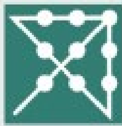

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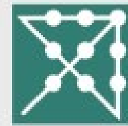

MORNING BRIEFING
April 10, 2023

It Still Looks & Walks Like A Duck

Check out the accompanying chart collection.

Executive Summary: The tug-of-war between the hard-landers and the soft-landers continues. The twists and turns of recent economic-outlook-impacting events have been taking investors for a ride, but our stance remains steadfastly fixed on one outcome: a soft landing of the broad economy with mini recessions continuing to roll through various sectors. … Friday's labor market report supports our soft-landing thesis. … While hard-landers think the banking crisis will trigger a credit crunch, causing a recession, we doubt it—believing that scenario will be avoided by the actions taken by the Fed and FDIC. … And: Dr. Ed reviews "Tetris" (+ + +).

YRI Weekly Webcast. Join Dr. Ed's live webcast with Q&A on Mondays at 11 a.m. EST. You will receive an email with the link one hour before showtime. Replays of the weekly webcasts are available *here*.

US Economy I: Rollercoaster Ride & Rolling Recession. At the start of this year, the widespread economic consensus was that a hard landing is coming. The consensus changed dramatically during February, when January's stronger-than-expected economic indicators suggested that a no-landing scenario was more likely. Last week's batch of economic indicators revived concerns about a hard landing. Debbie and I watched this rollercoaster ride with our feet firmly planted on the ground. The outlook still looks like a soft landing to us. We think that the economy has been in a rolling recession since early last year and is likely to remain in it during the first half of this year.

We can see the rollercoaster ride in the Citigroup Economic Surprise Index (CESI) and in the ups and downs of the 10-year US Treasury bond yield. The CESI peaked late last year at 25.5 on October 20 and 21 (*Fig. 1*). It fell to this year's low (so far) of -24.7 on January 18. It rebounded to 61.3 on March 28. It was back down to 31.4 on April 6.

I (Ed) stay away from rollercoaster rides because they make my head spin. The bond market ride has also been a head spinner so far this year. The 10-year bond yield was 3.79% at the start of this year (*Fig. 2*). It jumped to 4.08% on March 2 and dropped back down to 3.39% at the end of last week. The 2-year yield was just as volatile, as market sentiment flipped from expectations of more Fed tightening in February to suppositions that

the Fed is done or almost done. We are in the Fed-is-done-or-should-be-done-soon camp. The 6-month federal funds future yield fell from a peak of 5.67% on March 8 to a low of 4.23% on March 15 and was back up at 4.82% on April 7 (*Fig. 3*).

Also on a rollercoaster ride has been the Atlanta Fed's *GDPNow* tracking model, which at the end of January started with a 0.7% (saar) estimate for Q1's real GDP growth rate. As more of the quarter's economic indicators were released, the growth rate was revised steadily higher, to 3.5% on March 23. Since then, it has been revised back down to 1.5% on April 5.

Rollercoaster rides are the main attraction at most amusement parks. Rolling recessions aren't amusing, but they beat hard landings.

US Economy II: Labor Crunch. Last Friday's labor market report doesn't support the hard-landing scenario. It does support the soft-landing one. The same can be said for last Tuesday's JOLTS report, which showed that while job openings fell by 632,000 during February, they remained plentiful at 9.9 million, or 1.7 open positions for every unemployed person (*Fig. 4*). This is consistent with the recent solid readings of the Conference Board's "jobs plentiful" survey and the NFIB's "small business with job openings" (*Fig. 5*).

Here is the list of February's help-wanted count among the major industries from highest to lowest: professional & business services (1.8 million), health care & social assistance (1.7 million), leisure & hospitality (1.5 million), retail trade (829,000), state & local government ex-education (535,000), transportation, warehousing & utilities (488,000), financial activities (476,000), durable goods manufacturing (475,000), and construction (412,000).

Here's more on the latest labor market readings:

(1) *Jobs.* The March payroll gain was 236,000, a solid increase though it was the lowest monthly gain since December 2020. The February gain was revised higher by 15,000 to 326,000. Even better was that household employment (which counts the number of people with jobs rather than the number of jobs) was up 577,000 during the month to yet another record high. That exceeded the 480,000 increase in the labor force, so the unemployment rate fell from 3.6% during February to 3.5% during March. Best of all is that the number of workers with full-time jobs rose 1.15 million during March to a record high, according to the household survey (*Fig. 6*). The number of workers with part-time jobs fell 342,000 during March.

