MORNING BRIEFING
November 21, 2022

Thanksgiving In The Twilight Zone

Check out the accompanying chart collection.

Executive Summary: While Covid-19 has upended life the world over, Americans have plenty of blessings to count this Thanksgiving. The US economy continues to grow, employment continues to expand, and consumers continue to spend. Although the single-family housing industry is in recession, multi-family housing starts are going strong. The auto industry is also doing well despite tighter credit conditions. Capital spending remains robust. The nasty supply-chain disruptions that had fueled high inflation appear to be over. And the US fossil fuel industry not only is meeting domestic energy needs but exporting to help meet Europe's.

YRI Monday Webcast. Join Dr. Ed's live Q&A webinar on Mondays at 11 a.m. EST. You will receive an email with the link to the webinar one hour before showtime. Replays of the Monday webinars are available *here*. The next webinar will be on November 28.

Giving Thanks I: 365 Days A Year. Yardeni Research will be celebrating Thanksgiving for the rest of the week with our families and friends. So we will be back on Monday, November 28. We reckon that the world would be a better place if we spent more than just one day giving thanks. We should probably do so all year long. We certainly are thankful for your friendship and support for our research service every day of the year.

Giving Thanks II: No Recession Yet. Let's be thankful that the US economy continues to grow and that employment is still expanding. The most widely anticipated recession of all times didn't happen in 2022. Maybe it won't happen in 2023 either. If inflation peaked during the summer and continues to moderate as we expect, then Fed policymakers may be getting closer to the so-called "terminal rate" for the federal funds rate.

The economy has been in The Twilight Zone since the start of the pandemic. We first made that observation in our April 27, 2020 *Morning Briefing* titled "The Twilight Zone: Where Is Everybody?" The TV series was created by Rod Serling and broadcast from 1959 to 1964. Each episode presented a stand-alone story in which characters find themselves dealing with often disturbing or unusual experiences. These surreal events were described as "entering the Twilight Zone," often with a surprise ending and a moral.

That fairly well sums up our collective experience since Covid upended our lives. It is still doing so. Consider the following:

(1) *Consumers aren't in the mood for a recession.* It's hard to have a recession without consumers retrenching. Why should they? They still have plenty of excess savings left over from the pandemic. We reckon it is around $1.1 trillion, measured as the spread between the 24-month sum of personal saving and annualized monthly personal saving (*Fig. 1*). In addition, payroll employment is up 4.1 million ytd through October to a record high (*Fig. 2*). Our Earned Income Proxy for private wages and salaries in personal income suggests that real income rose to another record high in October despite high price inflation (*Fig. 3*). Consumers are boosting their purchasing power with their credit cards. Revolving credit card debt is up $120 billion ytd to a record $1.2 trillion during September (*Fig. 4*).

The Consumer Sentiment Index dropped from 59.9 in October to 54.7 during the first half of November (*Fig. 5*). Consumers remain depressed, yet they are going shopping. Apparently, it makes them feel better! It releases dopamine in their brains. The pandemic seems to have led lots of folks to realize that life is short. Some seem to have concluded that the meaning of life is shopping, dining out, and traveling while you still can do so!

The latest estimate for real GDP growth in the Atlanta Fed's *GDPNow* model during Q4 was 4.2% on November 17. After last Wednesday's retail sales report showed a solid 1.3% m/m gain in October, the nowcast of Q4 real personal consumption expenditures growth increased from 4.2% to 4.8%. Inflation-adjusted retail sales rose 0.8% m/m during October. This measure—excluding building materials and food services, which closely tracks real personal consumption expenditures on goods—was up 0.7% m/m last month (*Fig. 6*).

N.B.: Keep in mind that October's retail sales were probably boosted by $5 billion in inflation relief money to over 9 million Californians during the month.

