*). While consumer price inflation in October rose less than analysts expected, sparking a sharp stock market rally, prices were still up 7.7% y/y last month (*Fig. 7*).

The strain on consumers' budgets is starting to show up on their balance sheets. The personal savings rate fell sharply to 3.1% in September, well off the pandemic panic high of 33.8% (*Fig. 8*). Meanwhile, the amount of revolving debt that consumers have borrowed has increased to a record high of $1.2 trillion as of September, up 15.1% y/y. Total consumer debt, including mortgage, auto, and credit card debt, increased in the Q3 at the fastest pace in 15 years. So it's not surprising that consumers have grown gloomier about the current economic environment and about the future as well (*Fig. 9*).

While the current environment is less than rosy, several factors could bode well for improved consumer spending in 2023. Peak inflation and peak interest rates may be in the rear-view mirror, and gasoline prices have started to fall. If the employment picture remains strong, consumers might open their wallets a little wider after the new year.

Semiconductors: More Mixed Messages. The semiconductor industry also received a mixed bag of news this week. On the positive side of the ledger, Berkshire Hathaway purchased 60 million shares of Taiwan Semiconductor Manufacturing for roughly $4.1 billion. It's unknown whether the investment was made by Warren Buffett or one of

Berkshire's other portfolio managers; nonetheless, shares of Taiwan Semi soared 10.5% on the news on Tuesday. Berkshire is scooping up shares that were down almost 50% ytd at their lows in October and November.

But just as the party got started, Micron Technology reminded us why semiconductor stocks are near their ytd lows—demand is weak. The company announced on Wednesday plans to cut production of wafers used in semiconductors by about 20% compared to last quarter due to softening demand.

"Micron said the outlook for calendar year 2023 has continued to weaken. The company now expects supply growth for its DRAM memory chips to fall next year and to see an increase of a single-digit percent for its NAND flash chips," a November 16 *WSJ* *article* reported. Micron shares fell 6.7% Wednesday and are down 36.8% ytd. But that's an improvement from September, when shares were down 47.5% ytd.

Financial estimates for the S&P 500 Semiconductors industry continue to drop like a stone. The industry's revenue for 2023 is expected to drop 4.6%, and its earnings are forecast to decline 11.1% (*Fig. 10* and *Fig. 11*). The industry's forward P/E has fallen to 16.7, down from 25.0 a year ago. In past recessions, however, the P/E actually jumped sharply as earnings all but disappeared (*Fig. 12*). Perhaps the crew at Berkshire is betting that the economy can skirt by without a recession?

Disruptive Technologies: Tech Saves the Oceans. Pollution, overfishing, and rising water temperatures are putting stress on the oceans, but entrepreneurs are working on solutions. Here are some of the ways they hope to restore the high seas:

(1) *AI helps revive seagrass beds.* Tidal, one of Alphabet's moonshot companies, is using cameras and artificial intelligence (AI) to help it preserve and restore the world's seagrass beds, which absorb and store carbon dioxide. The company originally used its technology in aquaculture to help fish farmers understand the health of their fish and optimize their operations.

Seagrass provides food and a habitat for marine life, filters pollution, and protects coastlines. To create food, it uses photosynthesis, absorbing sunlight, water, and carbon dioxide in the ocean. Tidal hopes to map seagrass beds and then develop models and algorithms that estimate how much carbon the seagrass absorbs. With the data in hand, projects to restore seagrass could apply for carbon credits that can be sold and traded in carbon marketplaces, providing a new funding source for seagrass bed renewal projects around the world.

“The team envisions creating autonomous versions of its tools, possibly in the form of swimming robots equipped with its cameras, that can remotely monitor coastlines and estimate the growth or loss of biomass,” a November 9 *MIT Technology Review* article reported. The vast amounts of data collected by those cameras could then be analyzed by Alphabet’s AI.

There are critics. The National Academies has warned that seagrass and other coastal renovation projects are hard to scale up because of space limitations: They can be implemented only on shorelines’ narrow bands of undeveloped land, where they compete with human activity. Also it’s tough to measure the net amount of carbon that seagrass removes from the ocean given that some of the carbon it puts into the seafloor escapes back into the ocean and the atmosphere. There’s additional concern about striking the proper balance between competing shoreline-use priorities: Should restoring the seagrass beds trump permitting economic activity to support local communities?

