MORNING BRIEFING
July 10, 2023

Fully Employed

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Executive Summary: June's newly released employment report gives us clues about June's not-yet-released CEI, and the CEI closely tracks GDP. So from the employment report, we extrapolate that June's CEI will likely confirm that real GDP grew around 2.0% y/y during Q2, close to the Atlanta Fed's current prediction (2.1%). A recession is still possible if the Fed keeps tightening, but we see just a 25% chance of a hard landing. … Also: A look at our resilient labor market. Wage inflation continues to moderate, but wages adjusted for inflation have resumed their growth trend—suggesting revived productivity growth. … And: Dr. Ed reviews "The Diplomat" (+ +).

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US Labor Market I: Another Soft-Landing Month. Friday's employment report released by the Bureau of Labor Statistics (BLS) suggests that the Index of Coincident Economic Indicators (CEI) probably rose slightly in June, by 0.2%, to yet another record high. The CEI has posted only one decline over the past 11 months, climbing 1.9% over the period. That's even though the Index of Leading Economic Indicators (LEI, which historically has predicted changes in the economic cycle by an average of 12 months in advance) has fallen sharply since peaking during December 2021 (*Fig. 1*). Real GDP growth on a y/y basis tracks the comparable growth rate of the CEI (*Fig. 2*). The former was up 1.8% during Q1, while the latter was up by the same amount through May.

Let's review the outlook for June's CEI based on what we know from June's employment report:

(1) *Payroll employment* is one of the four components of the CEI (*Fig. 3*). It rose 209,000 m/m during June to a new record high. It counts the number of jobs both full-time and part-time. Among payroll employment, the following industries rose to record highs during June: construction, educational services, financial activities, heavy & civil engineering construction, health care & social assistance, hospitals, professional & business services, transportation & warehousing, and wholesale trade.

The household measure of employment, which measures the number of workers with one or more jobs, rose 273,000 during June, led by a 382,000 increase in full-time employment to a record high (*Fig. 4*). The labor force rose less than household employment; it rose by 133,000, so the unemployment rate fell from 3.7% in May to 3.6% in June. The labor market's performance continues to be very impressive indeed.

(2) *Real personal income less transfer payments* rose 0.3% m/m during May. The biggest component of this CEI series is wages and salaries. In June, our Earned Income Proxy (EIP) for private-sector wages and salaries rose 0.8% m/m in current dollars as the workweek rose 0.3%, payrolls increased 0.1%, and average hourly earnings increased 0.4% (*Fig. 5*). It's likely that the headline PCED rose 0.2% m/m in June. If so, then our inflation adjusted EIP rose by a solid 0.6% to a new record high in June (*Fig. 6*).

Also likely rising to a new record high in both nominal and real terms during June is the sum of the following components of personal income: dividend income, interest income, proprietor's income, and rental income (*Fig. 7* and *Fig. 8*). During May, these four sources of income totaled $6.3 trillion compared to $11.7 trillion for wages and salaries, and the four together accounted for 27.3% of personal income. Collectively, they were up 0.3% m/m and 5.5% y/y during May to yet another record high.

(3) *Real manufacturing & trade sales* is an estimated component of the CEI. It includes retail sales, which will be released for June on July 20. At the same time, the sales of total manufacturing and trade will be released only through May. In the past, inflation adjusted retail sales was highly correlated with our EIP since the main source of purchasing power for most Americans is wages and salaries (*Fig. 9*).

However, real retail sales has been flat on a record-high plateau since early 2022 following consumers' goods-buying binge during the pandemic. Real retail sales probably rose slightly in June. We do know that retail motor vehicle sales rose 4.4% m/m during June to 15.8 million units (saar) (*Fig. 10*).

(4) *Industrial production* is the fourth component of the CEI. Again, June's employment report provides a good clue for what it did last month. Aggregate weekly hours worked in manufacturing was flat during June, suggesting the month's industrial production will be flat too (*Fig. 11*). That's confirmed by the weakness in the M-PMI's production and new orders components during June (*Fig. 12*).

(5) *Bottom line.* June's CEI is likely to confirm that real GDP continued to grow by around

2.0% y/y during Q2. As of July 6, the Atlanta Fed's *GDPNow* tracking model predicted that real GDP rose 2.1% q/q (saar) during Q2.