(2) *Housing: Multi-family boom vs single-family bust*. Single-family housing activity is falling into a recession. Single-family housing starts fell 29.5% ytd through October (*Fig. 7*). Housing downturns have been major contributors to most recessions in the past. This time, though, strength in multi-family starts is offsetting some of the weakness in single-family starts. Single-family starts has accounted for only 51% of residential construction put in place over the past 10 years, down from close to 70% prior to the Great Financial Crisis (*Fig. 8*).

The pandemic caused single-family home prices to soar. However, the inflationary consequences of the pandemic forced the Fed to raise interest rates, sending mortgage rates soaring. As a result, many households can no longer afford to buy a home and must rent, which is driving up rents and the construction of rental apartment buildings (*Fig. 9* and *Fig. 10*).

There's certainly no recession in construction industry employment, which rose 3.6% y/y through October to 7.7 million, matching its highest level on record. Thursday's industrial production report for October showed that output of construction supplies has been flat since the start of the year, consistent with our observation that strength in the multi-family residential sector is offsetting weakness in the single-family housing industry.

(3) *No recession in auto production.* In the past, rapidly tightening credit conditions would have sent not only housing into a recession but autos as well. Last week, the Fed reported October's industrial production, which fell 0.1% m/m during October (*Fig. 11*). However, manufacturing output rose 0.1% m/m, led by a 3.4% increase in auto assemblies (*Fig. 12*).

In 2021 and early 2022, the supply of autos was weighed down by parts shortages. Those problems seem to have been resolved recently, and now there is enough pent-up demand to offset the depressing impact of tighter credit conditions in the auto market.

(4) *Capital spending going strong.* October's production report also showed strength in the output of capital goods. Industrial production of business equipment rose 7.6% y/y to the highest reading since December 2018 (*Fig. 13*).

Leading the way higher is output of industrial equipment, undoubtedly boosted by onshoring and infrastructure spending. Also strong have been industrial production of computers (13.8% y/y) and communications equipment (17.9% y/y). Both were at record highs during October. Output of semiconductors has weakened this year but remains on a solid upward trend (*Fig. 14*).

Production of defense and space equipment has been robust too (*Fig. 15*). It is up 6.1% y/y to a new record high. Output of aerospace and miscellaneous transport equipment isn't at a record high, but it is heading in that direction with a y/y gain of 11.3% (*Fig. 16*).

(5) *Coincident & leading economic indicators mixed.* Confirming the current strength of the economy was October's 0.2% increase in the Index of Coincident Economic Indicators (CEI) to a new record high (*Fig. 17* and *Fig. 18*). That's consistent with real GDP growth of around 2.0% y/y.

The bad news is that the Index of Leading Economic Indicators (LEI) peaked at a record high during February and is down 3.8% over the past eight months through October. It has had a good track record of calling the past seven recessions before the pandemic lockdown. On average, it has peaked 14 months prior to the peak in the CEI. That would put the start of the next recession around March or next year. That's the LEI model's forecast, not ours.

Previously, we observed that the S&P 500 is one of the 10 components of the LEI. On average, it anticipated the past 11 recessions prior to the pandemic by five months. It peaked in January this year, so it's been a bad call on the economy so far.

(6) *Regional business surveys.* So far, we have three of the five business surveys conducted by the Fed's district banks—for New York, Philadelphia, and Kansas City—for November. The average of their general business indexes tends to be highly correlated with the national M-PMI, which fell to 50.2 in October (*Fig. 19*). The average of the three surveys suggests that the M-PMI fell below 50.0 during November. Keep in mind that it is readings below 48.7, not 50.0, that are associated with recessions.

The good news is that the three regional business surveys suggest that supply chains are no longer experiencing disruptions. The series tracking both unfilled orders and delivery times are down sharply since the start of this year (*Fig. 20*). This development should continue to relieve inflationary pressures.

Giving Thanks III: Fossil Fuels Fueling Growth. Climate activists believed that if governments were to impose regulations that limit fossil fuel production, fossil fuel prices would rise, encouraging more usage of renewable energy sources. But government support would be needed to make renewable sources cost competitive. That reality combined with geopolitical developments have made the transition from fossil to renewable fuels far less smooth than climate activists had assumed.

