MORNING BRIEFING
February 27, 2023

March Madness?

Check out the accompanying chart collection.

Executive Summary: The stock market beat a hasty retreat in February, spooked by reports of January's economic strength and the Fed's dreaded possible reaction. So today we look at what March's releases of economic data for February might bring. They could be bad news for the markets, but we actually expect the best—viewing January's strength as anomalous and expecting February's data to confirm our soft-landing outlook. Accordingly, we still think a new bull market was born last October; it's just not bursting out of the gate as most bulls do. The market may remain volatile pending more clarity on what the Fed will do. … Also: Dr. Ed's bearish review of "Cocaine Bear" (-).

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Strategy I: A Market of Stocks. The S&P 500 was up 16.9% from last year's low of 3577.03 on October 12, 2022 through this year's high of 4179.76 on February 2 (*Fig. 1*). Joe and I still view last year's low as the end of the bear market that started on January 3, 2022. We believe that the rally since then is the start of a new bull market, though we expect it to be U-shaped rather than V-shaped like the start of most previous bull markets. We also expect that it will be more volatile than most, at least until it's clear that the Fed's current monetary tightening cycle is over. Here are a few more of our thoughts on the market:

(1) *February's selloff.* The S&P 500 is down 5.0% from its February 2 high through Friday's close of 3970.04. It closed just below its 50-day moving average. It could easily test its 200-day moving average, which was 3938.42 on Friday. If so, it should find support at last year's closing low of 3839.50. That would wipe out January's impressive 6.2% gain which was fueled by visions of a soft economic landing, Fed pausing, and conversations with friendly AI versions of *HAL 9000* computers. February's selloff through Friday's close was triggered by the release of January's stronger-than-expected economic indicators. The equity put/call ratio rose from a recent low of 0.49 on February 2 to 0.82 on Friday (*Fig. 2*).

(2) *Risk on and off.* The market's risk-off sentiment was also reflected in the performance derby of the S&P 500's sectors from February 2 through February 24: Consumer Staples (-

1.5%), Energy (-2.3), Financials (-2.7), Industrials (-3.2), Health Care (-3.5), Utilities (-4.3), Materials (-4.5), Information Technology (-4.9), S&P 500 (-5.0), Consumer Discretionary (-8.0), Real Estate (-8.9), and Communication Services (-12.5) (*Table 1*).

Despite February's selloff, it has been a risk-on market since October 12 through February 24: Materials (18.6%), Industrials (18.1), Financials (17.7), Information Technology (16.2), Real Estate (12.4), S&P 500 (11.0), Utilities (7.9), Consumer Staples (7.7), Communication Services (7.1), Health Care (5.2), Energy (4.7), and Consumer Discretionary (1.9) (*Table 2*).

Consumer Discretionary has been the big underperformer. However, several consumer services-providing industries were at the top of the leader board since October 12: Casinos & Gaming (50.4%), Advertising (38.3), Hotels, Resorts & Cruise Lines (32.5), Airlines (22.9), and Movies & Entertainment (20.6).

(3) *Sector picks.* Our recommended S&P 500 sector over-weights this year are Energy, Financials, Industrials, Materials, and Information Technology. We would also overweight the S&P 400 MidCaps and S&P 600 SmallCaps.

(4) *Feshbach's market call.* Here is Joe Feshbach's latest trading call: "The market correction is going according to plan. The good news is that sentiment is starting to move in the right direction, i.e., more bearish. I still recommend patience before reestablishing a bullish posture as the shift to fear needs some more time to evolve." He adds, "The market just needs a little more time because optimism got way overdone. Premature rallies would draw out the corrective process. Continued weakness without rallies would be a much better scenario." Thanks, Joe. In other words, fear is good!

Strategy II: Investing by the Numbers. At the end of last year, the consensus view was that the economy was on the verge of a hard landing. So it was widely expected that the bear market in stocks would resume during the first half of this year and that the S&P 500 soon would test and possibly fall below its October 12 low. January's 6.2% rally in the index was widely attributed to a rapidly growing consensus that a soft landing was increasingly likely. In this scenario, the Fed was expected to hike the federal funds rate by 25bps at both the March and May meetings of the FOMC and then pause, with a possibility of rate cuts later this year or early next year.

