MORNING BRIEFING
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On Valuation & Central Banks

Check out the accompanying chart collection.

Executive Summary: Today, we look at valuations for various investment style indexes. Notably, the S&P 400 MidCaps and S&P 600 SmallCaps—a.k.a. SMidCaps—haven't been this cheap versus the S&P 500 LargeCaps since 2000. Growth and Value indexes underwent major shifts when the MegaCap-8 stocks were redistributed among them in December. Global markets have been outperforming the US MSCI. They're collectively still cheap relative to the US. But we wouldn't stray too far from home for long … And: The underlying structural issues keeping inflation aloft will be solved by market forces, not with monetary policy. … Also: The ECB has been tightening, but perhaps not enough yet.

ChatGPT: Good Sense of Humor. Melissa asked ChatGPT (Chatgee) the following: "Tell me a bear joke in the style of Ed Yardeni." The AI algorithm came back with the following:

"Sure, I'll give it a shot! Why did the bear invest in the stock market? To become a bull, of course! Chatgee added, "Okay, maybe that was a bit of a 'bearish' attempt at a joke. But in all seriousness, it's important to remember that investing always involves some degree of risk. As investors, we need to stay informed and be prepared for market fluctuations, regardless of whether we're feeling bullish or bearish."

Now that's truly freaky!

Valuation: What's in Style? Yesterday, Joe and I reviewed the latest developments in valuation multiples for the S&P 500. Today, let's drill down to the valuation stats for various investment styles. Consider the following:

(1) *LargeCaps vs SMidCaps.* The S&P 400 MidCaps and S&P 600 SmallCaps underperformed the S&P 500 during 2021 but outperformed during the bear market of 2022 (*Fig. 1* and *Fig. 2*). The forward revenues of all three indexes rose to new highs around mid-2022, but have stayed near their record highs since then (*Fig. 3*). The same can be said about forward earnings, though they've been weaker than forward revenues since mid-2022 because forward profit margins have been narrowing (*Fig. 4* and *Fig. 5*).

The forward P/Es of the SMidCaps peaked at the start of 2021 and continued to fall through the end of last year's bear market (*Fig. 6*). Over this period, they fell from around 20.0 to 11.0. Since the end of the bear market, they've rebounded to about 14.0. The decline of the S&P 500's forward P/E was less severe than for the SMidCaps during 2021 because it was boosted by the high multiples of the MegaCap-8. But the latter took it on the chin during the bear market of 2022, falling from a forward P/E of roughly 34 to 22. Over the same period, the S&P 500's forward P/E dropped from 22 to 15.

By the way, the SMidCaps haven't been this cheap relative to the S&P 500 LargeCaps since 1999 and 2000 (*Fig. 7*).

(2) *Growth vs Value.* The MegaCap-8 stocks also have had significant impacts on the S&P 500 Growth and Value stock price indexes, their fundamentals, and their relative valuations. The most recent event was the rebalancing of these two indexes by Standard & Poor's last December. Before that, all of the MegaCap-8 stocks resided in the Growth index; the rebalancing moved some of the weightings for half of them into the Value Index.

As a result, the market-cap share of the MegaCap-8 in the Growth index dropped from 41.4% during the December 15 week to 36.8% during the December 22 week (*Fig. 8*). It bounced back to 40.9% during the February 16 week.

The rebalancing along with the bull run since October 12 also boosted the forward P/E of Value from 13.2 on October 12 to 16.5 on February 27 (*Fig. 9*). The ratio of the Growth P/E to the Value P/E dropped from a high of 1.88 in late 2021 (just before the bear market) to 1.16 on February 27.

(3) *Stay Home vs Go Global.* The underperformance of the MegaCap-8 during last year's bear market weighed on the Stay Home investment strategy versus the Go Global one (*Fig. 10*). Significant rebounds in the MSCI stock price indexes for Europe and Emerging Markets (led by China) also explain why Go Global has outperformed its alternative. We doubt that there is much more potential in this trade and would aim to be overweighting the US again in global stock portfolios by mid-year.

Then again, the rest of the world is still very cheap relative to the US. During the February 16 week, the US MSCI forward P/E was 18.8, while the All Country World (ACW) ex-US was 12.8 (*Fig. 11*). In the past, the ACW ex-US forward P/E closely tracked (but slightly exceeded) the forward P/E of S&P 500 Value index (*Fig. 12*). But again, the December 19 rebalancing boosted Value's forward P/E relative to the one for the ACW ex-US.