Here in the US, notwithstanding the Biden administration's commitment to the transition, the fossil fuel industry has kept America not only energy independent but also exporting more fuel to our allies in Europe, who have been scrambling to replace their imports of Russian fossil fuels because of the Ukraine war. Consider the following:

(1) *US petroleum production.* US crude oil field production was 12.0 million barrels per day (mbd) during September, still below the record high of 13.0mbd during November 2019 (*Fig. 21*). However, natural gas liquids production rose to 6.0mbd during September. It has been

trending higher since 2008, when it was about a third as much. Meanwhile, production of biofuels plus processing gains has remained steady around 2.1mbd. Add them all together, and US petroleum production was 20.2mbd during September, almost matching the pre-pandemic record high.

Weekly data show that during the November 11 week, the US had net imports of -1.9mbd, while petroleum products supplied (which actually is a measure of usage) was 20.9mbd (*Fig. 22*). This implies that US petroleum production rose to a record 22.7mbd during the latest week.

The US first turned into a net exporter of petroleum during late 2019.

(2) *US natural gas production.* The US turned into a net exporter of natural gas for the first time during October 2017 (*Fig. 23* and *Fig. 24*).

Prior to the Ukraine war, Russia supplied up to 40% of Europe's gas. American liquid natural gas suppliers, which tend to have more flexible contracts than those in other countries, have responded quickly to Europe's needs. This year, shipments to Europe from the US have more than doubled. "The price of a shipload of L.N.G., which might have sold for $20 million two years ago, soared to perhaps $200 million last summer, and is now about half that, with winter fast approaching," according to a November 16 *NYT* *report*.

The story notes: "Now, around 40 tankers with chilled gas worth billions have been sitting off the coasts of Europe and Asia, anticipating that if they wait until the weather turns colder before unloading their fuel, they will be paid higher prices."

Europeans should give thanks to Americans for producing plenty of natural gas.

Strategy: Trader's Corner. Here is Joe Feshbach's latest call on the market: "On Wednesday of last week, we had one of those crazy-high put/call ratios, which halted the big decline in the Nasdaq the next day. Unfortunately, the ratio didn't remain high and quickly returned to neutral. Furthermore, the breadth problem I've been referring to, especially on Nasdaq, remains. I continue to believe this trading range will continue, thus being more friendly to trading types. Investors should really try to avoid buying the momentum on big up days and concentrate more on accumulating stocks on the ugly days. While charts on the dollar and oil have peaked, providing a market floor, the internals are just not there yet for meaningful upside."

Calendars

US: **Mon:** Chicago Fed National Activity Index. **Tues:** Richmond Fed Manufacturing Index -9; API Weekly Crude Oil Inventories; Mester; George; Bullard. **Wed:** MBA Mortgage Applications; Durable Goods Orders, Total, Core, and Nondefense Capital Goods Orders Ex Aircraft 0.4%/0.1%/0.3%; Initial & Continuous Jobless Claims 225k/1.50k; Consumer Sentiment 55.0; New Home Sales 570k; M-PMI & NM-PMI Flash Estimates 49.9/49.7; Crude Oil Inventories & Gasoline Production; FOMC Minutes. **Thurs:** None. **Fri:** None. (Bloomberg estimates)

