MORNING BRIEFING
December 4, 2023

Ho! Ho! Ho!

Check out the accompanying chart collection.

Executive Summary: The stock market's Santa Claus rally has been turbocharged by a rallying bond market, subsiding inflation, lower oil and gasoline prices—in turn fueling consumers' purchasing power—diminished fear of the Fed, and China's economic weakness, which lowers the prices Americans pay for goods imported from there. … Jamie Dimon is right to warn that geopolitical dangers are great, but we don't ascribe to his view that inflation remains troublesome, the Fed might tighten more, and the consumer's strength likely isn't sustainable. We think the economic evidence suggest otherwise on each score. … More good news: The sticky services inflation rates that have concerned the Fed are coming unstuck. … Dr. Ed's movie review: "The Holdovers" (+).

YRI Bulletin Board. We will be recharging our batteries for the new year from December 19 to January 2. We won't be publishing the *Morning Briefing* during that period, nor will there be Monday webcasts. We do intend to stay connected with our *QuickTakes*.

We are also planning on launching our new website before the end of this year. You might have noticed that we already have cut over to a new design for our charts. We think they are more user-friendly and sharper looking.

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*.

Strategy: It's Starting To Look a Lot Like a Santa Claus Rally. Our Wednesday, November 1 *QuickTakes* was titled "Halloween Is Over. Is Santa Here Already?" Joe and I wrote: "It's possible that the S&P 500 bottomed today." In fact, it bottomed a few days earlier on Friday, October 27. On November 5, we wrote: "We are seeing reindeer, so Santa may not be far behind. We may be back on track to hit 4600 by the end of this year."

The S&P 500 closed at 4594.63 on Friday, up 11.6% since then and only 4.2% below its record high on January 3, 2022 (*Fig. 1*). Joe observes that the S&P 500 Value stock market index rose to a new record high on Friday (*Fig. 2*)! Breadth improved dramatically on Friday, as the S&P 500 equal-weighted index rose 1.5% while the market-cap weighted index rose 0.6% (*Fig. 3* and *Fig. 4*).

The rally in stocks has been fueled by the rally in the fixed-income markets. The 2-year Treasury note yield peaked at 5.19% on October 18 and fell to 4.56% on Friday. Over this same period, the 10-year yield fell from 4.91% to 4.22% (*Fig. 5*).

What changed since October 27? The price of crude oil has been falling since September 27, reducing anxiety about inflation and decreasing the price of gasoline, which has increased consumers' purchasing power. The broad measures of inflation have continued to moderate. Economic indicators have been weaker than expected, as evidenced by the fall in the Citibank Economic Surprise Index in recent weeks, increasing the odds of a soft-landing following the blowout 5.2% jump in Q3's real GDP (*Fig. 6*).

Nevertheless, labor market indicators have remained strong, with plenty of job openings amidst a chronic labor shortage. That keeps consumers spending but companies paying up for workers or making do with fewer of them (and seeking technological solutions to doing so). Industry analysts are expecting that S&P 500 earnings will increase 11.3% in 2024 and 12.0% in 2025 (*Fig. 7*). S&P 500 forward earnings per share—i.e., the time-weighted average of analysts' consensus estimates for the current and following years—has been rising to new record highs since the September 14 week.

Also different since October 27: Market participants have gained more confidence that the Fed is done raising interest rates, so much so that their focus now is on when and by how much the Fed might cut rates next year. The 12-month federal funds rate futures fell sharply on Friday to 4.21% (*Fig. 8*). Also: China's economic woes are reducing the prices of US imports from China and reducing the likelihood that China will invade Taiwan for a while. The Gaza war hasn't turned into a major regional war so far.

US Economy I: A Third Year of Living (Not So) Dangerously. So why is Jamie Dimon still so pessimistic? The economy got strong marks from JP Morgan's CEO in a January 10, 2022 CNBC *interview*: "The consumer balance sheet has never been in better shape," said the banking industry giant. Stock prices, home prices, and wages are up. Debt balances are down, savings are up, and job openings are plentiful. Business confidence is high, and balance sheets are solid. The market may be volatile, he noted, but the underlying economy is strong, and if we're lucky the Fed will engineer a soft landing.

Then on June 1, 2023, CNBC's Hugh Son *reported* that Dimon had these words of warning for analysts and investors attending a financial conference in New York: "You know, I said there's storm clouds, but I'm going to change it … it's a hurricane." Son wrote that Dimon went on to say that "[w]hile conditions seem 'fine' at the moment, nobody knows if the hurricane is ‘a minor one or Superstorm Sandy,’ … ‘You’d better brace yourself. … JPMorgan is bracing ourselves, and we’re going to be very conservative with our balance sheet.’”