On the other hand, the LEI likely fell again in June. In our opinion, the LEI has been a misleading indicator lately. Even so, a recession remains possible, maybe next year, if the Fed continues to tighten monetary policy because the economy remains resilient (as demonstrated by the CEI) and inflation remains persistent. Nevertheless, our subjective odds of a soft-versus-hard landing remain at 75/25 through the end of next year, for now.

US Labor Market II: Wage Inflation Still on Moderating Trend. Friday's employment report didn't provide much relief on the inflation front. Average hourly earnings (AHE) for all workers rose 4.4% y/y during June, the same as in May (*Fig. 13*). However, that's down from last year's peak of 5.9% during March. AHE for production and nonsupervisory workers peaked last year at 7.0% and was down to 4.7% in June.

Fed Chair Jerome Powell frequently has said that wage inflation around 3.0% would be more consistent with the Fed's 2.0% target for consumer price inflation. We think that both can get to those levels with the current restrictiveness of monetary policy and without a recession. Another 50bps hike in the federal funds rate during the second half of this year wouldn't change our view. A hike greater than that would.

The good news is that inflation adjusted AHE for production and nonsupervisory workers, who account for about 80% of payroll employment, has been rising along its long-term 1.2% annualized growth rate again for the past six months after stagnating over the past three years (*Fig. 14*). We've contended that consumers' spending will continue to grow even once they deplete their excess saving (accumulated during the pandemic) because we expect that real wages will grow. So far, so good. By the way, rising real wages suggests that productivity growth is making a comeback.

US Labor Market III: Revisions, Job Openings, Quits & ADP. It was hard to find anything wrong with June's employment report. But the nattering nabobs of negativism pounced on the 196,000 downward revisions in payroll employment during the first five months of this year (*Fig. 15*). Even so, payrolls rose by 1.46 million over that period.

Among Fed Chair Powell's favorite labor market indicators is job openings. The latest reading is for May (*Fig. 16*). It edged down but remained elevated at 9.8 million, or 1.6 jobs for each unemployed worker. Meanwhile, we know that job openings remained high during June based on the "jobs plentiful" series included in the consumer confidence survey and the “small business with job openings” series from the National Federation of Independent Business’s survey of small business owners. The jobs plentiful series is also highly correlated with quits, which rose in May and remained elevated at 4.0 million (*Fig. 17*).

Finally, the following table compares June’s BLS and ADP measures of employment on a m/m and y/y basis. They can differ quite a bit on a m/m basis and even on a y/y basis. The devil definitely is in the detail. Our conclusion is that the labor market remains strong, but not as strong as suggested by June’s ADP report.

BLS vs ADP Payroll Employment Through June 2023

	BLS (m/m)	ADP (m/m)	BLS (y/y)	ADP (y/y)
Change in US Private Employment	**149,000**	**497,000**	**3.19 mil**	**3.21mil**
Goods-producing	**29,000**	**124,000**	**403,000**	**609,000**
Natural resources/mining	-1,000	69,000	35,000	293,000
Construction	23,000	97,000	198,000	362,000
Manufacturing	7,000	-42,000	170,000	-46,000
Service-providing	**120,000**	**373,000**	**2.79 mil**	**2.60 mil**
Trade/transportation/utilities	-22,000	90,000	202,000	439,000
Information	0	-30,000	6,000	-56,000
Financial activities	10,000	-16,000	101,000	-132,000
Professional/business services	21,000	-5,000	472,000	205,000
Education/health services	73,000	74,000	1.03 mil	537,000
Leisure/hospitality	21,000	232,000	802,000	1.40 mil
Other services	17,000	28,000	181,000	205,000

Movie. “The Diplomat” (+ +) (*link*) is an eight-part mini-series on Netflix starring Keri Russell, who plays a career diplomat sent to London to be the US ambassador to the United Kingdom during an international crisis. Her husband, played by Rufus Sewell, is a retired high-profile diplomat in his own right, but is the ambassador’s “wife,” who is constantly meddling in her professional affairs. The series starts off slowly but picks up steam by the third episode.