Global: **Mon:** Germany PPI 0.9%m/m/45.8%y/y; Fernandez-Bollo; Cunliffe; Nagel. **Tues:** Eurozone Consumer Confidence -26.0; Canada Headline & Core Retail Sales -0.5%/-0.6%; Nagel; Beermann; Lowe; Rogers. **Wed:** Eurozone, Germany, and France C-PMI Flash Estimates 47.0/44.9/49.6; Eurozone, Germany, and France M-PMI Flash Estimates 46.0/45.2/47.0; Eurozone, Germany, and France NM-PMI Flash Estimates 48.1/46.4/50.6; UK C-PMI, M-PMI, and NM-PMI Flash Estimates 47.2/45.7/48.1; Buba Monthly Report; De Guindos; Fernandez-Bolo; Ramsden; Pill; Beermann; Wuermeling; Mann; Machelm. **Thurs:** Germany IFO Business Climate Index, Current Assessment, and Expectations 85.0/93.6/77.0; France Business Survey 102; UK CBI Industrial Trend Orders -12; Japan Leading & Coincident Indicators; ECB Publishes Account of Monetary Policy Meeting; De Guindos; Mauderer; Buch; Wuermeling; Ramsden; Pill; Schnabel; Enria; Mann; Nagel. **Fri:** Germany GDP 0.3%q/q/1.1%y/y; Germany Gfk Consumer Climate -39.6; France Consumer Confidence 84.0; Italy Business Confidence 100.0; De Guindos; Jochnick. (Bloomberg estimates)

Strategy Indicators

Global Stock Markets Performance (*link*): The US MSCI index fell 0.8% last week, but remains out of a bear market at 18.5% below its record high on December 27. The US MSCI ranked 28th of the 48 global stock markets that we follow in a week when 35 of the 48 countries rose in US dollar terms. The AC World ex-US index rose 0.2% w/w, but ended the week still in a bear market at 22.4% below its June 15, 2021 record high as most ex-US regions moved higher. EM Asia was the best performer with a gain of 1.6%, followed by BIC (1.5%), EMU (1.2), and EM Eastern Europe (0.4). EM Latin America (-3.5) was the worst performing region last week, followed by EMEA (-1.1) and EAFE (0.2). Egypt was the best-performing country last week with a gain of 7.5%, followed by Morocco (6.5), Taiwan (5.5), and China (4.2). Among the 25 countries that underperformed the AC World ex-US MSCI last week, Chile's 11.0% decline was the biggest, followed by those of Sri Lanka (-8.3), Israel (-5.9), and Norway (-4.3). The US MSCI's ytd ranking fell one place w/w to 26/49. After lagging for much of year through July, the US MSCI's ytd decline of 18.0% is now less than the AC World ex-US's 18.9% drop. EM Latin America is up 2.1% ytd; it and EAFE (-17.7) are the only regions that have outperformed the AC World ex-US on a ytd basis. The laggards: EM Eastern Europe (-83.8), EMEA (-35.0), BIC (-27.0), EM Asia (-24.7), and EMU (-19.9). The best country performers so far in 2022: Turkey (53.4), Jordan (18.3), Peru (12.0), and Chile (11.0). Apart from Russia—in which investors have lost 100.0% of their investment this year, as its MSCI index stopped pricing—here are the worst-performing countries ytd: Sri Lanka (-69.8), Pakistan (-39.3), Hungary (-35.2). and Poland (-34.9).

S&P 1500/500/400/600 Performance (*link*): All three of these indexes moved lower last week after soaring a week earlier. LargeCap dropped 0.7%, less than the declines for MidCap (-0.8%) and SmallCap (-1.1). LargeCap finished the week at 17.3% below its record high on January 3, MidCap at 13.7% below its record high on November 16, 2021, and SmallCap at 16.9% below its November 8, 2021 record high. Nine of the 33 sectors moved higher for the week, down from all 33 rising a week earlier. SmallCap Utilities was the best performer with a gain of 3.3%, followed by SmallCap Consumer Staples (2.1), LargeCap Consumer Staples (1.7), MidCap Utilities (1.7), and LargeCap Health Care (1.0). MidCap Energy (-3.9) was the biggest underperformer, followed by LargeCap Consumer Discretionary (-3.1), SmallCap Energy (-2.8), SmallCap Materials (-2.6), and LargeCap Energy (-2.4). In terms of 2022's ytd performance, LargeCap's 16.8% decline continues to trail those of MidCap (-11.7) and SmallCap (-13.1). Four of the 33 sectors are positive so far in 2022, down from five a week earlier. Energy continues to dominate the top performers: LargeCap Energy (65.4), SmallCap Energy (58.3), MidCap Energy (49.1), MidCap Consumer Staples (0.9), and SmallCap Materials (-1.7). The biggest ytd laggards: LargeCap Communication Services (-37.8), LargeCap Consumer Discretionary (-32.0), SmallCap Communication Services (-30.6), SmallCap Real Estate (-29.0), and MidCap Real Estate (-26.7).

