MORNING BRIEFING
March 2, 2023

Consumer Discretionary, Utilities & AI Fake Voice

Check out the accompanying chart collection.

Executive Summary: Retailers are wary about the effects of high inflation and rising interest rates on consumers' discretionary spending. But Target this year stands to benefit from easier y/y comparisons and shoppers looking for alternatives to its rapidly shrinking competitor Bed, Bath & Beyond. Jackie examines. … Also: Will demand for electricity outstrip available supply over coming years with retiring fossil-fuel-powered electricity generation replaced by less reliable green alternatives? That's what one transmission organization projects. … And: With voice-cloning software readily available, its potential nefarious (as well as silly) uses may spark new opportunities in identity authentication.

Consumer Discretionary: Caution Prevails. The words "caution" and "uncertainty" were sprinkled throughout Target's fiscal Q4 (ended January) earnings *conference call* on Tuesday. Rapidly "rising prices have put pressure on discretionary spending as consumers make room for higher prices on necessities. In addition, higher interest rates have further pressured budgets by increasing the cost of mortgages and car loans," warned CFO Michael Fiddelke.

Target is responding by taking a "cautious stance on inventory commitments" in fiscal 2023 (ending January 2024), presumably not wanting a repeat of last year when the retailer had to slash prices to move excess inventory. Target ended Q4 with total inventory down 3% y/y and inventory in discretionary categories 13% lower y/y.

While Target's revenue increased 2.8% to $109 billion in fiscal 2022, discounting to move excess inventory and higher expenses sent adjusted earnings per share tumbling to $6.02, less than half the $13.56 per share the company earned in fiscal 2021.

This year, Target will benefit from both easier y/y comparisons and the woes of competitor Bed Bath & Beyond. Let's take a deeper look:

(1) *Fewer discounts, cheaper shipping.* Year-over-year earnings comparisons should be much easier this year if Target's trimmed inventory position matches demand, eliminating the need for margin-killing sales that dented fiscal 2022 profits. In addition, "unusually high" freight and transportation costs last year should come down in 2023.

Headwinds continue to include inventory shrink, soft sales in the company's highest-margin discretionary categories, and potentially increased promotional intensity across the industry, said Fiddelke. Target's operating margin fell from 8.4% in fiscal 2021 to 3.5% last year, and it's expected to rise to 4.0%-5.0% in Q1-2023 and 6.0% in fiscal 2024.

(2) *Benefitting from Bed Bath & Beyond?* What wasn't discussed on the company's earnings call was the potential benefit Target and other similar retailers will enjoy from Bed Bath & Beyond's restructuring. The company pushed off a widely expected bankruptcy filing earlier this year by selling shares, but it still has closed or plans to close more than 200 of its namesake stores, five Buybuy Baby stores, and its entire chain of roughly 50 Harmon drugstores, a January 27 *WSJ* *article* reported. So the shuttered stores' former customers will be looking for a new place to shop, and Target carries similar merchandise.

(3) *Cautious guidance.* Reflecting its caution, Target management offered earnings guidance wide enough to drive a truck through. Comparable-store sales for both fiscal Q1 (ending April) and fiscal 2023 are expected to range from a low-single-digit decline to a low-single-digit increase. And management's new fiscal 2023 earnings-per-share guidance of $7.75-$8.75 fell short of analysts' $9.23 consensus estimate, according to a February 28 CNBC *article*. Yet Q4 earnings per share of $1.89 beat analysts' expectations of $1.40.

Target shares rose 1.0% on Tuesday to $168.50 but gave back their gains and then some on Wednesday after Lowe's and Kohl's reported disappointing fiscal Q4 (ended January) sales. Both retailers echoed Target's concern about the strength of discretionary consumer spending in the current inflationary environment. Target shares are up 13.1% ytd through Tuesday's close but still down on a y/y basis, by 15.7%, and 36.7% off their November 16, 2021 high of $266.39.

(4) *Industry stats.* Target is a member of the S&P 500 General Merchandise Stores industry along with Dollar General and Dollar Tree. The industry's stock price index has fallen 25.3% from its April 20, 2022 peak but is 197.3% higher than its July 10, 2017 low (*Fig. 1*). The industry's revenue is expected to inch higher, by 3.7%, this year and 3.8% in 2024 (*Fig. 2*). After hitting a peak of 6.6% early last year, the forward profit margin has fallen sharply to 4.8% (*Fig. 3*). But it is expected to stabilize, helping earnings to improve from a 32.8% decline last year to a 31.4% jump this year and more moderate 17.3% growth in 2024 (*Fig. 4*). The industry's forward P/E is 18.1, not far from its recent peak of 21.9 during the May 6, 2021 week (*Fig. 5*).