Central Banks I: What the Fed Can't Fix. Fed officials continue to say that they are "not done yet" bringing inflation down; they have "more to do." Yet some of them have been acknowledging that there are certain structural issues that monetary policy can't fix supporting today's elevated levels of inflation. Inflation may be a monetary phenomenon, but it isn't exclusively determined by monetary policy. A recognition of what drives inflation might explain why Fed officials aim to get the PCED inflation rate down to their 2.0% target by 2025 rather than sooner, as they could by causing a recession. That's according to the FOMC's December *Summary of Economic Projections*.

In our opinion, market forces will fix some of the structural drivers of inflation over time. The Fed's New York President John Williams seems to agree with us. In a February 14 *speech*, he said: "I expect PCE inflation to [move] closer to our 2 percent longer-run goal in the next few years."

In *remarks* on Monday, Fed Governor Philip Jefferson said: "I'm under no illusion that it's going to be easy to get the inflation rate back down to 2%." He added: "I am committed to doing what it takes."

Now consider the following:

(1) *Supply chains' disruption.* "The Federal Reserve obviously can't fix problems like supply chain issues," the Philadelphia Federal Reserve Bank's (FRB) President Patrick Harker said in a February 14 *speech*. People "care a lot more about what I have to say recently," he added, because he is a voter on the FOMC this year.

Non-voting FOMC participant Loretta Mester observed in a February 16 *speech* that supply-chain disruptions have "improved but not uniformly across sectors and products." Mester added: "Our business contacts tell us that transportation bottlenecks and delivery times have improved compared to last year but that certain products, including computer chips and electric generators, remain difficult to source."

Indeed, the New York FRB's Global Supply Chain Pressure Index fell during 2022, but it remains above its pre-pandemic level (*Fig. 13*). Williams, a permanent FOMC voter as the New York FRB president, pointed to this index in his February 14 speech, observing that "further improvement in global supply-chain disruptions has stalled."

(2) *US labor shortage.* "Endemic" and "structural" are the ways that Harker and Mester, respectively, have described the problem of worker shortages. The ongoing tightness in the

labor market continues to put upward pressure on inflation, Fed Governor Michelle Bowman, a permanent FOMC voter, told American bankers during a February 13 *speech*.

"The number of job openings moved down somewhat over the past year, but there are still 1.9 openings per unemployed worker," Mester observed. She noted that a lower level of participation reflects the high level of retirements during the pandemic, reduced immigration, changes in preferences, and the difficulty of finding affordable childcare. "Today, the labor market remains extremely tight," Williams noted.

(3) *Russia's war on Ukraine.* "I expect that we will continue to be surprised by … geopolitical developments," suggested Bowman. "Russia's continuing war in Ukraine adds uncertainty to the inflation picture, particularly for food and energy prices," Mester warned.

Because of skyrocketing inflation for agricultural chemicals last year, such as fertilizer, "farmers have been dealing with sharply rising input costs, and that is a significant factor driving up wholesale and retail prices for many food products," voting Fed Governor Christopher Waller said in a February 8 *speech* to an agricultural audience. He added: "the price level of agricultural chemicals remains very high."

We observe that higher agricultural prices reflect not only supply-chain shortages during the pandemic but also Russia's war on Ukraine because Russia historically has been an important producer of the chemicals necessary to make fertilizers (see our May 18, 2022 *Morning Briefing*). Futures prices for soybeans, corn, and wheat have moderated in recent weeks but remain above pre-war levels.

(4) *China's reopening.* "On the one hand, the reopening of China is helping to ease supply chain disruptions. But China is also a major world economy and increasing demand there will put upward pressure on commodity prices," Mester pointed out. Indeed, commodity futures prices for metals surely have been affected by China's reopening.

Central Banks II: What the ECB Wants. Since July, the European Central Bank (ECB) has raised interest rates by three percentage points, from -0.50% to 2.50%. Yesterday—the same day that its Chief Economist Philip Lane *said* that the ECB has started to win the inflation fight—Eurostat released data on France and Spain that unexpectedly signaled otherwise.

More than likely, the ECB will again raise interest rates by another 50 basis points in March to 3.0%. What comes next is not as clear, but the latest inflation data make more restriction more likely. Markets have *priced in* 150 basis points of rate hikes by the end of the year, which could lift the ECB's deposit rate to 4.0%.