Sentiment changed again in February. It turned more bearish as a slew of strong January economic indicators and hot inflation stats heightened fears of an inflationary no-landing scenario that would force Fed officials to conclude that the only way to bring inflation down is to continue raising interest rates until they cause a recession. As we've observed before, an inflationary no-landing scenario is simply the long way to a hard landing.

We expect that the slew of economic indicators and inflation numbers to be released in March with February's data will be weaker and cooler than January's batch. We attribute quite a bit of January's strength to anomalies—mild winter weather and possibly faulty seasonal adjustment factors.

But if instead the data released during March confirm the worst-case inflationary no-landing scenario, the resulting March madness could send the 10-year Treasury bond yield above its most recent high of 4.25% on October 24 and the S&P 500 tumbling toward its bear-market low of 3577.03 on October 12. That's not our forecast, but it is our concern.

Let's consider what might lie ahead:

(1) *Purchasing managers.* The madness starts on Wednesday, March 1 with the release of February's M-PMI. It is likely to uptick from 47.4 during January but remain below 50.0. That's based on the flash M-PMI estimate for February compiled by S&P Global (*Fig. 3*). It is also based on the small uptick this month in the average of the three regional composite business activity indexes compiled by the New York, Philadelphia, and Kansas City Federal Reserve banks (*Fig. 4*).

The weakness in these measures of industrial activity during both January and February suggests that the 1.0% m/m increase in factory output and 1.2% increase in aggregate hours worked in manufacturing during January might have been partially reversed during February (*Fig. 5*).

(2) *Labor market.* February's ADP private payrolls report will be out on Wednesday, March 8. On Friday, March 10, the Bureau of Labor Statistics (BLS) employment report will be released. January's JOLTS report will be released on March 8.

In a November 30, 2022 *speech* titled "Inflation and the Labor Force," Fed Chair Jerome Powell indicated that he and his colleagues are aiming to reduce the demand for labor (defined as employment plus job openings) relative to the supply of labor (defined as the labor force). During December, the former exceeded the latter by 5.3 million workers (*Fig. 6*).

Therefore, January's strong payroll employment report was not good news for the Fed or for investors in stocks and bonds. Private payrolls rose 443,000 according to BLS, while ADP reported an increase of only 106,000. When February's BLS data are released, Debbie and I will be focused on this number as well as any revisions to the previous two months.

January's JOLTS report is likely to show an uptick in job openings since this series closely tracks the National Federation of Independent Business series for "small business with job openings" and The Conference Board "jobs plentiful" series (*Fig. 7* and *Fig. 8*). Both ticked up in January.

(3) *Retail sales.* February's retail sales report will come out on March 15. Retail sales was up 3.0% m/m during January. Debbie and I aren't convinced that January's strength is sustainable. Adjusted for inflation, it was up 2.4% m/m but flat versus a year ago (*Fig. 9*). Core real retail sales, excluding building materials and food services, rose 1.1% m/m and fell 3.5% y/y.

In current dollars, retail sales of motor vehicles and parts jumped 5.9% m/m (but only 2.8% y/y) during January (*Fig. 10*). This series has been moving sideways in a volatile fashion for the past two years. January's mild winter weather might have boosted auto sales as well as sales at food services & drinking places, which jumped 7.2% m/m (and 25.2% y/y!) during January (*Fig. 11*). February's unit auto sales data will be released on Friday, March 3.

(4) *Inflation.* While January's m/m CPI and PCED inflation rates were hotter than expected, the y/y inflation rates are still disinflating overall (*Fig. 12*). The inflation rate for PCED goods clearly peaked last year at 10.6% during June. It was down to 4.7% during January. PCED services inflation has yet to peak, rising to 5.7% during January. It typically lags the goods inflation rate. We are expecting it will peak around mid-year.

February's CPI will be coming out on March 14. The month's PCED will be released along with personal income at the end of the month, on March 31.

Fed Chair Jerome Powell at his February 1 *press conference* said: "And it's most welcome to be able to say that we are now in disinflation ... But we just see that it has to spread through the economy and that it's going to take some time."

(5) *Fed's March madness.* The next meeting of the FOMC is scheduled for March 21-22. Fed officials constantly remind us that their policymaking is "data dependent." It may be more so than ever at their upcoming meeting, since the outlook for the federal funds rate will depend on the next batch of economic data, which may determine whether we are

heading for a soft or hard landing.