S&P 500 Sectors and Industries Performance (*link*): Three of the 11 S&P 500 sectors rose last week, and five outperformed the composite index's 0.7% decline. That compares to a 5.9% gain for the S&P 500 a week earlier, when all 11 sectors rose and five outperformed the index. Consumer Staples was the best performer with a gain of 1.7%, followed by Health Care (1.0%), Utilities (0.8), Communication Services (-0.1), and Industrials (-0.2). Consumer Discretionary was the worst performer with a decline of 3.1%, followed by Energy (-2.4), Real Estate (-1.8), Materials (-1.6), Financials (-1.5), and Tech (-

0.9). The S&P 500 is down 16.8% so far in 2022, with seven sectors ahead of the index and just one in positive territory. The best performers in 2022 to date: Energy (65.4), Consumer Staples (-3.2), Utilities (-4.3), Health Care (-4.8), Industrials (-6.3), Financials (-9.7), and Materials (-11.8). The ytd laggards: Communication Services (-37.8), Consumer Discretionary (-32.0), Real Estate (-26.6), and Tech (-24.5).

S&P 500 Technical Indicators (*link*): The S&P 500 fell 0.7% last week and weakened relative to its 50-day moving average (50-dma) and its 200-day moving average (200-dma). The index remained above its 50-dma for a second week, but has been below in eight of the last 12 weeks. However, it closed below its 200-dma for the 39th time in 42 weeks. It had been above its 200-dma for 81 straight weeks through early February. The S&P 500's 50-dma moved lower after rising a week earlier for the first time in eight weeks. The index fell to 4.6% above its falling 50-dma from a 12-week high of 5.3% above its rising 50-dma a week earlier. That compares to a recent 15-week low of 10.6% below at the end of September, a 23-month high of 8.7% above the index's rising 50-dma the week in early August, and a 27-month low of 11.1% below its falling 50-dma in mid-June. The index had been mostly trading above its 50-dma from late April 2020 to early April 2022; 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 closed Friday at 2.2% below its falling 200-dma, down from a 12-week high of 1.8% below its falling 200-dma a week earlier, and compares to an 18-week high of 0.8% below in early August. It remains above its 26-month low of 17.1% below its falling 200-dma in mid-June. The latest reading is down sharply from 10.8% above its rising 200-dma in November 2021. That compares to 17.0% above in December 2020, which was the highest since November 2009 and up from the 26.6% below registered during the Great Virus Crisis on March 23, 2020—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. The 200-dma fell for a 29th straight week, but its pace of decline is slowing from its fastest rate since July 2009.

S&P 500 Sectors Technical Indicators (*link*): Nine of the 11 S&P 500 sectors are trading above their 50-dmas, up from eight sectors a week earlier. Utilities moved back above in the latest week, leaving these two sectors still below their 50-dma: Communication Services and Consumer Discretionary. At the end of September, all 11 sectors were below. Six sectors now have a rising 50-dma, down from seven a week earlier as Tech turned down w/w. The other four sectors that still have a falling 50-dma: Communication Services, Consumer Discretionary, Real Estate, and Utilities. Looking at the more stable longer-term

200-dmas, Consumer Staples moved above in the latest week, joining Energy, Financials, Health Care, Industrials, and Materials in that club. For perspective, at the depths of the Great Virus Crisis in April 2020, Health Care was the only sector trading above its 200-dma. Utilities' 200-dma turned up w/w, joining Energy and Health Care as the only sectors with a rising 200-dma.