Here's more:

(1) *Eurozone's price signals.* French consumer prices rose 7.0% y/y during February, the highest rate since the 7.1% record high last November and October, driven by accelerated price increases in food and services. Spanish consumer prices rose 5.9% y/y during February despite the government's efforts to temporarily cut taxes on food in January (*Fig. 14* and *Fig. 15*).

February inflation data for the combined Eurozone is due out on Thursday. Mild winter temperatures in Europe pushed Eurozone inflation down to 8.6% y/y in January from a record 10.6% in October. But the latest data from France and Spain could indicate inflation may not slow for the combined group to the ECB's 2.0% target anytime soon. Data from Germany is due to be released today (Wednesday). Tuesday's data sent the yield on Germany's two-year bond up to the highest level since mid-October 2008, at 3.13% (*Fig. 16*).

(2) *Lane's rate signals.* Lane told Reuters in an *interview* on Tuesday: "[T]here's significant evidence that monetary policy is kicking in." Yet he said there is still a strong case for another 50bps interest-rate increase at the ECB's next meeting. Rates could remain restrictive for "quite a long-lasting period, a fair number of quarters," Lane added.

Lane suggested that the ECB is looking for more progress in slowing inflation for goods, services, energy, and food. Lane further suggested that the ECB's three-year inflation forecasts would need to be lower before the bankers would consider a less restrictive monetary policy posture. Lower oil and gas prices, supply-chain troubles easing, and the ECB's influence all could weigh on inflation eventually, Lane indicated.

Calendars

US: Wed: ISM M-PMI & Price Index 48.0/45.1; S&P Global M-PMI 47.8; Construction Spending 0.2%; MBA Mortgage Applications; Crude Oil Inventories & Gasoline Production. **Thurs:** Productivity & Unit Labor Costs 2.6%/1.6%; Initial & Continuous Jobless Claims 195k/1.665m; Natural Gas Storage; Waller. (Bloomberg estimates)

Global: **Wed:** Eurozone, Germany, France, Italy & Spain M-PMIs 48.5/46.5/47.9/51.0/49.1; Germany Unemployment & Unemployment Rate 9k/5.5%; Germany Retail Sales 0.2%m/m/-1.8%y/y; Germany CPI 0.6%m/m/8.5%y/y; UK M-PMI 49.2; UK Nationwide HPI -0.4%m/m/-0.9%y/y; Japan Capital Spending 6.9% y/y; Bailey; Nagel; Wuermeling. **Thurs:** Eurozone Headline & Core CPI Flash Estimate 8.2%/5.3% y/y; Italy CPI 8.8% y/y; Italy Unemployment Rate 7.8%; Spain Unemployment Rate; Japan Unemployment Rate 2.5%; Japan Household Confidence; China Caixin NM-PMI 54.7; ECB Publishes Account of Monetary Policy Meeting; Schnabel; Pill. (Bloomberg estimates)

Strategy Indicators

MSCI World & Region Net Earnings Revisions (*link*): Analysts' recent earnings revisions through February suggest they are optimistic about profits in EM Eastern Europe. They're less pessimistic about EM Asia and the United States, but more pessimistic about EM Latin America, Europe, and the EMU. The US MSCI's NERI was negative in February for an eighth month following 23 straight positive readings, but improved to a seven-month high of -6.4% from -9.9% in January. That compares to a post-pandemic high of 21.1% in July 2021 and an 11-year low of -36.9% in May 2020. The AC World ex-US MSCI's NERI was negative for a 12th month following 17 straight positive readings, but improved to -4.1% from -5.4% in January. NERI was positive for a fourth straight month for EM Eastern Europe, but EM Latin America turned negative for the first time in 12 months. EM Asia was negative for a 16th month. Here are February's scores among the regional MSCIs: EM Eastern Europe (2.3% in February, down from 5.5% in January [11-month high]), EM Latin America (-2.0 [13-month low], 0.9), EMU (-3.5 [29-month low], -2.6), Emerging Markets (-3.7, -5.9), EM Asia (-3.8, -6.5), AC World ex-US (-4.1, -5.4), Europe (-4.3 [30-month low], -3.9), Europe ex-UK (-4.4 [29-month low, -4.4), EAFE (-4.5 [30-month low], -3.9), AC World (-4.7, -6.6), and the United States (-6.4, -9.9).