The FOMC will also release the latest quarterly *Summary of Economic Projections*. We will all be looking to see whether they change their previously projected path for the federal funds rate from 5.1% this year, 4.1% in 2024, and 3.1% in 2025. Of course, the clearest indication of how much the data influence their thinking will be whether they vote to raise the federal funds rate by 25bps or 50bps.

Movie. "Cocaine Bear" (-) (*link*) isn't a must-see movie. My wife and I expected a comedy based on true events. So we couldn't understand why all the trailers were for horror flicks. The movie was funny in some parts, but it was mostly grisly as the coke-snorting grizzly bear ripped off the limbs of various goofy characters. By the way, my favorite *story* about a bear was told by Dolly Parton to Jimmy Fallon. It's a must-hear for sure.

Calendars

US: Mon: Durable Goods, Total & Core -4.0% & 0.1%; Pending Home Sales 1.0%; Dallas Fed Manufacturing Index; Jefferson. **Tues:** Consumer Confidence 108.5; S&P/CS HPI Composite 20 -0.5%m/m/6.0%y/y; Richmond Fed Manufacturing Index -6; Chicago PMI 45.0; Goods Trade Balance Advance Estimate; Wholesale Inventories 0.1%. (Bloomberg estimates)

Global: Mon: Eurozone Business & Consumer Confidence 101.0; Italy Business Confidence 102.7; Japan Industrial Production -2.6%; Japan Retail Sales 4.-% y/y; Japan Leading & Coincident Indicators; Australia Retail Sales 1.2%; Lane; Broadbent. **Tues:** Germany Import Price Index -1.5%; France CPI 1.0%m/m/6.2%y/y; France GDP 0.1%/q; France Consumer Spending 0.2%; Italy Industrial Sales; Spain CPI 0.0%m/m/5.9%y/y; Japan Core CPI 3.1% y/y; Japan Housing Starts 1.0% y/y; Canada GDP 0.1%m/m; Australia GDP 0.9%q/q/2.8%y/y; Australia CPI 8.1% y/y; Australia M-PMI 50.1; China Caixin M-PMI 51.3; China S&P Global M-PMI & NM-PMI 51.3/55.0; Wuermeling; Pill; Mann; Nakagawa. (Bloomberg estimates)

Strategy Indicators

Global Stock Markets Performance (*link*): The US MSCI index tumbled 2.7% w/w for its third straight weekly decline and its biggest drop in 11 weeks, but remained out of a bear market at 18.3% below its record high on December 27, 2021. The US MSCI ranked 31st of the 48 global stock markets that we follow in a week when just three of the 48 countries rose in US dollar terms. The AC World ex-US index fell 2.6% in its fourth straight weekly decline, but also remained out of a bear market at 18.9% below its June 15, 2021 record high. All regions declined w/w, but EM Eastern Europe was the best regional performer with a decline of 2.0%, ahead of EAFE (-2.5%). BIC was the worst performing region last week with a decline of 3.6%, followed by EMU (-3.4), EMEA (-3.0), EM Asia (-2.7), and EM Latin America (-2.6). Argentina was the best-performing country last week, with a gain of 1.3%, followed by the Czech Republic (0.9), Greece (0.1), Sri Lanka (-0.2), and Jordan (-0.4). Among the 18 countries that underperformed the AC World ex-US MSCI last week, the 4.7% decline for the Netherlands was the biggest, followed by South Africa (-4.5), China (-4.2), Italy (-3.9), and Colombia (-3.7). Looking at 2023's performance so far, the US MSCI is up 3.7% and ranks 21/48 as just 14 of the 48 countries are down ytd. The AC World ex-US has risen a similar 3.7% ytd, with most regions in positive territory. EMU is the best performer ytd, with a gain of 8.6%, followed by EAFE (4.7). The regional laggards so far in 2023: EMEA (-2.2), BIC (-1.2), EM Asia (2.2), EM Latin America (3.1), and EM Eastern Europe (3.6). This year's best ytd country performers: the Czech Republic (26.4), Greece (19.8), Mexico (15.6), Argentina (13.5), and Ireland (12.2). Here are the worst-performing countries of the year so far: Pakistan (-12.0), Colombia (-11.3), Turkey (-6.7), India (-6.7), and South Africa (-5.1).