Tidal believes its tools could also be used for other environmental ends, such as growing more seaweed or restoring mangrove forests; the company tackled seagrass first because it’s fast growing.

(2) *3D printing coral reefs.* The world’s coral reefs have been dying off due to pollution, acidification of the waters, and warming water temperatures. Corals do grow, but very slowly. Scientists at the King Abdullah University of Science & Technology are hoping to speed that up by giving coral a skeletal base on which to grow, made of a calcium carbonate ink they developed for 3D printing, a November 1, 2021 *press release* reported. Coral micro fragments attached to the printed skeleton can grow more quickly because they don’t need to build a limestone structure underneath.

The 3D printer can print out a mold of a coral reef that is subsequently filled with calcium carbonate ink to recreate a coral. While this process is quick, the size of the mold—and therefore the size of the coral skeleton made—is limited. An alternative process uses the calcium carbonate ink directly printed into the shape of a coral skeleton. The process is slower, but the structure can be bigger and is more customizable.

The National Oceanic and Atmospheric Administration (NOAA) has also embraced 3D printing to make coral research equipment less expensively. At NOAA’s Reef Lab, scientists experiment with water temperature and other variables to learn which corals are the most resilient to the expected effects of climate change. “3D printing allowed us to maintain the complexity of the research we wanted to carry out and do it for the fraction of the cost,” a NOAA scientist said in a September 13 Engineering.com *article*.

(3) *Ocean cleanup accelerates.* The Ocean Cleanup, a Netherlands-based not-for-profit foundation, aims to rid the world’s oceans of plastic by stopping the flow of plastic from rivers into the oceans and by cleaning up large areas of plastic waste already afloat. The company estimates that 1,000 rivers around the world emit nearly 80% of the world’s river plastic flowing into the ocean. Because rivers are so varied, they’ve come up with multiple plastic-collection solutions. For example, the Interceptor is a solar-powered catamaran that uses a conveyor belt to collect garbage floating in rivers. The company has deployed its systems on rivers in Vietnam, Indonesia, Jamaica, and Malaysia, among other countries.

The Ocean Cleanup is more widely known for the system it developed to scoop garbage out of the ocean using two slow moving boats, each holding one end of a net that is open at the bottom allowing fish to escape. It has progressively developed larger nets that scoop up more garbage in a single haul. The more efficient the hauling process, the lower its cost per kilogram of plastic removed and the fewer CO2-spewing boats needed. The company’s software estimates where there’s a high density of plastic waste, and its drones pinpoint the specific spots to target. The Ocean Cleanup says it has removed 1.8 million kilograms of trash from waters and hopes to remove 90% of the world’s floating plastic by 2040.

The company is currently focused on the Great Pacific Garbage Patch (GPGP), which is located between California and Hawaii and is twice the size of Texas. It plans to move beyond the GPGP to four other large ocean garbage hot spots that together contain more than 5 trillion pieces of plastic litter (see *video*). It also aims to offset all of its carbon emissions and is working with Maersk to experiment with low-carbon fuels in the boats.

Calendars

US: Thurs: Housing Starts & Building Permits 1.410mu/1.512mu; Philadelphia Fed Manufacturing Index -6.2; Kansas City Fed Manufacturing Index; Initial & Continuous Claims 225k/1.50k; Natural Gas Storage; Bullard; Bowman; Mester; Jefferson. **Fri:** Leading Indicators -0.4%; Existing Home Sales 4.38mu; Baker-Hughes Rig Count. (Bloomberg estimates)

Global: Thurs: Eurozone Headline & Core CPI 1.5%m/m/10.7%y/y; 0.6%m/m/5.0%y/y; EU

Car Registrations; UK Gfk Consumer Confidence -52; UK Autumn Forecast Statement; Pill; Tenreyro; Balz; Maechler. **Fri:** France Unemployment Rate 7.3%; UK Headline & Core Retail Sales 0.3%m/m/-6.5%y/y & 0.6%m/m/-6.9%y/y; Lagarde; Nagel. (Bloomberg estimates)