MSCI Countries Net Earnings Revisions (*link*): NERI was positive for 15/41 MSCI countries in February, down from 17 a month earlier. February's count was the lowest since August 2020 and down from a peak of 35/41 during May 2020, which nearly matched the record-high 36/41 from June 2004. That also compares to zero countries with positive NERI from April to June 2020. NERI improved m/m in February for 19/41 countries. That's down from 26/41 in January, which was the broadest improvement since July 2021. NERI was at a record high in February for New Zealand and Greece, followed by: Belgium (18-month high), Spain (18), and the Philippines (15). Korea was at a 32-month low, followed by Finland (31), the United Kingdom (31), Japan (29), and France (28). Italy and Turkey have had positive NERI for 28 straight months, followed by Austria (27), Mexico (23), and Indonesia (16). Hong Kong has the worst negative-NERI streak, at 21 months, followed by China (18), Brazil (16), India (14), and Germany (11). NERI flipped back into positive territory in February for Ireland and Spain. It turned negative m/m for Chile, Hungary, Israel, and Portugal. The highest NERI readings in February: New Zealand (21.7% [record-high]), Greece (15.8 [record-high]), Turkey (15.6), Peru (13.4), Egypt (10.4), and Mexico (7.7). The weakest NERIs occurred this month in Korea (-13.2 [32-month low]), Denmark (-11.8), Taiwan (-8.8), the Netherlands (-8.6), Brazil (-7.6 [13-month low]), and Canada (-7.5).

AC World ex-US MSCI (*link*): This index is up 5.4% in local-currency terms so far in 2023. In US dollar terms, the index is up a lesser 4.4% so far. Local-currency forward revenues has risen 18.4% since it bottomed in January 2021 and is just 0.1% below its January record high. However, local-currency forward earnings is down 3.5% from its record high in early September but is still up 53.6% since it bottomed in July 2020. Revenues are expected to rise 2.8% in 2023 and 3.7% in 2024 following a gain of 13.5% in 2022, and earnings are expected to increase 0.2% (2023) and 9.5% (2024) after rising 13.0% (2022). The industry analysts' sales forecasts imply short-term 12-month forward revenue growth (STRG) of 3.0% and short-term 12-month forward earnings growth (STEG) of 1.8%, compared to 4.1% and 10.0% before Covid-19 hit the news. These measures bottomed at -0.1% and -0.3%, respectively, during May 2020. The profit margin implied by analysts' earnings and revenue estimates calls for a decrease to 8.8% in 2023 from 9.0% in 2022, before rising to 9.3% in 2024. The forward profit margin forecast of 8.9% is down 0.4ppt from its record high of 9.3% during March 2022 but remains well above its 10-year low of 6.6% at the end of May 2020. The Net Earnings Revision Index (NERI) for the AC World ex-US MSCI was negative in February for a 12th straight month following 17 positive readings, but improved to -4.1% from -5.4% in January. That compares to a 12-year high of 6.4% in July 2021 and an 11-year low of -23.9% in May 2020. The forward P/E is at a 10-month high of 12.8, up from its 29-month low of 10.8 in mid-October. That compares to an 18-year high of 17.1 in February 2021 and its March 2020 low of 10.8. The index is at a 19% discount to the World MSCI P/E, up from its record-low 22% discount during the first half of 2022.

Emerging Markets MSCI (*link*): The EM MSCI price index is up 1.8% in US dollar terms so far in 2023. In local-currency terms, EM is up a lesser 1.1% year-to-date. Local-currency forward revenues has risen 13.0% since its bottom in January 2021 but remains 3.0% below its record high in May 2019. Local-currency forward earnings is up 23.3% since its bottom in June 2020 but is now 13.8% below its record high in March 2022. Revenues are expected to rise 4.3% in 2023 and 6.2% in 2024 after jumping 13.0% in 2022. That's expected to lead to an earnings decline of 2.8% in 2023 and a gain of 15.6% in 2023, following an 8.2% rise in 2022. Forecasted STRG of 4.7% is down from April 2021's 11-year high of 12.6%, which compares to a five-year low of 3.6% at the end of April 2020. STEG has dropped to a 14-year low of 0.0% from a record high of 33.7% in December 2020. The implied profit margin is expected to drop to 6.8% in 2023 from 7.3% in 2022 and recover to 7.4% in 2024. The forward profit margin of 6.9% is up from a four-year low of 6.1% at the end of May 2020 and compares to its 10.3% record high in December 2007. NERI was negative in February for a 16th straight month, but improved to -3.7% from -5.9% in January. That compares to an 11-year high of 6.0% in February 2021 and an 11-year low of -18.7% in May 2020. Emerging Markets' forward P/E of 12.2 is at a 12-month high and up from a 30-month low of 10.2 in October. That compares to a record high of 16.3 in February 2021 and its March 2020 low of 10.1. The index is trading at a 24% discount to the World MSCI P/E. That's up from a 33% discount at the start of 2022, which was its biggest discount since 2005.