On October 2 of this year, Dimon told *Bloomberg TV* it’s possible that the central bank will continue hiking rates by another 1.5 percentage points, to 7%. Dimon stressed that this may be the most dangerous time the world has seen in decades and that the wars between Ukraine and Russia and between Israel and Gaza could have far-reaching impacts on energy and food supply, trade, and geopolitical relationships. They could even, he said, lead to “nuclear blackmail.”

Now Dimon seems to be ignoring all the reasons to be optimistic. Last Wednesday, he said, “A lot of things out there are dangerous and inflationary. Be prepared.” He *said* so at the 2023 *New York Times* DealBook Summit in New York. “Interest rates may go up and that might lead to recession,” he added.

US Economy II: Consumer Spending at Record High. Since last year, Dimon has been saying that consumer spending was boosted by excess saving accumulated during the pandemic. He has been saying that they soon will run out of that purchasing power and be forced to retrench, causing a consumer-led recession.

At the DealBook Summit, Dimon said that stimulus money handed out during Covid shutdowns and quantitative easing by the Federal Reserve had injected “drugs directly into our system” and caused an economic “sugar high.” But that’s fading, in his opinion.

October’s stats on consumer incomes, saving, spending, and saving were released last Thursday. In our opinion, they show a consumer who continues to enjoy increases in real income and to spend it. Consider the following:

(1) *Consumer spending in real GDP.* The Atlanta Fed's *GDPNow* tracking model shows that real consumer spending growth has fallen from Q3's 3.6% to 2.7% saar during Q4. That’s still a solid growth rate.

(2) *Sources of income.* In real personal income, wages and salaries as well as unearned income (interest, dividends, rent, and proprietors’ income) rose to record highs in October (*Fig. 9*). During the second half of last year, real average hourly earnings resumed its upward trend that started during the mid-1990s (*Fig. 10*). Payroll employment rose to yet another record high in October (*Fig. 11*).

(3) *Personal saving and net worth.* The personal saving rate remained relatively low at 3.8% during October (*Fig. 12*). That's down from a recent peak of 5.3% during May, and 7.7% during February 2020, just before the pandemic. Consumers may still be depleting their excess saving as Dimon contends. Or else, we may see an extended period with a low saving rate because household net worth rose to a record high of $154.3 trillion during Q3, up $37.6 trillion since Q4-2019, just before the pandemic (*Fig. 13*). The values of the various asset classes held by households are either at or near recent record highs (*Fig. 14*).

(4) *Record spending on.* Americans continue to spend lots of money on services. Either at or near recent record highs are outlays on health care ($3.1 trillion saar), food services ($1.2 trillion), air transportation and hotels & motels ($0.4 trillion), and fun-related services ($0.4 trillion) (*Fig. 15*, *Fig. 16*, *Fig. 17*, and *Fig. 18*). Job openings and hirings remain elevated in these booming service-providing industries.

On the other hand, housing-related purchases on furniture & furnishings and household appliances have weakened since early last year (*Fig. 19*).

US Economy III: Inflation Recedes. Stocks rallied last Thursday on the news that October's PCED inflation rate continued to moderate. The headline and core rates fell to 3.0% and 3.5% y/y (*Fig. 20*). Most importantly, the inflation rate of PCED services excluding energy and housing is falling. It has been stuck around 5.0% in 2022 and earlier this year. But it was down to 3.9% y/y in October (*Fig. 21*). Even rent inflation, its stickiest component, is moderating (*Fig. 22*).

Fed Chair Jerome Powell and his colleagues have said that they are concerned about the stickiness of this "super-core" measure of inflation. Now they should be less concerned, as it seems to be coming unstuck.

Movie. "The Holdovers" (+) (*link*) is about a curmudgeonly instructor of ancient history at a New England all-boys prep school. Much to his chagrin, he is picked by the school's headmaster to watch over a few of the students who have nowhere to go during the Christmas break. The teacher, played to perfection by Paul Giamatti, and one of the students get to know and understand one another and themselves better. The message is that some people aren't as bad as they seem once you are forced to spend some time with them.