(2) *Coincident indicators.* Payroll employment (the number of jobs) is one of the four components of the Index of Coincident Economic Indicators (CEI). The other three (i.e., real personal income less transfer payments, industrial production, and real manufacturing & trade sales) might weigh down the CEI. From Friday's report, we know that the aggregate number of weekly hours worked in manufacturing was flat m/m during March following a 0.5% decline in February. That suggests that industrial production (a CEI component) was also flat in March (*Fig. 7*).

(3) *Earned Income Proxy.* Inflation-adjusted personal income is also a CEI component. Friday's employment report showed that our Earned Income Proxy (EIP) for private wages and salaries in personal income rose just 0.1% m/m (*Fig. 8*). The 0.1% and 0.3% increases in payroll employment and average hourly earnings were offset by a 0.3% drop in average weekly hours. The latter fell to 34.4 hours during March, which is back within the "old normal" range before the pandemic (*Fig. 9*).

(4) *Sales.* The fourth component of the CEI is inflation-adjusted manufacturing & trade sales (MTS). Our inflation-adjusted EIP probably fell 0.3% m/m during March. If so, that would have weighed on disposable personal income and on retail sales, which is included in MTS.

(5) *Bottom line.* There's no hard landing suggested by the latest employment report. All in all, the data for payrolls and the other CEI components add up to a soft landing. Nevertheless, when the March CEI is released on April 20, it could be only the second decline in the series since last March. The CEI has been making new record highs since October 2021 even as the Index of Leading Economic Indicators has declined every month since hitting its record high on February 2022 (*Fig. 10*).

US Economy III: Credit Crunch. The hard-landers aren't impressed by the strength of the labor market. In their opinion, the banking crisis that started in early March is inevitably going to morph into an economy-wide credit crunch, which will cause a recession.

The soft-landers (including us) believe that the actions taken by the Fed and FDIC to avoid a run of bank runs should work. If so, then there will be enough strength in the labor market to keep the consumers spending. In addition, spending on multi-family housing construction, public infrastructure, ongoing onshoring of supply chains, and green new deals should keep the economy growing, albeit at a slow pace for a while longer.

Whether hard or soft, we are all landers now. We are all watching the Fed's *H.4.1 release* on Thursdays at 4:15 pm and the Fed's *H.8 release* on Fridays at 4:15 pm. The former is

titled “Factors Affecting Reserve Balances of Depository Institutions” and includes weekly data on emergency borrowing by the banks from the Fed. The latter shows the weekly assets and liabilities of the banking system, including deposits, securities, loans, and borrowings. Needless to say, all these variables are important for assessing whether the banking crisis is abating or morphing into a widespread credit crunch.

So, let’s assess the latest weekly data starting with the first week of March, just before Silicon Valley Bank (SVB) imploded on March 10:

(1) *Deposits.* Even though Friday was a bank holiday, the folks at the Fed stayed around to release the H.8 data. We can compare the commercial bank assets and liabilities since the March 8 week (just before the SVB calamity) and the March 29 week (the latest data). Let’s start with deposits to assess whether the Fed and FDIC have succeeded in averting a widespread bank run.

Apparently so. During this period, deposits declined by $411.2 billion with outflows from large, small, and foreign-related banks of $62.6 billion, $235.3 billion, and $113.3 billion (*Fig. 11*). The pace of outflows has slowed to $64.7 billion during the latest week.

(2) *Borrowing.* According to the latest H.4.1 release, showing averages of daily figures through Wednesdays, loans by the Fed totaled $326.4 billion as of the week ended April 5, up $311.0 billion since the week ended March 1. That’s down by $31.6 billion versus the week before. That’s a bit of a relief.

Over this same period, the H.4.1 release shows that “primary credit loans” (i.e., borrowing by banks from the discount window) rose by $66.4 billion to $71.0 billion, which was down $33.9 billion from the week before. Loans by the Bank Term Funding Program (i.e., the new liquidity facility created on March 12) rose to $68.2 billion.