Strategy Indicators

Stock Market Sentiment Indicators (*link*): The *Bull-Bear Ratio* moved above 1.00 this week for the first time in nine weeks, climbing to 1.18, after falling steadily from 1.15 in mid-September to 0.57 five weeks ago—which was the lowest since March 2009. *Bullish* sentiment rose to 38.6% after dipping the prior two weeks from 36.9% to 35.2%; it was at 25.0% five weeks ago, which was the fewest bulls since early 2016. Bullish sentiment was the largest group for the first time since the last week of August, unseating bearish sentiment, which held the spot the prior six weeks. *Bearish* sentiment fell for the fifth week, by a total of 11.3ppts (to 32.8% from 44.1%). The *correction count* increased for the third week to 28.6% after retreating the prior four weeks by 15.7ppts (24.6% from 40.3%). In the meantime, the *AAII Sentiment Survey* (as of November 10) showed pessimism about the short-term direction of the stock market rebounded strongly after plummeting the prior week to a seven-month low, while the latest survey shows declines in both bullish and neutral sentiment. The *percentage expecting stocks to fall* over the next six months soared by 14.1ppts to 47.0% from 32.9% the prior week, which was the lowest since March 31. Bearish sentiment remains above its historical average of 30.5% in 50 of the last 51 weeks and was at an unusually high level 34 of the last 43 weeks. The *percentage expecting stocks to rise* over the next six months fell for the first time in four weeks to 25.1% after climbing the prior three weeks from 20.4% to 30.6%. Optimism held below its historical average of 38.0% for the 51st consecutive week and was unusually low during 33 of the past 45 weeks. The *percentage expecting stock prices will stay essentially unchanged* over the next six months sank by 8.7ppts to 27.9%, putting it below its historical average of 31.5% during 26 of the last 29 weeks.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): The S&P 500's forward profit margin remained steady last week at an 18-month low of 12.7%. That's down 0.7ppts 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 2.4pts from 10.3% during April 2020, which was the lowest level since August 2013. Forward revenues dropped 0.3% w/w to a 15-week low and is now 1.1% below its record high in mid-October. Forward earnings fell 0.4% w/w to an eight-month low and to 4.5% below its record high in mid-June. Both had been steadily making new highs from the beginning of March 2021 to mid-June; prior to that, they peaked just before Covid-19 in February 2020. The consensus expectations for forward revenues growth fell 0.2ppt w/w to a 27-month low of 3.4%. That's down from a record high of 9.6% growth at the end of May 2021 and compares to 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 31-month low of 4.4%. 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 fallen 0.7ppt to 12.5% (unchanged w/w). They expect revenues to rise 11.5% (down 0.1ppt w/w) in 2022 and 2.7% in 2023 (down 0.2ppt w/w) compared to the 16.5% gain reported in 2021. They expect earnings gains of 7.9% in 2022 (unchanged w/w) and 3.9% in 2023 (down 0.4ppt w/w) compared to an earnings gain of 50.5% in 2021. Analysts expect the profit margin to drop 0.5ppt y/y to 12.5% in 2022 (unchanged w/w) compared to 13.0% in 2021 and to improve 0.2ppt y/y to 12.7% in 2023 (unchanged w/w). The S&P 500's weekly reading of its forward P/E remained steady w/w at 16.5, up from a 30-month low of 15.3 in mid-October. That's down from a 15-week high of 18.2 in mid-August and also 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 was unchanged w/w at 2.09, but is up from a 31-month low of 1.98 in mid-October. That's down from a 15-week high of 2.38 in mid-August and also 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 four of the 11 S&P 500 sectors as forward earnings fell for all but the Energy sector. Energy was also the only sector to have its forward profit margin rise. Nearly all of the sectors are below recent record highs in their forward revenues, earnings, and profit margins. Consumer Staples is the only sector with forward revenues at a record high this week. Energy is the only sector with forward earnings at a record high. Forward earnings for Consumer Staples, Energy, Financials, and Utilities remain close to their recent record highs. Since mid-August, nearly all sectors have forward profit margins below their record highs. Energy's rose to new record high last week and those of Industrials and Tech remain close to their post-pandemic highs. Only three sectors posted a higher profit margin y/y during 2020: Consumer Staples, Tech, and Utilities; during 2021, all of the sectors but Utilities posted a y/y improvement. Just three sectors are expected to see margins improve y/y for full-year 2022, followed by six sectors in 2023. Here are 2022's gainers: Energy, Industrials, and Utilities. Here's how they rank based on their current forward profit margin forecasts along with their record highs: Information Technology (24.1%, unchanged w/w at an 18-month low and down from its 25.4% record high in early June), Financials (18.1, unchanged w/w and down from its 19.8 record high in August 2021), Real Estate (17.5, unchanged w/w at a five-month low and down from its 19.2 record high in 2016), Communication Services (14.2, down 0.1ppt w/w to a 22-month low and from its 17.0 record high in October 2021), Utilities (13.7, down 0.1ppt w/w and down from its 14.8 record high in April 2021), S&P 500 (12.7, unchanged w/w at a 13-week low and down from its record high of 13.4 achieved intermittently from March to June), Materials (11.6, down 0.1ppt w/w to a 20-month low and from its 13.6 record high in June), Energy (12.7, up 0.5ppt w/w to its first record high since August), Health Care (10.2, down 0.1ppt w/w to a 28-month low and from its 11.5 record high in March), Industrials (10.0, unchanged w/w at a 14-month low and down from its 10.5 record high in December 2019), Consumer Discretionary (7.4, unchanged w/w at an 11-week low and down from its 8.3 record high in 2018), and Consumer Staples (7.2, unchanged w/w at a 54-month low and down from its 7.7 record high in June 2020).