Calendars

US: Mon: Consumer Credit \$20.0b; Consumer Inflation Expectations; Barr; Bostic; Daly; Mester. **Tues:** NFIB Small Business Optimism Index; Weekly Crude Oil Inventories; Bullard. (Bloomberg estimates)

Global: Mon: Eurozone Sentix Investor Confidence -17.9; UK BRC Retail Sales Monitor; Australia Westpac Consumer Sentiment 2.7%; Australia NAP Business Confidence; Nagel;

Bailey. **Tues:** Eurozone Economic Sentiment; Germany CPI 0.3%m/m/6.1%y/y; Germany ZEW Economic Sentiment & Current Conditions -10.0'-59.4; Italy Industrial Production 0.7%m/m/-1.0%y/y; UK NIESR GDP Estimate; UK Employment Change 3m/3m 158k; UK Claimant Count Change -8.6k; UK Average Earnings Including & Excluding Bonus 6.8%/7.1%; UK Unemployment Rate 3.8%; Japan Machine Tool Orders; Japan Core Machinery Orders 1.0%m/m/-0.2%y/y; Japan PPI 0.1%m/m/4.3%y/y; China New Loans ¥2.34b; China Total Social Financing ¥3.00b; China M2 11.1%y/y. (Bloomberg estimates)

Strategy Indicators

Global Stock Markets Performance (*link*): The US MSCI index dropped 1.1% last week for its second decline in three weeks, but remained out of a correction at 9.5% below its record high on December 27, 2021. The US MSCI ranked 23rd of the 48 global stock markets that we follow in a week when 10 of the 48 countries rose in US dollar terms. The AC World ex-US index underperformed with a 1.8% decline, and remains in a deep 17.3% correction from its June 15, 2021 record high. Nearly all regions fell w/w, but EMEA was the best performer with a 1.1% rise, ahead of EM Latin America (0.2%), BIC (-1.0), and EM Asia (-1.2). EMU (-2.9) was the worst performing region last week, followed by EAFE (-2.1) and EM Eastern Europe (-2.0). Pakistan was the best-performing country last week, with a gain of 9.2%, followed by Turkey (6.3), Sri Lanka (5.9), Chile (3.4), and Peru (1.2). Among the 17 countries that underperformed the AC World ex-US MSCI last week, the 5.5% decline for Egypt was the biggest, followed by Hungary (-4.2), France (-3.5), Hong Kong (-3.2), and Germany (-3.2). Looking at 2023's performance so far, the US MSCI is up 14.8% as its ytd ranking fell three spots w/w to 14/48. The AC World ex-US's ytd gain of 5.8% is trailing that of the US, with 30/48 countries now in positive territory. EM Eastern Europe is the best regional performer ytd, with a gain of 20.1%, followed by EM Latin America (14.9), EMU (12.3), and EAFE (7.4). The regional laggards so far in 2023: BIC (-2.5), EM Asia (1.7), and EMEA (3.2). This year's best ytd country performers: Greece (39.4), Argentina (38.5), Mexico (26.0), Sri Lanka (22.7), and Ireland (22.0). Here are the worst-performing countries of the year so far: Pakistan (-24.7), Turkey (-16.2), Malaysia (-13.4), Norway (-12.3), and Hong Kong (-12.1).

S&P 500/400/600 Performance (*link*): All three of these indexes moved lower w/w. MidCap fell 0.7% w/w, less than the 1.2% and 1.4% declines for LargeCap and SmallCap. At Friday's close, LargeCap finished the week at 8.3% below its record high on January 3, 2022, MidCap moved back into a correction to end at 10.6% below its record high on November 16, 2021, and SmallCap remained in a deep 18.2% correction from its November

8, 2021 record high. Seven of the 33 LargeCap and SMidCap sectors moved higher for the week, down from all 33 rising a week earlier. SmallCap Energy was the best performer with a gain of 2.8%, ahead of SmallCap Real Estate (1.0), MidCap Energy (0.7), MidCap Financials (0.4), and LargeCap Real Estate (0.3). Among the biggest underperformers for the week were SmallCap Health Care (-3.5), SmallCap Utilities (-3.2), LargeCap Health Care (-2.9), SmallCap Tech (-2.8), and MidCap Health Care (-2.4). Looking at performances so far in 2023, LargeCap, with a gain of 14.6%, remains well ahead of MidCap (7.1) and SmallCap (3.7); 17 of the 33 sectors are higher ytd. The top sector performers in 2023: LargeCap Tech (40.0), LargeCap Communication Services (35.2), LargeCap Consumer Discretionary (31.9), MidCap Tech (23.3), and SmallCap Tech (19.6). Here are 2023's biggest laggards: SmallCap Financials (-15.8), MidCap Utilities (-12.2), SmallCap Utilities (-8.9), LargeCap Energy (-7.9), and MidCap Financials (-7.9).