Utilities: More Electricity Needed. PJM Interconnection warned in a recent report that the

move to renewable energy and the mothballing of coal- and gas-powered electric plants could leave its region without enough electricity to meet demand within the next five years under certain scenarios. PJM is a regional electric transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states and Washington, DC. It does not own any transmission or generating assets. In the February 24 *report*, PJM calls on the regions it serves to "correct imbalances brought on by retirements or load growth by incentivizing investment in new or expanded resources."

To put numbers to the problem, PJM's region of operation has 192.3 GW of installed electricity-generating capacity—most from coal- and gas-powered plants (178.9 GW) and the rest from windmills, solar panels, and battery storage (13.3 GW). By 2030, PJM expects 40 GW of the current capacity to be retired at a time when electricity demand is expected to be 11-13 GW higher. Expected new electricity capacity of only 15-31 GW won't come close to filling this 51-53 GW hole. And most of that new capacity (8-17 GW) comes from wind and solar power, which presents reliability problems due to its intermittency.

The bottom line: The excess electricity generation capacity in PJM's territory is set to shrink from roughly 22%-25% this year to 3%-12% by 2030. Under certain scenarios, in just three years, PJM may not have enough capacity to meet projected peak demand without reducing usage (asking folks to turn down their air conditioning, etc.). And by 2028, even doing that may not be sufficient at times of peak demand.

Here are some of the report's other highlights:

(1) *Too many plants closing.* The expected plant retirements between now and 2030 represent 21% of the installed capacity in PJM's territory, and the pace is on par with that of the past decade. Most of the 47.2 GW of generation retired from 2012-22 represented coal-fired plants. PJM expects future retirements to reflect announced planned retirements (12 GW), retirements due to state and federal policies (25 GW), and deteriorating unit economics (3 GW).

The PJM report lists several government policies that it expects will prompt future plant closures. One is a 2021 EPA *rule* that ends the disposal of coal ash—which contains pollutants including mercury, cadmium, and arsenic—in unlined landfills and grows more restrictive through the end of this year. Another is the EPA Good Neighbor Rule, which requires plants to invest in new equipment to comply with its limitations on nitrogen oxide emissions; PJM believes plants generating a total of 4.4 GW of electricity will opt to close instead. Certain state rules—e.g., in Illinois and New Jersey—and green commitments by

energy companies themselves could also contribute to capacity retirements.

(2) *Not enough new capacity.* PJM lays out a conservative estimate (15.1 GW) of new capacity that could come online by the end of the decade and a more optimistic estimate (30.6 GW).

Of the new generation coming online, by far the most, 94%, is expected to come from renewable sources and 6% from new natural-gas-fired plants. That expectation reflects recent years' declines in the amount of electricity generated by new gas plants (8 GW during 2019-22 versus 23 GW during 2015-18) as well as fear of continued volatility in natural gas prices (a price spike in 1H-2022, owing to the US's large war-related export volumes, has largely reversed since). After 2024, PJM assumes that no new coal or gas fired plants will come online.

The increased dependency on renewable energy is problematic due to its intermittency—i.e., wind and solar power doesn't generate electricity as steadily as coal- and gas-fired plants. As a result, PJM believes it will need multiple megawatts of solar and wind generated electricity to replace 1 MW of electricity generated by coal or natural gas fired plants. In addition, only about 5% of renewable-energy projects typically reaches completion; so current proposals representing 290 GW of capacity suggest that only 14.5 GW may ever come online.

(3) *Demand keeps rising.* The study assumes demand grows 1.4% annually on average in the PJM footprint over the next decade. But regions with a large concentration of data centers—like Loudon County, VA—may experience annual demand growth as high as 7%.

(4) *Reserve margin shrinking.* PJM adds together the generation capacity coming offline, the capacity coming online, and demand growth when calculating capacity in excess of expected demand to arrive at a reserve margin. Excess capacity should shrink from roughly 22%-25% this year to 3%-12% by 2030. However, the estimates change based on assumptions about capacity additions, deletions, and demand requirements.