US Economic Indicators

Retail Sales (*link*): Retail sales were stronger than expected in October, jumping 1.3% after showing no change in September; it was the strongest performance since March. *Adjusted for inflation*, headline retail sales edged up 0.8% after falling four of the prior five months by 1.1%. The control group—which excludes autos, gasoline, building materials, and food—rose for the 10th time this year in October, up 0.7% m/m and 8.5% ytd. Of the 13 nominal retail sales *categories*, nine rose, three fell, and one—clothing & accessories—was flat. Here's a snapshot of the 13 categories' October sales performance versus that of a year ago: gasoline stations (4.1% m/m & 17.8% y/y), food services & drinking places (1.6 & 14.1), food & beverage stores (1.4 & 7.6), motor vehicles & parts (1.3 & 5.2), nonstore retailers (1.2 & 11.5), building materials & garden equipment & supplies (1.1 & 9.2), furniture & home furnishings (1.1 & 0.4), health & personal care stores (0.5 & 5.4), miscellaneous store retailers (0.3 & 10.4), clothing & accessories stores (0.0 & 3.1), general merchandise stores (-0.2 & 2.3), sporting goods & hobby stores (-0.3 & 2.5), and electronics & appliance stores (-0.3 & -12.1).

Business Sales & Inventories (*link*): Nominal business sales in September and real sales in August both climbed back toward new record highs. *Nominal sales* rose to within 0.5% of March's record high, increasing 0.5% during the two months through September following July's 1.0% shortfall—which was the only loss so far this year. Year-to-date sales are up

8.8%. Meanwhile, *real business sales* rebounded 2.2% during the two months ending August to within 1.0% of January's record high, after slumping 3.1% during the five months through June. Real sales for *wholesalers* have jumped 3.0% during the three months through August, to within 1.8% of January's record high, while real *retail* sales remain in a volatile flat trend around recent lows, though sales have rebounded 1.1% the past two months—5.6% below its March 2021 record high. Real *manufacturing* sales jumped 2.2% in August after a 0.4% uptick in July, ending a six-month drop of 3.6%. In the meantime, the real *inventories-to-sales* ratio ticked down for the second month to 1.45 in August, after climbing from 1.37 last September to 1.48 this June—which was the highest since mid-2020; the nominal ratio in September held at August's 18-month high of 1.33.