US Economic Indicators

Leading Indicators (*link*): Leading indicators has dropped every month since reaching a new record high in February, sinking 0.8% in October and 3.8% over the period to the lowest level since May 2021. The yearly rate fell further into negative territory, dropping 2.7%—the steepest yearly drop since September 2020. Last month, six of the 10 components of the LEI fell, while only three rose, with the average workweek holding steady at 41.1 hours. *Contributing negatively*: Consumer expectations (-0.25ppt), jobless claims (-0.21), stock prices (-0.14), and the new orders diffusion index (-0.14) were the biggest drags on the LEI, followed by the leading credit index (-0.10) and building permits (-0.08). *Contributing positively*: Interest rate spread (+0.11), real core capital goods (+0.02), and real consumer goods orders (+0.01). The Conference Board forecasts real GDP to grow 1.8% y/y in 2022, and says a recession is likely to start around year-end and last through mid-2023.

Coincident Indicators (*link*): The Coincident Economic Index (CEI) climbed to yet another record high in October after posting only three negligible declines over the past 12 months. The CEI rose 0.2% in last month and 2.1% over the past 12 months. Three of the four components contributed positively to October's CEI: 1) *Real personal income less transfer payments (+0.08ppt)* was the biggest positive contributor again in October, increasing six of the past seven months, up 0.2% m/m and 1.1% over the period to a new record high. 2) *Payroll employment (+0.06)* rose a larger-than-expected 261,000 (vs an estimated 200,000) last month following an upwardly revised 315,000 (from 263,000) in September payrolls and a downward revision in August's to 292,000 (from 315,00) for a net gain of 29,000. 3) Real manufacturing & trade sales (+0.03) climbed in October for the fourth month, by a total of 2.5%, moving back to within 0.7% of January's record high. 4) Industrial production (-0.02) was drag on October's CEI, though was little changed for the third month, ticking down 0.1% in October after ticking up 0.1% in September to a new record high; it had slipped 0.1% in August.

Regional M-PMIs (*link*): Three Fed districts (New York, Philadelphia, and Kansas City) have reported on manufacturing activity for November and show the manufacturing sector contracted for the fourth successive month, with *manufacturing activity* falling at a slightly slower pace this month, at -7.0, after widening from -3.5 to -8.3 in October. Manufacturing activity in the New York (to 4.5 from -9.1) region swung from negative to positive, while activity in Philadelphia (-19.4 from -8.7) contracted at more than double October's pace. Meanwhile, activity in the Kansas City (-6.0 from -7.0) area fell at roughly the same pace as last month. *New orders* (-10.5 from -9.4) contracted for the sixth month, but the decline has widened for the second month from September's -8.3 reading. Billings in the Philadelphia (-16.2 from -15.9) region contracted at a pace similar to last month's, while the decline in orders in the Kansas City (-12.0 from -16.0) area was slightly slower than last month's. Orders in the New York (-3.3 from 3.7) area moved from expansion to contraction, though the rate of decline was much slower than in the other two regions. *Employment* (7.4 from 13.1) increased at roughly half last month's pace, as factories in the Philadelphia (7.1 from 28.5) region hired at a considerably slower pace, while New York's (12.2 from 7.7) hired at a slightly faster pace; hirings in the Kansas City (unchanged 3.0) region held steady. Looking at *prices-paid* indexes, the New York region saw a slight acceleration for the second month to 50.5 this month after easing from a record-high 86.4 in April to a 21-month low of 39.6 in September, while Philadelphia's eased for the seventh month, to 35.3, since reaching a cyclical high of 84.6 in April (which wasn't far from its record high of 91.1 in the 1970s). Kansas City's measure has been on a steep downtrend since its recent peak of 83.0 in April, slowing to a 27-month low of 22.0 this month. *Prices-received* indexes were mixed: New York's prices-received measure accelerated to 27.2 this month from a 21-month low of 22.9 last month; it was at a record high of 56.1 in March. The Philadelphia measure picked up for the third month, to 34.6, after slowing from last November's 62.9 peak to an 18-month low of 23.3 during August. Meanwhile, Kansas City's gauge edged up to 19.0 after easing from a record high of 57.0 in April to 13.0 in October—which was the lowest since December 2020.