EMU MSCI (*link*): The EMU MSCI price index leads all regions so far in 2023 with a gain of 11.5% in local-currency terms. The index is up a lesser 10.7% in US dollar terms so far, which also leads all regions. Local-currency forward revenues is down 1.7% from its record high in November, its first since September 2008. Revenues has risen 21.8% since its bottom in January 2021. Local-currency forward earnings is up 79.8% from its bottom in July 2020 and at a record high now for the first time since January 2008. Revenues are expected to rise 1.1% in 2023 and 2.8% in 2024 after gaining 13.8% in 2022. That's expected to lead to an earnings gain of 1.1% in 2023 and 8.1% in 2024 following a 19.5% rise in 2022. Forecasted STRG of 1.4% is down from a record-high 8.3% during April 2020, but that's up from an 11-year low of -0.9% during April 2020. STEG has dropped to 2.2% from a record high of 47.4% in December 2020, but that's up from a record low of -6.7% in April 2020. The implied profit margin is expected to edge up to 9.0% in 2023 from 8.9% in 2022 and rise to 9.4% in 2024. The forward profit margin of 9.0% remains just below its record high of 9.1% in October 2007, which compares to a 12-year low of 6.0% at the end of July 2020. EMU's NERI was negative in February for a third month after 23 straight negative readings and dropped to a 29-month low of -3.5% from -2.6% in January. That compares to a record low of -35.9% in May 2020 and is down from a record high of 15.2% in September. EMU's forward P/E is at a 10-month high of 12.6, up from a 29-month low of 10.2 in mid-October, which compares to a record high of 18.3 in July 2020 and low of 10.2 in March 2020. The index is trading at a 21% discount to the World MSCI P/E, which is up from September's 11-year low of 25%.

China MSCI (*link*): The China MSCI price index is a middle-of-the-road performer so far in

2023, with a gain of 1.7% in local currency terms. It's up 1.2% in US dollar terms. Local-currency forward revenues has risen 7.5% from its 12-year low in October, but is still 33.8% below its record high in October 2014. Local-currency forward earnings is up 8.9% from its five-year low in October, but remains 15.7% below its record high in June 2018. Revenues are expected to rise 7.3% in 2023 and 6.4% in 2024 after rising 9.7% in 2022. That's expected to lead to earnings gains of 15.0% in 2023 and 14.4% in 2024, following a 7.5% rise in 2022. Forecasted STRG of 7.1% is down from an 11-year high of 13.5% in April 2020, but that's up from a five-year low of 5.0% at the end of April 2020. STEG has dropped to 15.1% from a 10-year high of 18.6% during December 2020, which compares to a four-year low of 8.0% in April 2020. The implied profit margin ranks as the lowest in the world; it's expected to rise to 4.6% in 2023 from 4.2% in 2022 and improve further to 4.9% in 2024. The forward profit margin of 4.6% is down from a record high of 5.2% in July 2021, but is up from its post-pandemic low of 4.5% during November 2022. NERI was negative for an 18th straight month in February, but improved to a 17-month high of -1.4% from -6.8% in January. That compares to a 23-month low of -11.7% in May. China's forward P/E of 11.0 is up from a seven-year low of 8.5 in late October. That compares to 12.1 at the start of 2022 and its March 2020 pandemic low of 10.5. The index is trading at a 31% discount to the World MSCI P/E, up from a 22-year low discount of 46% in March 2022.