S&P 500 Sectors and Industries Performance (*link*): Ten of the 11 S&P 500 sectors fell last week, and eight outperformed the composite index's 1.2% decline. That compares to a 2.3% gain for the S&P 500 a week earlier, when all 11 sectors rose and seven outperformed the index. Real Estate was the best performer, with a gain of 0.2%, followed by Utilities (-0.2%), Communication Services (-0.3), Consumer Discretionary (-0.3), Financials (-0.5), Energy (-0.7), Industrials (-1.0), and Consumer Staples (-1.1). Health Care was the worst performer with a decline of 2.9%, followed by Materials (-2.0) and Information Technology (-1.5). Looking at 2023's performance so far, the S&P 500 is up 14.6% ytd, with just three sectors still outperforming the index but six higher for the year. The best ytd performers: Tech (40.0), Communication Services (35.2), and Consumer Discretionary (31.9). These are 2023's worst performers: Energy (-7.9), Utilities (-7.3), Health Care (-5.1), Financials (-2.0), Consumer Staples (-1.1), Real Estate (2.1), Materials (4.5), and Industrials (8.1).

S&P 500 Technical Indicators (*link*): The S&P 500 fell 1.2% last week and weakened relative to its 50-day moving average (50-dma) and its 200-day moving average (200-dma). The index was above its 50-dma for a 15th week and its 200-dma for a 16th 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 weakened to 3.1% above its rising 50-dma from 5.0% a week earlier, and is down from a 20-week high of 5.4% above its rising 50-dma in mid-June. That compares to a 20-week low of 3.6% below at the beginning of March, 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 June 2022. 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 9.1% above its rising 200-dma, down from a 19-month high of 11.0% above its rising 200-dma a week earlier. The S&P 500 is well above its 26-month low of 17.1% below its falling 200-dma in June 2022 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 moved higher for a 16th week and the 200-dma rose for a sixth week, but has risen in just 18 of the past 60 weeks.

S&P 500 Sectors Technical Indicators (*link*): Eight of the 11 S&P 500 sectors are trading above their 50-dmas, down from nine a week earlier and down from all 11 sectors above during the April 28 week. Health Care moved below in the latest week, joining these two sectors still trading below their 50-dma: Consumer Staples and Utilities. Seven sectors have a rising 50-dma, unchanged from a week earlier. These four sectors are the only members in the falling 50-dma club: Consumer Staples, Energy, Health Care, and Utilities. Looking at the more stable longer-term 200-dmas, the positive club shrunk to seven members w/w from nine as Financials and Health Care turned down w/w and joined Energy and Utilities as the only sectors still trading below their 200-dma. The rising 200-dma club was unchanged w/w at 10 members. Utilities is the only sector with a falling 200-dma.

US Economic Indicators

Employment (*link*): *Payroll employment* in June was a surprise on the downside, expanding only 209,000, the weakest since December 2020, and there were downward revisions to both May (to 306,000 from 339,000) and April (217,000 from 294,000) payrolls, for a net loss of 110,000. *Government* payrolls remain on a steep uptrend, led by state & local governments. Government payrolls added 60,000 jobs last month, with local governments adding 32,000 during the month and state governments 27,000; federal government payrolls ticked up 1,000. Over the past year, government has added 600,000 jobs, with local governments adding 385,000 jobs, state governments 152,000, and the federal government only 63,000. *Private* payrolls advanced 149,000 in June, also the weakest since December 2020. Private *service-providing* industries increased 120,000 in June, slowing from the average monthly gain of 210,600 the first five months of this year, while *goods-producing* jobs rose 29,000 in June, in line with gains the prior two months. The increase in goods-producing jobs was once again mostly in construction, which climbed 23,000 during the month, while manufacturing jobs were 7,000 higher—with durable goods manufacturing adding 15,000 jobs and nondurable goods manufacturing cutting 8,000 jobs; mining and logging employment ticked down 1,000. The gain *within service-providing* jobs was led by health care, which moved to the number one spot in June. Health care added 41,000 jobs, followed by social assistance (24,000)—with both in line with monthly gains so far this year as well as during 2022. The gain in professional & business services (21,000) is below the 40,000 average monthly gain so far this year and the 62,000 monthly pace during 2022. Leisure & hospitality (21,000) showed subpar growth for the third month, after averaging gains of 67,300 the first three month of this year. Retail trade (-11,000) fell during the month and has shown little net change over the year, while transportation & warehousing (-7,000) was also in the red, showing no clear trend in recent months. Here's a list of the *industries that are above their February 2020 pre-pandemic levels*: professional & business services (+1.6 million), transportation & warehousing (+944,300), health care (+363,900), construction (+339,000), financial activities (+275,000), social assistance (+212,800), information services (+187,000), wholesale trade (+154,100), education (+148,900), durable goods manufacturing (121,000), nondurable goods manufacturing (+83,000), and retail trade (+19,100). Here are the *industries that are below their February 2020 pre-pandemic levels*: mining & logging (-44,000) and leisure & hospitality (-369,000).