Calendars

US: Mon: Factory Orders -2.6%. **Tues:** JOLTS Job Openings 9.35m; ISM NM-PMI 52.0; S&P C-PMI & NM-PMI 50.7/50.8; Weekly Crude Oil Inventories & Gasoline Production. (FXStreet estimates)

Global: Mon: Eurozone Sentix Investor Confidence -15.0; Germany Trade Balance 17.1b; Spain Unemployment Change 28.1k; UK BRC Retail Sales Monitor 2.5%; China Caixin NM-PMI 50.7; RBA Interest Rate Decision 4.35%; Lagarde; De Guindo; Elderson; Dhingra. **Tues:** Eurozone PPI 0.2%m/m/-0.4%y/y; Eurozone, Germany, and France C-PMIs 47.1/47.1/44.5; Eurozone, Germany, and France NM-PMIs 48.2/48.7/45.3; France Industrial Production 0.2%; UK C-PMI & NM-PMI 50.1/50.5; Australia GDP 0.3%q/q/1.7%y/y. (FXStreet estimates)

Strategy Indicators

Global Stock Markets Performance (*link*): The US MSCI index rose 1.0% last week in its fifth straight weekly gain and moved further away from correction territory to finish at 5.2% below its record high on December 27, 2021. The US MSCI ranked 22nd of the 48 global stock markets that we follow in a week when 38 of the 48 countries rose in US dollar terms. The AC World ex-US index underperformed the US MSCI, as it rose 0.5% and improved to 16.0% below its June 15, 2021 record high. EM Eastern Europe was the best regional performer with a gain of 2.3%, ahead of EM Latin America (1.5%) and EMEA (0.8). BIC was the worst performer last week with a drop of 0.4%, followed by EM Asia (-0.1), EMU (0.3), and EAFE (0.4). Pakistan was the best-performing country last week, with a gain of 5.4%, followed by New Zealand (5.0), Chile (3.5), Hungary (3.5), and Sri Lanka (3.4). Among the 16 countries that underperformed the AC World ex-US MSCI last week, Hong Kong's 4.5% decline was the worst, followed by those of Egypt (-2.8), China (-2.6), Denmark (-1.9), and Morocco (-1.8). In November, the US MSCI ranked 23/48 as it soared 9.2% for its best gain in 36 months, but wasn't much ahead of the 8.8% gain for the AC World ex-US index as 45 of the 48 countries moved higher. Argentina was the best performer, with a gain of 42.2%, followed by Egypt (22.5), Korea (16.2), Israel (16.2), and Spain (15.0). The worst-performing countries in November: Jordan (-0.3), Sri Lanka (-0.2), Hong Kong (0.0), Morocco (0.1), and Thailand (1.3). All the regions rose in November, with EM Latin America's gain of 13.0% beating out those of EMU (11.3) and EAFE (9.1). BIC was November's worst-performing region, albeit with a gain of 4.9%, followed by EMEA (5.7), EM Asia (7.5), and EM Eastern Europe (8.7). Looking at 2023's performance so far, the US MSCI is up 20.4%, as its ytd ranking remained steady w/w at 12/48. The AC World ex-US's ytd gain of 7.4% is trailing the US's, with 31/48 countries in positive territory. EM Eastern Europe is the best regional performer ytd with a gain of 35.8%, followed by EM Latin America (17.2), EMU (15.0), and EAFE (9.6). The regional laggards so far in 2023: BIC (-2.7), EM Asia (1.6), and EMEA (2.7). This year's best ytd country performers: Argentina (53.0), Egypt (44.0), Greece (41.7), Poland (38.4), and Hungary (36.6). Here are the worst-performing countries of the year so far: Hong Kong (-22.1), Thailand (-17.1), China (-12.1), Finland (-11.7), and Pakistan (-9.0).

S&P 500/400/600 Performance (*link*): All three of these indexes rose last week. LargeCap's 0.8% gain was behind the 2.6% and 2.5% gains for SmallCap and MidCap. At Friday's close, LargeCap improved to 4.2% shy of its record high on January 3, 2022, MidCap exited a correction at 9.8% from its record high on November 16, 2021, and SmallCap moved further out of bear market territory to 17.8% from its November 8, 2021 record high. Thirty of the 33 LargeCap and SMidCap sectors moved higher for the week, up from 27 sectors rising a week earlier. Real Estate dominated the top performers last week. SmallCap Real Estate was the week's best performer with a gain of 5.7%, followed by MidCap Real Estate (4.8%), LargeCap Real Estate (4.6), SmallCap Financials (4.3), and SmallCap Consumer Discretionary (4.2). The biggest underperformers for the week were LargeCap Communication Services (-2.5), MidCap Energy (-0.4), LargeCap Energy (-0.1), SmallCap Energy (0.2), LargeCap Tech (0.3), and LargeCap Health Care (0.5). During November, LargeCap soared 8.9% and ended its string of three monthly declines. That rise was slightly north of the also impressive 8.3% and 8.0% gains for MidCap and SmallCap. Thirty of the 33 sectors rose in November, up from just two sectors rising during October and September. November's best performers: LargeCap Tech (12.7), MidCap Tech (12.4), LargeCap Real Estate (12.3), SmallCap Consumer Discretionary (12.2), and MidCap Consumer Discretionary (11.3). November's biggest laggards: MidCap Energy (-5.5), SmallCap Energy (-3.2), LargeCap Energy (-1.6), SmallCap Communication Services (2.6), and SmallCap Utilities (3.0). Looking at performances so far in 2023, LargeCap, with a gain of 19.7%, remains far ahead of MidCap (8.0) and SmallCap (4.1); 20 of the 33 sectors are higher ytd compared to 13 several weeks earlier. The top sector performers in 2023: LargeCap Tech (50.9), LargeCap Communication Services (47.0), LargeCap Consumer Discretionary (34.7), MidCap Industrials (22.2), and MidCap Tech (19.9). Here are 2023's biggest laggards: MidCap Utilities (-19.1), MidCap Communication Services (-14.5), SmallCap Utilities (-13.3), SmallCap Health Care (-13.1), and LargeCap Utilities (-10.6).