“Other credit extensions” by the Fed jumped from zero before the SVB crisis to $177.9 billion during the April 5 week. This item consists of loans that were extended to depository institutions established by the FDIC, namely SVB and Signature Bank. The Federal Reserve Banks’ loans to these depository institutions are secured by collateral and the FDIC provides repayment guarantees.

The H.8 data show a similar spike in bank borrowings, of $546.0 billion to $2.5 trillion (*Fig. 12*). That jump was attributable to increases of $304.4 billion, $175.0 billion, and $66.6 billion at large, small, and foreign-related banks.

(3) *Securities.* On March 29, banks in the US had $5.2 trillion in securities, consisting of $4.2 trillion in Treasury and agency securities and $1.1 trillion of other securities (*Fig. 13*). From March 8 through March 29, securities held by banks fell $219.2 billion. Much of that might have represented maturing securities that weren't rolled over to offset deposit losses.

(4) *Lending.* On March 29, loans and leases at all US banks totaled $12.1 trillion. They are down $38.5 billion since March 8. The record high of $12.2 trillion in this series occurred on March 15 (*Fig. 14*).

Commercial and industrial loans edged down during the March 29 week (*Fig. 15*). The same can be said for commercial real estate loans. But residential real estate and consumer loans rose to record highs.

The big worry isn't about lending by the big banks, but rather by the small banks, particularly in their commercial real estate portfolios (*Fig. 16* and *Fig. 17*). The latter group currently accounts for $1.9 trillion of such loans, or 67% of the total held by the banks.

(5) *Loan losses.* Last but not least is the H.8 weekly data on allowances for loan losses (*Fig. 18*). These series have been remarkably stable during the banking crisis, so far. From March 8 through March 29, it is up a piddling $1.5 billion! What banking crisis?

Let's see what the big banks have to say on this subject during their earnings conference calls this coming week.

(6) *Bottom line.* Don't head for the hills just yet. There's no credit crunch so far in the bank loans data. The run on bank deposits seems to be slowing, as banks have tapped into the Fed's liquidity facilities. Worry, but be happy.

(7) *Special resources.* You can monitor charts of the weekly H.8 banking data in our *Commercial Banks Book*. You can also follow the weekly H.4.1 data including the Fed's emergency lending facilities in our *Fed's Balance Sheet*.

Movie. "Tetris" (+ + +) (*link*) is a fascinating docudrama about the fourth best-selling video game for Nintendo Entertainment Systems. It was released in November 1989 and sold more than 8 million copies. It was invented by a Russian programmer. The movie is about the free-for-all attempts by various competitors to get the worldwide distribution rights for the game, including for Game Boy, Nintendo's game-changing device. Among the interested parties was Robert Maxwell, who needed a big hit to bail out his media company

after he had stolen millions of pounds from its employee retirement fund. He lost his bid and his life when he drowned after apparently falling off his yacht, the *Lady Ghislaine*, named after his now infamous daughter.

Calendars

US: **Mon:** Wholesale Inventories & Sales; IMF Meetings; Williams. **Tues:** NFIB Small Business Optimism; API Weekly Crude Oil Inventories; WASDE Reports; IMF Meetings; Harker; Kashkari. (Bloomberg estimates)

Global: **Mon:** Eurozone Sentix Confidence; UK BRC Retail Sales Monitor; Japan Household Confidence 31.9; Australia Westpac Consumer Sentiment; NAB Business Confidence; Chia CPI 0.2%m/m/1.9%y/y; China PPI -1.3% y/y. **Tues:** Eurozone Retail Sales -0.8%m/m/-3.5%y/y; Eurozone Sentix Investor Confidence -9.8; Japan Machine Tools; Japan Core Machinery Orders -7.8%m/m/2.9%y/y; Japan PPI -0.3%m/m/-13.8%y/y; China Total Social Financing; . (Bloomberg estimates)