Wages (*link*): Average hourly earnings (AHE) for all workers rose in June by 0.4% for the third straight month, up from the 0.3% gains recorded during the first three months of the year. The yearly rate was at 4.4% for the third month, just a tick above March's 20-month low of 4.3%; it reached a recent high of 5.9% during March 2022. June's AHE 4.4% yearly rate was 0.4ppt above the May CPI inflation rate of 4.0% and 0.6ppts above May's 3.8% PCED rate. Private industry wages rose 4.6% (saar) over the three months through June, just above its yearly rate of 4.4%, with goods-producing (5.5% saar & 4.9% y/y) industries' three-month rate above its yearly rate, while both rates for the service-providing (4.2 & 4.2) industries are the same. *Service-providing industries showing three-month rates above their yearly rates*: transportation & warehousing (6.4 & 4.9), other services (6.0 & 3.8), and financial activities (5.8 & 4.4). *Service-providing industries showing three-month rates below their yearly rates*: information services (-1.8 & 3.2), retail trade (1.5 & 4.1), utilities (2.5 & 4.3), professional & business services (4.2 & 4.5), wholesale trade (4.8 & 5.2), leisure & hospitality (5.4 & 5.6), while the three-month and yearly rates are identical for education & health services (3.3 & 3.3). *Goods-producing industries*: The three-month rate is above the yearly rate for natural resources (8.6 & 6.0), nondurable goods manufacturing (7.4 & 5.6), and durable goods manufacturing (5.4 & 4.3), while the three-month rate is lower than the yearly rate in construction (3.6 & 4.7).

Earned Income Proxy (*link*): Our Earned Income Proxy (EIP), which tracks consumer incomes and spending closely, recorded its 37th increase in the past 38 months, with June's increase accelerating to 0.8% from May's 0.3% gain—and the EIP climbing 38.5% over the 38-month period to yet another record high. In June, *average hourly earnings* advanced 0.4%, with *aggregate weekly* hours also up 0.4%; private payroll employment was up 0.1%, while the average workweek rose 0.3%. Over the past 12 months, our EIP advanced 6.3%, ticking up from 6.2% in May—with aggregate weekly hours up 1.9% and average hourly earnings up 4.4%; June's rate is below the 8.1% at the start of this year. It peaked last February at 11.8%, which was the fastest since spring 2021.

Unemployment (*link*): The unemployment rate ticked down to 3.6% in June from 3.7% in May, drifting back down toward April's 3.4%—which matched its lowest rate since May 1969. The number of unemployed fell 140,000 in June, as the household measure of employment rose 273,000,000, while the civilian labor force increased 133,000. The participation rate in June was at 62.6% for the fourth successive month, up from 62.2% in November, though below its pre-pandemic reading of 63.3%. *By race*: Only the unemployment rate for Whites (to 3.1% from 3.3%) registered a decline in June, falling to within a tick of its 3.0% record low. Meanwhile, the Hispanic unemployment rate rose for the first time in four months, climbing to 4.3% in June after falling from 5.3% in February to 4.0% in May; it was at a record low of 3.9% last September. The unemployment rate for African Americans moved higher for the second month by 1.3ppts—from a record low of 4.7% in April to 6.0% in June—while the rate for Asians also moved higher for a second month, from 2.8% to 3.2%, 1.1ppts above its 2.1% record low. *By education*: The rate for those with less than a high-school diploma moved higher for the third month in June, to 6.0% from 4.8% in March, while those with a high school degree was unchanged at 3.9%. Meanwhile, those with a college degree or higher (to 2.0% from 2.1) and some college (3.1 from 3.2) both moved lower.