S&P 500/400/600 Performance (*link*): All three of these indexes fell w/w. LargeCap's decline was its third straight as MidCap fell back into correction territory for the first time in four weeks. LargeCap fell 2.7% w/w, behind the 2.5% drop for MidCap and slightly ahead of the 2.7% decline for SmallCap. At the week's end, LargeCap finished at 17.2% below its record high on January 3, 2022, MidCap at 10.7% below its record high on November 16, 2021, and SmallCap at 14.9% below its November 8, 2021 record high. Just three of the 33 LargeCap and SMidCap sectors moved higher for the week, down from 23 rising a week earlier. MidCap Energy was the best performer, with an increase of 2.9%, followed by SmallCap Energy (0.6), LargeCap Energy (0.2), LargeCap Materials (-0.1), and MidCap Consumer Staples (-0.8). Among the worst performers for the week were LargeCap Consumer Discretionary (-4.4), followed by LargeCap Communication Services (-4.4), SmallCap Materials (-4.1), MidCap Real Estate (-4.0), and LargeCap Real Estate (-3.8). Looking at performances so far in 2023, LargeCap's 3.4% gain is trailing those of SmallCap (7.8) and MidCap (7.0) as 25 of the 33 sectors are higher ytd. The top sector performers in 2023: SmallCap Communication Services (17.6), SmallCap Consumer Discretionary (15.8), MidCap Tech (11.6), LargeCap Consumer Discretionary (11.1), and SmallCap Materials

(10.9). Here are 2023's biggest laggards: LargeCap Utilities (-5.9), LargeCap Health Care (-5.7), LargeCap Energy (-4.0), MidCap Utilities (-2.6), and LargeCap Consumer Staples (-2.6).

S&P 500 Sectors and Industries Performance (*link*): Just one of the 11 S&P 500 sectors rose last week, and four outperformed the composite index's 2.7% decline. That compares to a 0.3% decline for the S&P 500 a week earlier, when five sectors rose and five outperformed the index. Energy was the best performer, with a gain of 0.2%, followed by Materials (-0.1%), Consumer Staples (-1.4), and Financials (-2.0). Consumer Discretionary and Communication Services were the worst performers, with declines of 4.4%, followed by Real Estate (-3.8), Utilities (-2.8), Industrials (-2.7), Tech (-2.7), and Health Care (-2.7). Looking at 2023's performance so far, the S&P 500 is up 3.4% ytd, with five sectors outperforming the index and seven higher for the year. The best ytd performers: Consumer Discretionary (11.1), Tech (9.2), Communication Services (8.2), Materials (4.4), and Financials (4.0). These are 2023's worst performers: Utilities (-5.9), Health Care (-5.7), Energy (-4.0), Consumer Staples (-2.6), Industrials (1.9), and Real Estate (3.1).

S&P 500 Technical Indicators (*link*): The S&P 500 weakened last week relative to its 50-day moving average (50-dma) and 200-day moving average (200-dma). The index fell below its 50-dma for the first time in seven weeks, but remained above its 200-dma for a seventh week. That's the index's longest positive 200-dma streak since January 2021, when it had been above its 200-dma for 81 straight weeks through February 2021. The S&P 500's 50-dma dropped to 0.2% below its rising 50-dma from 2.6% above a week earlier. That compares to a four-month low of 10.6% below at the end of September, a 23-month high of 8.7% above the index's rising 50-dma 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 0.8% above its rising 200-dma, down from 3.6% above its rising 200-dma a week earlier and a 13-month high of 5.1% above in early February. The 200-dma has moved higher in just four of the past 41 weeks. The S&P 500 is well above its 26-month low of 17.1% below its falling 200-dma in mid-June and compares to 10.8% above its rising 200-dma in November 2021. That also compares to 17.0% above in December 2020, which was the highest since November 2009 and up from the 26.6% below registered 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.

S&P 500 Sectors Technical Indicators (*link*): Just three of the 11 S&P 500 sectors are trading above their 50-dmas, down from six above a week earlier. These three sectors are still trading above their 50-dma: Consumer Discretionary, Financials, and Information Technology. Eight sectors have a rising 50-dma, unchanged from a week earlier. These three sectors are still in the declining 50-dma club: Consumer Staples, Health Care, and Utilities. Looking at the more stable longer-term 200-dmas, four sectors fell below that measure in the latest week. That leaves these five sectors still trading above their 200-dma: Energy, Financials, Industrials, Information Technology, and Materials. The rising 200-dma club has six members now, up from five a week earlier as Consumer Discretionary and Consumer Staples turned up w/w. Health Care turned down w/w and joined Communication Services, Materials, Real Estate, and Utilities in the declining 200-dma club.