US Economic Indicators

Consumer Confidence (*link*): "Consumer confidence declined again in February. The decrease reflected large drops in confidence for households aged 35 to 54 and for households earning $35,000 or more," noted Ataman Ozyildirim senior director, economic indicators at The Conference Board. Consumer confidence fell for the second month by 3.1 points in February and 6.1 points over the period, to 102.9, after rebounding 7.6 points in December from the 6.4-point drop during the two months through November. The expectations measure was a big drag on confidence the first two months of this year, while consumers' assessment of the present situation improved for the third month. The *expectations* component sank 13.7 points during the two months through February, to 67.7, after ending 2022 on an up note, rebounding 6.7 points in December. Meanwhile, the *present situation* component climbed for the third month, by 1.7 points m/m and 14.5 points over the period, to a 10-month high of 152.8. *Current business conditions* were mixed in February, with the percentage of consumers saying business conditions were good falling from 19.9% to 17.8% during the month and the percentage saying conditions were bad declining from 19.0% to 17.7%. As for the *current labor market*, it was more favorable, with 52.0% of consumers saying jobs were plentiful in February, the highest percentage since last April, and up from 48.1% in January, while 10.5% said jobs were hard to get, down from 11.1% in January. Ozyildirim noted, “Expectations for where jobs, incomes, and business conditions are headed over the next six months fell sharply in February.” *Short-term business conditions* (six-month outlook) remained pessimistic in February: Only 14.2% expected business conditions to improve, down from 18.4% in January and 20.9% in December, while the percentage expecting conditions to worsen was little changed, slipping from 22.6% in January to 21.9% last month. The *short-term labor market* deteriorated: The percentage of consumers expecting more jobs to be available six months from now fell for the second month, from 20.0% in December to 17.7% in January and 14.5% last month—which was the lowest percentage since October 2016; the percentage anticipating fewer jobs ticked down from 21.4% to 20.3%. As for their *short-term financial prospects*, the outlook deteriorated, with 13.4% of consumers expecting their incomes to increase, the lowest since August 2020; it was at 19.6% in October. The percentage expecting incomes to decrease fell to 11.6% from 15.8% in November.

Regional M-PMIs (*link*): Five Fed districts (New York, Philadelphia, Kansas City, Dallas, and Richmond) now have reported on *manufacturing activity* for February and show activity contracted for the 10th successive month, though slower than January’s pace, rising to -11.9 from January’s 32-month low of -12.4. 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 the Philadelphia (-24.3 from -8.9), Dallas (-13.5 from -8.4), and Richmond (-16.0 from -11.0) regions fell at steeper rates. Meanwhile, activity in the Kansas City (0.0 from -1.0) region was flat. *New orders* (-12.9 from -15.6) declined for the ninth straight month, though was less negative than in January, with New York (-7.8 from -31.1) billings much less negative than in January and Richmond’s (-6.0 from -8.0) slightly less negative. Meanwhile, billings in the Dallas (-13.2 from -4.0) region contracted at triple January’s rate, while Philadelphia’s (-13.6 from -10.9) fell at a slightly faster pace. Richmond’s measure was unchanged at -24.0—which was the weakest since the pandemic. *Employment* (0.3 from 6.5) slowed to a standstill in February, as hirings in the New York (-6.6 from 2.8) region declined at the fastest pace since June 2020, and Richmond’s (-7.0 from -3.0) contracted for the second month, while employment in the Dallas (-1.0 from 17.6) region moved from expansion to contraction. Hirings at Philadelphia (5.1 from 10.9) factories were half January’s pace, while hirings in the Kansas City (11.0 from 4.0) area were faster than January’s rate.

Regional Prices Paid & Received Measures (*link*): We now have February’s prices-paid and -received data for the five Fed regions—New York, Philadelphia, Richmond, Dallas, and Kansas City. (Note: The New York, Philadelphia, Dallas, and Kansas City measures are diffusion indexes, while Richmond’s measures are average annualized inflation rates—

which we multiply by 10 for easier comparison to the other regional measures.) The *prices-paid* measure in February picked up a bit to 40.3 after slowing steadily from 56.7 in October to a 26-month low of 35.4 in January, remaining on a steep downtrend from September 2021's record high of 90.2. The New York (45.0 from 33.0), Kansas City (26.0 from 20.0), Philadelphia (26.5 from 24.5), and Dallas (25.1 from 20.5) areas all saw price pressures tighten in February but at different degrees. Meanwhile, Richmond's (79.0 from 79.1) held steady. Looking at their respective record highs, New York's was 86.4 in April 2022, Dallas' 84.1 in November 2021, Philadelphia's 83.6 in November 2021, Kansas City's 84.0 in October and February 2021, and Richmond's 150.1 in April 2022. Turning to the prices-received measure, it eased for the third month, from 39.0 in November to a 24-month low of 26.3 in February; it was at a record high of 59.0 last March. 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. In the Dallas region, the measure moved up to 15.8 from 9.9, down from its record high of 51.3 in October 2021. 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 Richmond's eased to 55.4 from 65.2; it was at a record-high 103.1 in mid-2022. Meanwhile, Kansas City's (17.0 from 16.0) held steady with January, down from its 60.0 record high in August 2021.

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