Some factors that could change the dour picture painted by the report include: 1) As capacity tightens, the market may self-correct. In a tight market, electricity prices could rise, encouraging producers to bring more electricity generation online more quickly than expected. 2) The Inflation Reduction Act incentives might spur creation of new wind and solar generation, which the report didn't discuss. Conversely, 3) new supply could be less than anticipated if semiconductor or other supply-chain disruptions occur, if labor gets

tougher to come by, or if getting the land for projects is an impediment.

(5) *Electric utilities stats.* The S&P 500 Electric Utilities stock price index had an impressive 76.7% run from its March 23, 2020 low to its recent high on September 12, 2022 (*Fig. 6*). Since the high, the index has fallen 16.4% and is down 9.5% ytd. Revenue growth in the industry is expected to be lackluster: 0.9% in 2022, -3.7% in 2023, and 2.0% next year (*Fig. 7*). While earnings growth is forecast to pick up from only 1.6% in 2022, to 9.7% this year and 8.5% in 2024 (*Fig. 8*). The industry's forward P/E has climbed from a low of 9.4 in 2009 to a high of 21.9 during the April 7, 2022 week, only to fall back slightly to a recent 17.6 (*Fig. 9*).

Disruptive Technology: AI Copies Your Voice. We've written about artificial intelligence (AI) programs that can draw or make a video (see our November 3 *Morning Briefing*). And we've discussed ChatGPT's wizardly ability to write an answer to just about any question as well as its potential for evil (January 19 *Morning Briefing* and February 9 *Morning Briefing*). This week, we came across AI programs that can imitate anyone's voice and be used to say anything; they used voices ranging from Ariana Grande to Donald Trump in clips that appeared on Twitter and TikTok.

The examples we came across were harmless and often pretty funny, but nonetheless could theoretically be problematic for anyone trying to enforce copyrights or spot deep fakes. It's also easy to imagine how these programs could be used for evil purposes and spur the development of a whole industry dedicated to the authentication of people and videos. Let's take a look:

(1) *Making Ariana sing.* DiffSVC (or sometimes "Diff-SVC") is an open-source software program that learns the characteristics of a voice and then uses that voice to sing/say other audio. "SVC" stands for "singing voice conversion," and the software reportedly was developed by researchers at the Human-Computer Communications Laboratory at the Chinese University of Hong Kong and the Tencent AI Lab, according to a *website*.

Examples of DiffSVC's output have appeared recently on Twitter: Ariana Grande, Ava Max, and Lady Gaga are singing songs in videos that they have never sung, a January 27 *article* in Maldita.es reported. One post has Ariana Grande's voice singing "Prisoner," a song first recorded by Miley Cyrus and Dua Lipa. Another recording uses Ava Max's voice singing "Flowers" originally recorded by Miley Cyrus.

A Twitter user harnessed the DiffSVC program to make the "Flowers" video, the Maldita

article reported. And while the creator of the "Prisoner" video, Marc C. (no last name given), didn't tell Maldita.es which AI program he used, a February 24 *article* in The Information cited a Marc who claimed he used DiffSVC to create the video. Marc did tell Maldita that it took him "a couple of hours" to collect data on Ariana's voice using isolated voice tracks from YouTube. "Once that data was collected, a friend helped me train the model, which took me about four days," Marc C. explained. After that, the AI program can use the voice to "sing" almost anything.

(2) *Making presidents play video games.* Ever wonder what Presidents Biden, Trump, and Obama would say if they all sat down together to play "Fortnight" or "Call of Duty"? Someone did and created videos on TikTok that use copies of the presidents' voices. While it's unknown which software program was used to generate the voices, the author of a February 22 *article* in Dexerto speculates that it might be software from *Murf.AI*.

The company describes itself as an AI voice generator capable of voice creation or cloning. Murf.AI provides voices that customers can pair with animation or other visuals to create engaging e-learning programs, advertisements, explainer videos or presentations, podcasts, and the like.