US Economic Indicators

GDP (*link*): Real GDP expanded a revised 2.7% (saar) during Q4, down from the preliminary estimate of 2.9%, after rising 3.2% during Q3, which followed declines of 0.6% and 1.6% the prior two quarters. The updated estimates primarily reflected a downward revision to consumer spending that was partly offset by an upward revision to nonresidential fixed investment. *Real consumer spending* expanded 1.4% (saar), slower than the advance estimate of a 2.1% gain. Goods consumption contracted a revised 0.5%, a 1.6pppts swing from the initial estimate of a 1.1% gain, as durable goods consumption (to -1.8% from 0.5%, saar) moved from expansion to contraction, while nondurable goods consumption (1.5 from 0.2) slowed to a near standstill; services consumption (2.4 from 2.6) had a minor revision. Meanwhile, *nonresidential investment* increased an upwardly revised 3.3% (saar), considerably faster than the 0.7% initial estimate, on a big upward revision to structures (8.5 from 0.4) and a sizable upward revision to intellectual property products (7.4 from 5.4) investment. Equipment spending (-3.2 from -3.7) fell at a slightly slower pace. Excluding trade, government spending, and inventories, final sales to domestic purchasers (a key gauge of underlying demand) edged up just 0.1% (saar) during Q4, the weakest since the start of the pandemic.

Contributions to GDP Growth (*link*): Inventory investment and consumer spending were the biggest positive contributors to real GDP during Q4, adding 1.47ppts and 0.93ppts, respectively, while residential investment (-1.24) was a big drag once again. The biggest contribution in *consumer spending* was services consumption (1.06ppts), with nondurable goods' (0.03) contribution negligible, while (-0.16) durable goods consumption was a slight drag. Trade contributed 0.46ppt to Q4 real GDP, with imports (0.65) contributing positively and exports (-0.19) negatively. Government spending (0.63) added to real GDP growth for the second consecutive quarter after contributing negatively the first half of the year, with both federal (0.37) and state & local government (0.25) spending in the plus column last quarter. Nonresidential fixed investment added 0.43ppt to real GDP, as a positive contribution from intellectual property products (0.39) and structures (0.21) more than offset the negative contribution from equipment (-0.17) spending.

Personal Consumption Deflator (*link*): January's PCED rose 0.6%, the most since mid-2022, and following gains of 0.2% in each of the prior two months. Core prices also increased 0.6% in January, following gains of 0.4% and 0.2% the previous two months. The yearly headline rate accelerated slightly to 5.4%, after slowing steadily from last June's 7.0% peak—which was the highest reading since the end of 1981—to 5.3% in December; it was at 6.1% a year ago. The yearly core rate also picked up slightly, to 4.7% y/y, after slowing from 5.2% in September to 4.6% in December; it peaked at 5.4% last February and March. On a *three-month annualized basis*, the core rate rose 4.7% (saar) in January, matching its yearly rate. The three-month rate for durable goods contracted 2.1% (saar) in January, less than December's 4.7% drop but the third straight decline, while the three-month rate for core nondurable goods prices accelerated to a four-month high of 2.7% (saar), after slowing from 4.9% in August to 1.0% in November. Meanwhile, services prices ex energy picked up to 6.2% (saar), after slowing from 6.3% last October (the fastest since December 2001) to 5.5% by December. The three-month annual rates for consumer durable goods (-2.1%, saar & 1.1% y/y) and consumer core nondurable goods (2.7 & 3.5) were below their yearly rates, while the three-month gain in consumer core services (6.2 & 5.4) was above its yearly rate. *PCED components for which three-month rates lag yearly rates*: gasoline & other energy products (-29.1% & 5.3%), used motor vehicles (-23.5 & -9.9), video audio & information processing (-10.5 & -3.9), furniture & home furnishings (-1.1 & 3.4), airfares (1.1 & 28.6), personal care products (1.8 & 7.3), professional & other services (1.8 & 5.9), tobacco (4.9 & 6.3), food & nonalcoholic beverages purchased for off-premise consumption (5.0 from 12.0), new motor vehicles (5.2 & 7.5), motor vehicles & parts (5.7 & 8.8), and transportation services (6.7 & 16.4). *PCED components for which three-month rates exceed yearly rates*: recreation services (9.5 & 5.7), tenant rent (9.3 & 8.6), owner-occupied rent (8.5 & 7.8), lodging away from home (8.2 & 7.5), prescription drugs (8.1 & 2.6), sports & recreational vehicles (7.3 & 1.1), alcoholic beverages purchased for off-premise consumptions (6.4 & 5.7), clothing & footwear (3.1 & 2.6), hospitals (3.1 & 2.5), and household appliances (-1.5 & -3.1). The three-month and yearly rates for education services (2.8 & 2.7) and physician services (0.6 & 0.9) are comparable.