ADP Employment (*link*): "Consumer-facing service industries had a strong June, aligning to push job creation higher than expected," noted Nela Richardson, chief economist, ADP. "But wage growth continues to ebb in these same industries, and hiring likely is cresting after a late-cycle surge." *Private payrolls* in June once again below past forecasts, soaring 497,000, following gains of 267,000 and 291,000 the prior two months. They averaged 174,000 per month the first three months of this year. Total payrolls continued to reach new record highs in June, as employment in service-providing and goods-producing industries rose 373,000 and 124,000, respectively, both to new record highs, with June's pace more than doubling in service-providing industries from May's gain of 160,000. Within *service-providing* industries, leisure & hospitality (+232,000) once again posted the largest gain, followed by trade, transportations & utilities (+90,000), education & health services (+74,000), and other services (+28,000)—with all four climbing at record highs. Financial activities' jobs declined for the seventh consecutive month, by 16,000 during June and 164,000 over the period, while jobs in professional & business services were cut for the fifth month, by 5,000 last month and 129,000 over the time span. Information services employment dropped for the fourth time this year, by 30,000 m/m and 81,000 ytd. Within *goods-producing* industries, construction jobs advanced for the fifth month, by 97,000 in June and 315,000 over the period, to a new record high, while jobs in natural resources & mining increased the first six months of this year, by 69,000 in May and 314,000 ytd. Meanwhile, manufacturing payrolls contracted for the fourth month, by a total of 162,000, after a three-month gain of 55,000, though remains in record territory—within 201,000 of January 2019's record high. Turning to ADP's *median annual pay* measures, the yearly rate for *job-stayers* slowed to an 18-month low of 6.4% in June, down from last September's 7.8% peak, while the rate for *job-changers* eased to 11.2%, 5.2ppts below last June's 16.4% peak.

JOLTS (*link*): *Job openings* fell again in May, though remained at levels consistent robust labor market. Openings have been on a downtrend so far this year, dropping 496,000 in May and 1.4 million ytd to 9.8 million. The series peaked at a record-high 12.0 million last March. Prior to the pandemic, in early 2020, the highest level of job openings recorded was 7.6 million. Openings reached 10 million in June 2021 for the first time in the history of the series going back to 2000. There were 6.1 million people unemployed in May, so there were 1.61 available jobs for each unemployed person that month, the lowest since October 2021, though still a strong number. It was a record high of 2.01 last March. By industry, the *biggest declines* in job openings in May occurred in health care & social assistance (-285,000), finance & insurance (-139,000), and other services (-78,000). The *biggest increases* occurred in educational services (+45,000), state & local government education (+37,000), and the federal government (+24,000). Total separations rose 211,000 in May to 5.9 million. Separations include quits, which are generally voluntary separations initiated by employees confident that they can find better pay elsewhere. Quits rose 250,000 to 4.0 million after falling four of the prior five months by a total of 383,000 over the period. Fewer workers have been quitting their jobs than last year at the height of what was called the "great resignation." Quits have been in a downtrend since its peak of 4.5 million during April 2022. Still, quits remain well above pre-pandemic levels. Hirings rose 142,000 during the two months through May to 6.2 million after a two-month loss of 262,000. It was at a recent peak of 6.8 million during November 2021.

Auto Sales (*link*): Total motor vehicle sales remain on a volatile uptrend, rebounding to 15.8mu (saar), back near the recent high of 16.1mu during March and January of this year; it was above last June's sales of 13.1mu. *Domestic light-truck* sales continue to bounce around recent highs, climbing from 9.4mu in May to 9.9mu (saar) in June, back near its recent high of 10.0mu in January—which was the highest since April 2021. Domestic truck sales were at 8.0mu a year ago. *Domestic car sales* continue to fluctuate in a volatile flat trend between 2.0mu to 2.5mu the past 10 months, climbing to 2.4mu (saar) in June. Sales of *imports* are in a volatile flat trend, climbing from 3.4mu to 3.6mu (saar) in June; sales were at 3.8mu at the start of this year.