Calendars

US: Thurs: Productivity & Unit Labor Costs 2.6%/1.6%; Initial & Continuous Jobless Claims 195k/1.665m; Natural Gas Storage; Waller. **Fri:** ISM NM-PMI 54.5; S&P Global C-PMI & NM-PMI; Baker-Hughes Rig Count; Barkin; Bostic; Bowman; Logan. (Bloomberg estimates)

Global: 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. **Fri:** Eurozone, Germany & France S&P Global C-PMIs 52.3/51.1/51.6; Eurozone, Germany & France S&P Global NM-PMIs 53.0/51.3/52.8; Eurozone PPI 0.3%m/m/17.7%y/y; Germany Trade Balance 11.0b; Germany Exports & Imports 1.5%/2.0%; France Industrial Production 0.1%; Italy GDP -0.1%q/q/1.7%y/y; UK C-PMI & NM-PMI 53.0/53.3; DeGuindos; Hauser. (Bloomberg estimates)

Strategy Indicators

Stock Market Sentiment Indicators (*link*): The Bull-Bear Ratio dropped to 1.33 this week after being unchanged at 1.68 last week; it was at 1.89 three weeks ago—which was the highest since early January 2022. *Bullish* sentiment fell this week for the third successive week by 10.2ppts, to 38.4% from 48.6%—which was the highest percentage since the final reading of 2021. Bulls outnumbered bears for the 15th consecutive week. Meanwhile, *bearish* sentiment climbed for the second time in three weeks from 25.7% (lowest since February 2022) to 28.8% this week; recent readings are well below the 44.1% reading in early October last year. The *correction count* climbed for the third week by 7.1ppts (to 32.8% from 25.7%), remaining well below its late September 2022 peak of 40.3%. Turning to the *AAII Sentiment Survey* (as of February 23), neutral sentiment rose, continuing its streak of above-average readings, while bearish sentiment moved higher for the second week and bullish sentiment moved lower for the second week. The *percentage expecting stock prices to rise* over the next six months plunged 12.5ppts this week and 15.9ppts the past two weeks, from 37.5% to 21.6% over the period. Optimism was unusually low for the first time since the January 12 week. Sentiment was below its historical average of 37.5% 64 of the past 66 weeks. The *percentage expecting stocks to fall* over the next six months climbed 13.6ppts the past two weeks, to 38.6%, after sinking 11.7ppts the prior two weeks, from 36.7% to 25.0%—which was the lowest since November 11, 2021's 24.0%. Pessimism was above its historical average of 31.0% in 61 of the past 66 weeks. The *percentage expecting stock prices will stay essentially unchanged* over the next six months rose 2.7ppts to 39.8%, above its historical average of 31.5% for the eighth successive week—the longest streak of above-average readings since a nine-week stretch between April and June 2021.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): The S&P 500's forward profit margin remained steady during the February 23 week at a 21-month low of 12.4%. That's down 1.0ppts from its record high of 13.4% achieved intermittently in 2022 from March to June. It's now up 2.1pts from 10.3% during April 2020, which was the lowest level since August 2013. Forward revenues improved 0.1% w/w to 0.1% below its record high during the February 2 week. Forward earnings dropped 0.2% w/w to 5.9% below its record high during the June 16, 2022 week. 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 0.1ppt w/w to 2.4%, barely above its 33-month low of 2.3% during the February 2 week. 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 rose 0.1ppt w/w to 3.4% from a 31-month low a week earlier. 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. Analysts expect revenues to rise 1.7% in 2023 (down 0.1ppt w/w) and 5.0% in 2024 (down 0.1ppt w/w) compared to a revenue gain of 11.9% in 2022. They expect earnings gains of 0.5% in 2023 (up 0.2ppt w/w) and 11.8% in 2024 (unchanged w/w) compared to an earnings gain of 7.1% in 2022. Analysts expect the profit margin to drop 0.1ppt y/y to 12.2% in 2023 (unchanged w/w) compared to 12.3% in 2022 and to rise to 13.0% in 2024 (unchanged w/w). The S&P 500's weekly reading of its forward P/E fell 0.7pt w/w to 17.8 from a 43-week high of 18.5. That's up from a 30-month low of 15.3 in mid-October. It 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 dropped 0.09pt w/w to 2.20 from a 24-week high of 2.29. That's up from a 31-month low of 1.98 in mid-October and down from a four-month 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*): Looking at the 11 S&P 500 sectors, last week saw consensus forward revenues rise for nine sectors, but forward earnings fell for eight. The forward profit margin rose w/w for one sector and fell for five. None of the sectors have forward earnings at a record high, but these five forward revenues at record- or post-pandemic highs: Consumer Staples, Financials, Health Care, Industrials, and Utilities. These four sectors are holding up well, with their forward earnings down less than 5% from their record highs: Consumer Staples, Financials, Industrials and Utilities. Since mid-August, all sectors have seen forward profit margins retreat from their record highs. Those of Energy and Industrials remain close to their post-pandemic highs. Energy and Industrials were the only two sectors to have their profit margin improve y/y for full-year 2022, and these five sectors are expected to improve y/y in 2023: Communication Services, Consumer Discretionary, Financials, Industrials, and Utilities. Here's how they rank based on their current forward profit margin forecasts along with their record highs: Information Technology (23.9%, up 0.1ppt w/w from a 21-month low and down from its 25.4% record high in June 2022), Financials (17.6, down 0.1ppt w/w to a 22-month low and from its 19.8 record high in August 2021), Real Estate (16.7, down 0.3ppt w/w and from its 19.2 record high in 2016), Communication Services (14.3, unchanged w/w and down from its 17.0 record high in October 2021), Utilities (13.5, down 0.3ppt w/w and from its 14.8 record high in April 2021), S&P 500 (12.4, unchanged w/w at a 21-month low and down from its record high of 13.4 achieved intermittently in 2022 from March to June), Energy (12.2, down 0.1ppt w/w and from its 12.8 record high in November), Materials (11.0, down 0.1ppt w/w to a 25-month low and from its 13.6 record high in June), Industrials (10.0,