Industrial Production (*link*): Industrial production remains stalled in record territory in recent months, faced by continued headwinds. *Headline* production ticked down 0.1% in October after a 0.1% gain and a 0.1% loss the prior two months, climbing only 0.4% the past six months. *Manufacturing* production advanced for the fourth month, by 0.2% m/m and 1.0% over the period, following a drop of 1.1% during the two months through June from March's recent high—which was the highest since summer 2008. Meanwhile, *utilities* output has plummeted 4.5% the past three months, while *mining* output has been basically flat. By market group*:* *Business equipment* production rebounded 3.3% during the four months through October, more than recovering from its brief setback in May and June. It was up 6.2% ytd and 7.6% y/y to its highest level since December 2018. *Industrial equipment* output has advanced eight of the 10 months so far this year, for a ytd gain of 6.7% to its highest level since December 2014. Meanwhile, production of *information & processing related equipment* continues to set new record highs, up 1.0% in October and 3.5% over the past three months. *Transit equipment* output remains on a modest uptrend, climbing 4.3% during the four months through October to its highest level since December 2019. *Consumer durable goods* production rebounded 2.0% in October to within 0.7% of April's record high, as auto-related output jumped 3.1% in October to within 0.3% of a new record high, while home electronics production was little changed at its record high. Production of appliances & furniture rebounded 8.8% during the three months through October, but that followed a three-month dive of 17.1%. *Consumer nondurable goods* production continues to drift lower, falling 1.2% from its recent peak in April—which was the highest since fall 2011.

Capacity Utilization (*link*): The *headline* capacity utilization rate continues to hover in a flat trend around recent highs, ticking down to 79.9% in October from 80.1% in September; it has fluctuated in a narrow range of 79.8% to 80.2% since March. October's rate was 0.3ppt above its long-run (1972-2021) average. The *manufacturing* utilization rate remained at

79.5%, not far from April's rate of 80.0%, which was the highest percentage since July 2000. September's rate was 1.3ppts above its long-run average. Meanwhile, the capacity utilization rate for *mining* slipped to 88.4% from 88.9% in September, which matched July's rate, which was the highest since April 2019; it was 2.1ppts above its long-run average. The *utilities* rate dropped for the third month, from 75.9% in July to a 10-month low of 72.1% in October, substantially below its long-run average of 84.7%.

NAHB Housing Market Index (*link*): "Higher interest rates have significantly weakened demand for new homes as buyer traffic is becoming increasingly scarce," noted Jerry Konter, NAHB's chairman. *Homebuilders' confidence* dropped for the 11th time this year, by 5 points in November and 51 points ytd, to 33—half the level of just five months ago and the lowest since April 2020 during the height of the pandemic. (Any number below 50 indicates that more builders view sales conditions as poor than good.) All components continued their descents in November. Here are the *year-to-date performances*: the future sales (-54 points to 31) component posted the largest decline, with traffic of prospective buyers (-51 points to 20) and current sales (-51 to 39) not far behind, posting identical ytd declines. Both the current sales and traffic of prospective buyers components were the lowest since April 2020, while the future sales component was the lowest since April 2012. They were at record highs of 96, 77, and 89, respectively, during November 2020.

Import Prices (*link*): Import prices fell in October for the fourth month as petroleum prices continued to decline and the dollar continued to strengthen. Import prices fell 0.2% last month and 3.9% the past four months, though October's decline was much smaller than the average monthly decrease of 1.3% the prior three months. Import prices' yearly rate eased to a 20-month low of 4.2% from a recent high of 13.0% in March, as the yearly rate in fuel prices slowed to 16.9% y/y—the lowest since February 2021; it peaked at 130.1% during April 2021. Nonpetroleum import prices declined for the sixth successive month, by 0.2% in October and 2.0% over the period, with the yearly rate falling to a 20-month low of 3.0% from a cyclical high of 8.1% in March. Yearly rates are slowing for the following import prices from their recent respective peak rates: industrial supplies, which includes fuels & lubricants (to 9.2% from 55.2%), foods, feeds & beverages (2.2 from 15.7), capital goods (3.0 from 4.2), and consumer goods ex autos (1.1 from 3.2). Meanwhile, the rate for auto imports ticked up to 3.2%, not far from July's 3.5% peak—which was the highest rate since summer 2011.

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