Global Economic Indicators

Global Composite PMIs (*link*): The global economic upturn lost momentum in June, as manufacturing activity contracted at the fastest pace this year, while the services sector expanded at a slower pace. The *C-PMI* posted its first decline this year, slowing to 52.7 from May's 18-month high of 54.4. The *NM-PMI* slowed to a four-month low of 54.0 after climbing from 48.0 during the final two months of 2022 to an 18-month high of 55.5 this May, while the *M-PMI* fell to a six-month low of 48.8—its 10th successive reading below 50.0 and down sharply from its peak of 56.0 in May 2021. Geographically, the report noted that 12 of the 14 countries covered in June's report signaled expansion, with the exception of Italy (49.7) and France (47.2). Moreover, apart from Russia (55.8 from 54.4), all of the nations registered growth and at slower rates of increase. Meanwhile, India (59.4), Russia (55.8), the US (53.2), and the UK (52.8) all registered growth above the global average of 52.7.

US Non-Manufacturing PMIs (*link*): The US service sector in June expanded at its fastest pace in four months, on widespread strength, while inflation continued to ease. According to the report, "The majority of respondents indicate that business condition remain stable; however, they are cautious relative to inflation and the future economic outlook." The ISM NM-PMI climbed 3.6 points to 53.9 in June after slumping from 51.9 to 50.3 in May—remaining above 49.9 level for the sixth straight month, the level that ISM says over time indicates growth in the overall economy. Of the *four components* of the NM-PMI, there were big moves up in the *business activity* (to 59.2 from 51.5) and *orders* (55.0 from 52.9) components, while the *employment* (53.1 from 49.2) component moved back above 50.0. The *supplier deliveries* (47.6 from 47.7) component is holding near March's 45.8—which was the fastest delivery performance since April 2009! It peaked at 75.7 in the fall of 2021 and has been on a steep downtrend ever since. On the *inflation* front, the price index dropped to 54.1—the lowest since March 2020—down from a record-high 84.5 at the end of 2021. The service sector's report comes on the heels of the ISM's very weak manufacturing report, which showed the M-PMI (46.0) sinking to a 37-month low, its eighth consecutive month below the breakeven point of 50.0. This is the longest span of readings below the 50.0 threshold since the Great Recession.

Eurozone Retail Sales (*link*): Eurozone retail sales was flat for the second straight month in May, after falling 0.6% during the two months ending March. Since reaching a record high in June 2021, retail sales have dropped 4.2%. Spending on food, drinks & tobacco fell in May for the seventh time in eight months, sliding 0.5% m/m and 3.7% over the period; it increased only two months during all of 2022. Sales of non-food products excluding fuel remains in a volatile downtrend since peaking at a record high in mid-2021, dropping 3.6% over the period. Meanwhile, consumption of automotive fuels fell for the fourth time in five months, down 0.3% in May and 5.1% over the period. May data are available for three of the four Eurozone's largest economies, with Spain climbing for nine of the past 10 months, by 0.2% m/m and 7.9% over the period, to its highest level since December 2010. Sales in France fell for the seventh time in eight months, by a total of 4.3%, though remains at a high level, within 4.6% of last April's record high. German retail sales have moved up from recent lows, though is 9.7% below June 2021's record high.

Germany Factory Orders (*link*): German factory orders in May blew past forecasts, driven by a big gain in transportation equipment billings. Manufacturing orders soared 6.4% (vs 1.5% expected), with motor vehicle billings jumping 8.6%, while orders for other transportation equipment soared 137.1%. It was the fifth gain in six months in overall factory orders, though there was a big 10.9% drop in March during that string of gains. Both foreign (6.4%) and domestic (6.2%) billings contributed to May's gain—with foreign orders climbing 6.5% from within the Eurozone and 6.2% outside the Eurozone. May's gain was centered on capital goods orders, which soared 12.0%, with domestic orders rebounding 17.9% and foreign orders 8.7% higher—led by a 12.5% jump in billings from within the Eurozone, with orders from outside the Eurozone up 6.6%. Intermediate and consumer goods orders slipped 1.1% and 0.7%, respectively, with consumer durable goods orders sinking 9.4% and nondurable goods orders climbing 3.2%. Versus a year ago, total orders are down 4.3%, narrowing from March's 11.2% drop, with domestic and foreign orders falling 1.3% and 6.4%, respectively. Within foreign orders, billings were down 3.3% y/y from within the Eurozone and 8.3% outside the Eurozone. Here's a look at the movements in domestic orders, along with the breakdown from both inside and outside the Eurozone, for the main industry groupings versus a year ago: capital goods (-0.1%, +5.6%, -3.4%), intermediate goods (-8,9, -7.0, -10.8), consumer durable goods (-27.3, -25.3, -28.4), and consumer nondurable goods (-4.8, -8.4, -2.4).

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