unchanged w/w at an 18-month low and down from its 10.5 record high in December 2019), Health Care (9.7, unchanged w/w at a record low and down from its 11.5 record high in March 2022), Consumer Staples (7.1, unchanged w/w at a 56-month low and down from its 7.7 record high in June 2020), and Consumer Discretionary (7.1, unchanged w/w at a 21-month low and down from its 8.3 record high in 2018).

S&P 500 Sectors & Industries Forward Profit Margin Since Peak (*link*): Since the S&P 500's forward profit margin peaked at a record-high 13.4% during the June 9 week, it has fallen 7.9% to 12.4% through the February 23 week. The drop has been paced by four of the 11 sectors, though all but the Energy sector is down since the peak. Here's the sector performance since the June 9 peak: Energy (up 2.0% to 12.2%), Utilities (down 2.7% to 13.5%), Consumer Staples (down 3.2% to 7.1%), Industrials (down 3.6% to 10.0%), Information Technology (down 6.1% to 23.9%), Real Estate (down 6.7% to 16.7%), Financials (down 7.2% to 17.6%), S&P 500 (down 7.9% to 12.4%), Consumer Discretionary (down 8.9% to 7.1%), Communication Services (down 11.5% to 14.3%), Health Care (down 12.0% to 9.7%), and Materials (down 18.9% to 11.0%). These are the best performing industries since the June 9 peak: Wireless Telecommunication Services (up 65.8% to 11.2%), Oil & Gas Refining & Marketing (up 65.3% to 5.6%), Casinos & Gaming (up 52.3% to 3.4%), Airlines (up 26.6% to 5.1%), Reinsurance (up 20.4% to 14.1%), and Oil & Gas Equipment & Services (up 17.9% to 10.8%). The worst performing industries since the June 9 peak: Alternative Carriers (down 75.1% to 2.2%), Commodity Chemicals (down 43.8% to 5.7%), Home Furnishings (down 39.9% to 5.4%), Housewares & Specialties (down 37.0% to 5.2%), Copper (down 35.1% to 12.5%), and Health Care REITs (down 35.0% to 4.3%).

US Economic Indicators

Construction Spending (*link*): Construction spending remains stalled at record highs, dipping 0.8% during the two months ending January, from November's record high. *Private construction* was flat last month after a 0.8% loss and a 1.9% gain the prior two months, and is only 0.8% below last July's record high. *Public construction* spending fell for the second month, by a total of 0.9% from November's record high. Within private construction spending, residential investment contracted for the eighth successive month since reaching a record high last May, slumping 10.4% over the period after not posting a decline since May 2020. The recent weakness in *residential* investment was driven by *single-family* construction spending, which hasn't recorded a gain since last April, plunging 22.1% during the eight months through January. Meanwhile, *multi-family* construction has soared 19.4% over the six months through January to a new record high. *Home improvement* spending

has increased 1.7% over the three months ending January, after sliding 8.7% during the three months through October from July's record high. *Private nonresidential* spending has advanced in eight of the past nine months, by 19.2%, reaching a new record high in January.