Strategy Indicators

Global Stock Markets Performance (*link*): The US MSCI index fell 0.3% last week for its first decline in four weeks, but remained out of a bear market in a 15.7% correction from its record high on December 27, 2021. The US MSCI ranked 32nd of the 48 global stock markets that we follow in a week when 25 of the 48 countries rose in US dollar terms. The AC World ex-US index rose 0.2% for only its fourth gain in 10 weeks, and moved further out of a bear market to end the week at 16.8% below its June 15, 2021 record high. EM Eastern Europe was the best regional performer with a 2.3% gain, ahead of EMEA (2.1%), EAFE (0.4), and EMU (0.4). EM Latin America (-1.3) was the worst performing region last week, followed by EM Asia (-0.5) and BIC (-0.4). The Czech Republic was the best-performing country last week, with a gain of 6.6%, followed by Hungary (6.3), Colombia (5.0), Sri Lanka (2.7), and Greece (2.4). Among the 24 countries that underperformed the AC World ex-US MSCI last week, the 6.5% decline for Jordan was the biggest, followed by Chile (-3.9), Sweden (-2.5), Ireland (-2.2), and Peru (-1.9). Looking at 2023's performance so far, the US MSCI is up 7.0% as its ytd ranking fell five spots w/w to 20/48. The AC World ex-US's ytd gain of 6.4% is underperforming the US, with 31/48 countries in positive territory. EMU is the best performer ytd, with a gain of 14.4%, followed by EAFE (8.1) and EM Eastern

Europe (6.6). The regional laggards so far in 2023: EMEA (-0.5), BIC (0.2), EM Latin America (1.8), and EM Asia (4.1). This year's best ytd country performers: the Czech Republic (41.8), Mexico (18.2), Ireland (18.1), Greece (17.9), and Spain (17.6). Here are the worst-performing countries of the year so far: Pakistan (-26.0), Colombia (-10.8), Turkey (-10.1), Norway (-7.0), and India (-5.2).

S&P 500/400/600 Performance (*link*): All three of these indexes moved lower last week. LargeCap ticked down 0.1% w/w, much less than the 2.6% and 2.7% declines for MidCap and SmallCap. By Friday's close, SmallCap moved back into a bear market while LargeCap and MidCap remained in a correction. LargeCap finished the week at 14.4% below its record high on January 3, 2022, MidCap at 15.9% below its record high on November 16, 2021, and SmallCap at 21.6% below its November 8, 2021 record high. Ten of the 33 LargeCap and SMidCap sectors moved higher for the week compared to all 33 rising a week earlier. LargeCap Utilities and LargeCap Health Care were the best performers with gains of 3.1%, ahead of LargeCap Energy (3.0), SmallCap Utilities (2.7), and LargeCap Communication Services (2.3). Among the worst performers for the week were SmallCap Industrials (-5.5), MidCap Tech (-5.1), MidCap Industrials (-5.1), SmallCap Tech (-4.3), and SmallCap Consumer Discretionary (-4.2). Looking at performances so far in 2023, LargeCap, with a 6.9% gain, has moved further ahead of MidCap (0.7) and SmallCap (-0.6) as 21 of the 33 sectors are higher ytd. The top sector performers in 2023: LargeCap Communication Services (23.0), LargeCap Tech (20.1), LargeCap Consumer Discretionary (12.3), SmallCap Communication Services (10.1), and MidCap Tech (8.6). Here are 2023's biggest laggards: SmallCap Financials (-14.2), MidCap Financials (-9.9), MidCap Energy (-9.5), SmallCap Energy (-7.6), and LargeCap Financials (-6.7).

S&P 500 Sectors and Industries Performance (*link*): Five of the 11 sectors rose last week, and five outperformed the composite index's 0.1% decline. That compares to a 3.5% gain for the S&P 500 a week earlier, when all 11 sectors rose and six outperformed the index. Utilities and Health Care were the best performers with gains of 3.1%, followed by Energy (3.0%), Communication Services (2.3), and Consumer Staples (0.9). Industrials was the worst performer with a 3.4% decline, followed by Consumer Discretionary (-3.0), Materials (-1.3), Tech (-1.1), Real Estate (-0.8), and Financials (-0.6). Looking at 2023's performance so far, the S&P 500 is up 6.9% ytd with just three sectors outperforming the index and six higher for the year. The best ytd performers: Communication Services (23.0), Tech (20.1), and Consumer Discretionary (12.3). These are 2023's worst performers: Financials (-6.7), Energy (-2.7), Health Care (-1.8), Utilities (-1.0), Industrials (-0.4), Real Estate (0.3), Consumer Staples (1.1), and Materials (2.4).