Existing Home Sales (*link*): Existing home sales contracted for the ninth month, by 5.9% in October and 31.7% over the period, to 4.43mu (saar)—the lowest level since December 2011, not counting the Covid-related plunge. "More potential homebuyers were squeezed out from qualifying for a mortgage in October as mortgage rates climbed higher," noted Lawrence Yun, NAR's chief economist. "The impact is greater in expensive areas of the country and in markets that witnessed significant home price gains in recent years." *Single-family* sales plunged 6.4% in October and 31.3% over the nine months through October to 3.95mu (saar), while *multi-family* sales have plummeted during eight of the past nine months, by 2.0% in October and 35.1% over the period, to 480,000 units. *Regionally*, sales in October fell in all four regions on both a monthly and yearly basis: West (-9.1% m/m & -

37.5% y/y), Northeast (-6.6 & -23.0), Midwest (-5.3 & -25.5), and South (-4.8 & -27.2). The *median existing home price* increased 6.6% y/y, as prices rose in all regions. October marked the 128th month of y/y gains—the longest streak on record. Total *housing inventory* at the end of October was 1.22mu, down 0.8% both m/m and y/y—with unsold inventory at 3.3 *months' supply* at the current sales rate, up from 3.1 months' in September and 2.4 months a year ago. "Inventory levels are still tight, which is why some homes for sale are still receiving multiple offers," according to Yun. "In October, 24% of homes received over the asking price. Conversely, homes sitting on the market for more than 120 days saw prices reduced by an average of 15.8%."

Housing Starts & Building Permits (*link*): Rising mortgage rates have sent housing starts into a tailspin, with October single-family starts falling to its lowest level since May 2020. Total *housing starts* have slumped four of the past six months, plunging 4.2% last month and 21.1% over the period to 1.425mu (saar). Single-family starts have dropped during eight of the 10 months of 2022 reported so far, sinking 6.1% m/m and 29.5% ytd to 855,000 units (saar), while volatile multi-family starts edged up 2.5% ytd to 570,000 units (saar). *Building permits* have plummeted 19.5% since peaking at the end of last year, falling to 1.526mu (saar), the lowest since August 2020. Single-family permits were down 25.0% ytd, and multi-family were down 11.7%—to 839,000 units (saar) and 687,000 units, respectively—with the former the lowest since May 2020. During October, *housing under construction* rose to a record-high 1.722mu, while *completions* fell for the second time in three months, by 5.1%, to 1.339mu. Last Wednesday, NAHB reported that *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.

Global Economic Indicators

Eurozone CPI (*link*): The headline CPI rate for October accelerated to yet another new record high of 10.6% y/y, up from 9.9% in September and 6.5ppts above last October's 4.1%. For perspective, the rate was as low as at -0.3% at the end of 2020. Looking at the main components, once again *energy* recorded the largest gain, accelerating for the second month by 41.5% y/y, after slowing from 42.0% in June to 38.6% by August; the rate was at a record high of 44.3% in March. The rate for *food, alcohol & tobacco* soared to a record-high 13.1% in October—accelerating steadily from June 2021's 0.5%—while the rate for *non-energy industrial goods* reached a new record high of 6.1%. The *services* rate held at 4.3% y/y—the highest since the end of 1993. Of the *top four Eurozone economies*, rates for

Italy (12.6% y/y) and Germany (11.6) were above the Eurozone's rate of 10.6%, with both accelerating to new record highs. Meanwhile, rates in Spain (7.3) and France (7.1) were below the Eurozone's pace of 10.6%, with Spain's rate continuing to ease from its record high of 10.7% in July and France's accelerating to a new record high.

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