US Manufacturing PMI (*link*): ISM's February M-PMI contracted for the fourth month following 29 consecutive months of expansion, as spending is shifting away from goods toward services, though the measure moved up for the first time in six months. Since peaking at 63.8 in March 2021, the M-PMI dropped to a 32-month low of 47.4 this January, ticking up to 47.7 this month. Both the *new orders* (to 47.0 from 42.5) and *production* (47.3 from 48.0) measures remained in contractionary territory, though the former moved up toward the breakeven point of 50.0, while the latter sank to its lowest level since May 2020. In the meantime, the *employment* (49.1 from 50.6) gauge continues to hover around 50.0, dipping below this month after two months above. It has averaged 49.8 the past six months. The *supplier deliveries* measure was little changed for the second month at 45.2, after plummeting from 78.8 during May 2021 to 45.1 by December 2022—the lowest since March 2009. (A reading below 50.0 indicates faster deliveries to factories.) The *backlog* of orders subindex remains below 50.0, climbing the past three months to 45.1 after plummeting from 70.6 during May 2021 to 40.0 in November—the lowest since May 2020. ISM's *prices-paid* measure rose for a second month, to 51.3 in February, after falling from 87.1 in March 2022 to a 32-month low of 39.4 at the end of last year; it was at 92.1 in mid-2021—which was the fastest since the summer of 1979.

Global Economic Indicators

Global Manufacturing PMIs (*link*): "Global manufacturing output returns to growth as supply chain constraints ease and mainland China reopens" was the headline of the February release. The JP Morgan Global M-PMI increased for the second month to the breakeven point of 50.0 this month, after falling steadily from 52.3 last May to 48.7 by the end of 2022—which was the lowest reading since mid-2020. Manufacturing output increased during the month, as solid growth in consumer and investment goods more than offset the continued downturn in intermediate goods. The report notes that growth in North America, Europe, and South America remained weak (on average) compared to Asia. February data are available for 30 nations, with 17 signaling expansions in output. Here's how February M-PMIs ranked by country/region from highest to lowest: India (55.3), Thailand (54.8), Russia (53.6), Philippines (52.7), Canada (52.4), Italy (52.0), Greece (51.7), China (51.6), Ireland (51.3), Indonesia (51.2), Vietnam (51.3), Kazakhstan (51.2),

Myanmar (51.1), Mexico (51.0), Spain (50.7), Australia (50.5), Turkey (50.1), WORLD (50.0), Colombia (49.8), UK (49.3), Brazil (49.2), Taiwan (49.0), Netherlands (48.7), Poland (48.5), EUROZONE (48.5), Malaysia (48.4), Japan (47.7), France (47.4), US (47.3), Austria (47.1), Germany (46.3), and Czech Republic (44.3).

Eurozone Economic Sentiment Indicators (*link*): The recoveries in the Economic Sentiment Indexes (ESI) for both the EU and Eurozone halted in February following a three-month advance. The ESI for the EU was unchanged at 97.8 last month, after increasing 5.0 points the prior three months from last October's 92.8. The Eurozone's measure ticked down 0.1 point to 99.7 after climbing from 93.8 last October to 99.8 this January. ESIs among the *six largest EU economies* were a mixed bag: Spain (-2.0 points to 99.5) and France (-1.5 to 97.1) saw declines in their ESIs in February, while the Netherlands (+2.9 to 97.5) saw a gain and Germany's (+0.1 to 97.9) and Poland's (-0.2 to 89.8) ESIs were basically flat. *By sector*, consumer confidence increased for the fifth straight month in February, by a total of 9.2 points to -20.6, after plunging to a record low of -29.8 in September, while retail trade confidence climbed 6.1 points over the five-month period to -0.9. Services confidence slipped 0.9 point to 7.3 after a three-month climb of 4.1 points to a six-month high of 8.2, while industrial confidence dipped 0.5 point to -0.6 after a two-month uptick of 2.0 points to -0.1. Meanwhile, construction confidence was unchanged in February at -1.5, down 2.2 points from December.

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