S&P 500 Technical Indicators (*link*): The S&P 500 fell 0.1% last week and weakened relative to its 50-day moving average (50-dma) and 200-day moving average (200-dma). The index was above its 50-dma for a second week and its 200-dma for a third week. It had been above its 200-dma for eight weeks through early March in its longest positive 200-dma streak since it was above for 81 straight weeks through January 2021. The S&P 500's 50-dma dropped to 1.9% above its 50-dma from a six-week high of 2.2% a week earlier and compares to a 20-week low of 3.6% below at the beginning of March. That also 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 4.0% above its rising 200-dma, down from a six-week high of 4.3% above its rising 200-dma a week earlier and compares to a nine-week low of 0.3% in early March. That also compares to a 13-month high of 5.1% above in early February. 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. The 50-dma and 200-dma each moved higher for a third week, but the 200-dma has risen in just eight of the past 47 weeks.

S&P 500 Sectors Technical Indicators (*link*): Six of the 11 S&P 500 sectors are trading above their 50-dmas, down from seven sectors above a week earlier. Consumer Discretionary, Financials, Industrials, Materials, and Real Estate are the only sectors still trading below their 50-dmas. Five sectors have a rising 50-dma, unchanged from a week earlier as for sectors switched during the week. Health Care and Utilities joined these other three sectors in the rising 50-dma club: Communication Services, Consumer Staples, and Tech. Looking at the more stable longer-term 200-dmas, the club grew to eight members from seven a week earlier as these two sectors joined in the latest week: Health Care and Utilities. Consumer Discretionary joined these two other sectors still trading below their 200-dmas: Financials and Real Estate. The rising 200-dma club rose to nine members from seven a week earlier with the addition of Communication Services and Financials. Real Estate and Utilities are now the only members of the falling 200-dma club.

US Economic Indicators

Employment (*link*): Payroll employment in March recorded its weakest gain since the end of 2020, climbing 236,000, following gains of 326,000 and 472,000 the prior two months. February's gain was revised up by 15,000, while January's was revised down by 32,000, for a net loss of 17,000. *Total payroll* employment has moved above its pre-pandemic level by 3.2 million. Jobs gains in *private service-providing* industries increased 196,000 in March, after averaging gains of 283,500 the first two months of this year, while *goods-producing* jobs fell for the first time since April 2021, shedding 7,000 jobs in March, led by a 9,000 decline in construction jobs, while factory employment edged down 1,000 and mining & logging ticked up 3,000. Within *service-providing*, leisure & hospitality (72,000) once again posted the largest gain, though was weaker than the average 95,000 gain the prior six months—and is below its pre-pandemic level by 368,000. Jobs in professional & business services (39,000) was in line with gains the prior six months, while job gains in health care fell short of its six-month average, rising 34,000 last month, 20,000 below its prior six-month average of 54,000. The 17,000 gain in social assistance last month was in line with recent gains. Transportation & warehousing saw an increase of 10,400 in March, though it has been showing a volatile up-and-down pattern in recent months. Retail trade lost 14,600 jobs in March after rebounding 90,300 during the three months through February from a 62,300 drop during the three months through November. Turning to *government* jobs, they increased 47,000 in March, slowing steadily from January's 119,000, with federal, state, and local government payrolls all showing smaller gains. Here's a list of the *industries that are above their February 2020 pre-pandemic levels*: professional & business services (+1.5 million), transportation & warehousing (+940,800), construction (+280,000), health care (+253,200), financial activities (+229,000), information services (+185,000), wholesale trade (+162,400), social assistance (+139,900), education (+119,100), nondurable goods manufacturing (+106,000), durable goods manufacturing (+92,000), and retail trade (+6,900). Here are the *industries that are below their February 2020 pre-pandemic levels*: mining & logging (-51,000) and leisure & hospitality (-368,000).