Consumer Sentiment Index (*link*): Consumer sentiment improved in February for the seventh time in eight months, to its highest level since January 2022, though remains almost 17 points below its historical average. *Overall consumer sentiment* climbed 2.1 points this month, and 17.0 points over the eight months through February to 67.0, with both current conditions and expectations on the rise. The *present situation component* rose 2.3 points in February to 70.7—up 16.9 points from its recent low of 53.8 last June—while the *expectations component* rose for the third month, by 2.0 points m/m and 9.1 points over the period, to 64.7. It's up 17.4 points from its recent low of 47.5 last July. Joanne Hsu, director of the survey, noted: "Consumers with larger stock holdings exhibited particularly large increases in sentiment." Meanwhile, the *one-year expected inflation rate* jumped to 4.1% this month, after falling steadily from 5.0% last October to 3.9% by January (lowest since April 2021), remaining well above its 2.3%-3.0% range recorded during the two years prior to the pandemic. It peaked at 5.4% last March and April. The *five-year expected inflation rate* was unchanged at 2.9% once again this month—remaining within the narrow 2.9%-3.1% range during 18 of the last 19 months. Hsu warns, "Consumers continued to exhibit considerable uncertainty over short-term inflation expectations, and thus their expectations may be unstable in the months to come."

Regional M-PMIs (*link*): Three Fed districts (New York, Philadelphia, and Kansas City) have reported on *manufacturing activity* for February and show activity contracted for the seventh successive month, though slower than January's pace, rising to -10.0 from January's 32-month low of -14.3. Activity was a mixed bag, as the New York (to –5.8 from -32.9) region contracted at a much slower pace than in January and Philadelphia's (-24.3 from -8.9) fell at a considerably steeper rate. Meanwhile, activity in the Kansas City (0.0 from -1.0) region was relatively flat. *New orders* (-9.1 from -16.7) contracted for the ninth straight month, though was less negative, dropping roughly at half the pace of January, with billings in the New York region (-7.8 from -31.1) much less negative than January and Richmond's (-6.0 from -8.0) slightly less negative, while Philadelphia's (-13.6 from -10.9) contracted at a slightly faster pace. *Employment* (3.2 from 5.9) continued to expand at a sluggish pace, as hirings in the New York (-6.6 from 2.8) region declined at the fastest pace since June 2020, while hirings at Philadelphia (5.1 from 10.9) factories were half January's pace. Meanwhile, hirings in the Kansas City (11.0 from 4.0) region were faster than January's rate. Looking at *prices-paid* indexes, the New York (45.0 from 33.0), Kansas City (26.0 from 20.0), and Philadelphia (26.5 from 24.5) areas all saw price pressures tighten in February but at different degrees. Looking at their respective record highs, New York's was 86.4 in April 2022, Philadelphia's 83.6 in November 2021, and Kansas City's 84.0 in October and February 2021. Prices-received indexes were mixed: New York's *prices-*

received measure climbed to 28.4 after easing to 18.8 January, which was the lowest since January 2021; it was at a record high of 56.1 in March 2022. The Philadelphia measure moved down to 14.9 from 29.9 last month and from its record high of 65.8 in November 2021, while Kansas City's (17.0 from 16.0) held steady with January, down from its 60.0 record high in August 2021.

New Home Sales (*link*): New home sales (counted at the signing of a contract) surged in January to the highest level in 10 months, boosted by lower mortgage rates and builder incentives. Sales rose for the third time in four months, by 7.2% last month and 21.8% over the period, to 670,000 units (saar). Of the 670,000 *homes sold* in January, 269,000 units were under construction, while 231,000 were completed and 170,000 not yet started—the highest since last February. Meanwhile, there were 439,000 *units for sale* last month, with only 68,000 units completed and 91,000 not yet started; 280,000 were under construction. At the current sales pace, it would take 7.9 months to run through the supply of new homes, a 10-month low, and down from 10.1 months last September—which was the highest since April 2009.

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