Wages (*link*): Average hourly earnings for all workers in March rose 0.3%, following gains of 0.2% and 0.3% the prior two months. The yearly rate slowed to a 21-month low of 4.2%, down from its recent high of 5.9% during March 2022. March's rate was below the February inflation-rate gains of 6.0% and 5.0% in the CPI and PCED measures, respectively. Private industry wages over the three months through March increased 3.2% (saar), a percentage point below the yearly rate of 4.2%, with the service-providing (2.7%, saar & 4.2 y/y) industries' three-month rate 1.5ppts below its yearly rate, while the three-month and yearly

rates for goods-producing (4.7 & 4.6) industries were basically the same. *Service-providing industries showing three-month rates above their yearly rates*: utilities (8.6 & 5.5), retail trade (5.8 & 4.1), and transportation & warehousing (4.3 & 3.7). *Service-providing industries showing three-month rates below their yearly rates*: other services (-1.8 & 3.1), education & health services (1.1 & 3.9), information services (1.8 & 5.5), financial activities (2.4 & 3.9), leisure & hospitality (3.5 & 6.1), while the three-month and yearly rates for professional & business services (4.2 & 4.4) and wholesale trade (4.0 & 4.2) were similar. *Goods-producing industries*: The three-month rates are above yearly rates for natural resources (6.6 & 4.7) and durable goods manufacturing (5.2 & 3.7), and below for nondurable goods manufacturing (3.5 & 4.1) and construction (4.3 & 5.4) industries.

Earned Income Proxy (*link*): Our Earned Income Proxy (EIP), which tracks consumer incomes and spending closely, recorded its 34th increase in the past 35 months, though slowed to 0.1% in both February and March from 1.2% in January; it's up 36.3% over the period to yet another record high. In March, *average hourly earnings* advanced 0.3%, with *aggregate weekly hours* down 0.2%, as the average workweek fell 0.1% for the second month, after rebounding 0.8% in January. Over the past 12 months, our EIP slowed to a two-year low of 6.3%—with aggregate weekly hours up 2.1% and average hourly earnings up 4.2%—slowing from January's 8.1%; it had been fluctuating between 7.2% and 8.1% since November and peaked last February at 11.8%, which was the fastest since spring 2021.

Unemployment (*link*): The unemployment rate in March slipped to 3.5%, as the gain in household employment (577,000) exceeded the increase in the civilian labor force (480,000); this followed an uptick from January's 54-year low of 3.4% to 3.6% in February. The participation rate in March reached a three-year high of 62.6%, rising steadily 62.2% in November. *By race*: Unemployment rates in March fell for African Americans (to 5.0% from 5.7%), Hispanics (4.6 from 5.3), and Asians (2.8 from 3.4), while the rate for Whites was unchanged at 3.2%—only 0.2ppt above its 3.0% record low. *By education*: The March rate for those with less than a high-school diploma (to 4.8% from 5.8%) posted the biggest drop by far, followed by those with some college or an associate degree (3.0 from 3.2), with the rate for those with a college degree holding steady at 2.0%. Meanwhile, the rate for those with a high school degree (4.0 from 3.6) moved higher.

Global Economic Indicators

Germany Industrial Production (*link*): Output rebounded in February for the second

month, boosted by an easing of supply-chain bottlenecks and lower energy prices. Germany's *headline production, which includes construction*, climbed for the second month, by 2.0% in February and 5.8% over the period, with the yearly rate (0.6%) moving back above zero. Meanwhile, *production excluding construction* (which the overall Eurozone uses) rose 4.0% the first two months of the year. Construction output rebounded 15.3% the first two months of this year, with most of the gain occurring in January, after a 9.2% drop the final two months of last year. Manufacturing output expanded 4.3% over the two months through February, on widespread gains, with production of motor vehicles & parts—Germany's largest industrial sector—expanding 7.6% last month. Looking at the main industrial groupings, *output of capital goods* expanded for the seventh successive month, by 9.9%, while *output of intermediate goods* soared 7.9% during the two months through February after slumping two of the prior three months of last year by 6.9%. *Consumer durable goods production* rose for the first time in six months, by 2.2%, after a five-month slide of 8.9%, while *consumer nondurable goods production* climbed for the third time in four months, by 1.3% in February and 2.1% over the period. On a *year-over-year* basis, only capital goods production (9.9% y/y) was in the plus column, while the remaining industrial groupings were in the red: intermediate goods (-4.7), consumer durable goods (-4.2), and consumer nondurable goods (-4.1) output. The strong industrial production report follows last week's factory orders report, which showed billings rebounding on strong orders from both inside and outside the Eurozone.

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