S&P 500 Sectors and Industries Performance (*link*): Nine of the 11 S&P 500 sectors rose last week, and six outperformed the composite index's 10.8% gain. That compares to a 1.0% gain for the S&P 500 a week earlier, when all 11 sectors rose and six outperformed the index. Real Estate was the best performer with a gain of 4.6%, followed by Materials (2.6%), Industrials (2.1), Financials (2.1), Consumer Discretionary (1.5), and Utilities (1.3). Communication Services was the worst performer, with a decline of 2.5%, followed by Energy (-0.1), Information Technology (0.3), Health Care (0.5), and Consumer Staples (0.6). Looking back at its November performance, the S&P 500 rose 8.9% for its first gain in four months as only 10 sectors moved higher and four outperformed the broader index. That compares to 10 sectors falling and four outperforming the S&P 500's 2.2% decline in October. The leading sectors in November: Tech (12.7), Real Estate (12.3), Consumer Discretionary (10.8), and Financials (10.7). November's laggards: Energy (-1.6), Consumer Staples (3.7), Utilities (4.5), Health Care (5.2), Communication Services (7.8), Materials (8.1), and Industrials (8.5). Looking at 2023's performance so far, the S&P 500 is up 19.7% ytd, with just three sectors still outperforming the index and seven higher for the year. The best ytd performers: Tech (50.9), Communication Services (47.0), and Consumer Discretionary (34.7). These are 2023's worst performers: Utilities (-10.6), Energy (-4.2), Consumer Staples (-4.1), Health Care (-3.3), Real Estate (2.4), Financials (5.2), Materials (6.8), and Industrials (10.3).

S&P 500 Technical Indicators (*link*): The S&P 500 rose 0.8% last week and improved 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 fifth week after eight weeks below, and was also above its 200-dma for a fifth week after dropping below for the first time in 30 weeks. As for what the dmas themselves have been doing, the 50-dma moved higher for a third week after dropping for eight weeks, and the 200-dma rose for a 27th week in its longest positive streak since its 70-week streak ended in March 2022. The S&P 500 improved to a 20-week high of 5.3% above its rising 50-dma from 4.9% above a week earlier and a 53-week low of 5.5% at the beginning of November. For perspective, the latest reading is down from a 20-week high of 5.4% above its (rising) 50-dma in mid-June. Other comparison points include: a four-month low of 10.6% below its (falling) 50-dma at the end of September 2022, a 23-month high of 8.7% above its (rising) 50-dma in August 2022, and a 27-month low of 11.1% below its (falling) 50-dma in June 2022. The index had been trading above its 50-dma from most of 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. Turning to the 200-dma, the price index improved to an 11-week high of 6.9% above its rising 200-dma from 6.5% above a week earlier and a 42-week low of 3.1% below its rising 200-dma at the beginning of November. That compares to a 24-month high of

12.4% above its (rising) 200-dma in mid-July. 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 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 level of the Great Financial Crisis following the failure of Lehman Brothers, the S&P 500 index was 39.6% below its 200-dma on November 11, 2008.

S&P 500 Sectors Technical Indicators (*link*): Ten of the 11 S&P 500 sectors trade above their 50-dmas, unchanged from a week earlier. Energy is now the only sector still trading below its 50-dma. Nine sectors have a rising 50-dma, up from four a week earlier. Energy and Utilities are the only sectors still trading below their 50-dmas. Looking at the more stable longer-term 200-dmas, Real Estate moved above in the latest week and joined these seven sectors as the only members of the positive 200-dma club: Communication Services, Consumer Discretionary, Financials, Health Care, Industrials, Information Technology, and Materials. The rising 200-dma club lost the Energy sector this week and added three new members. That leaves four sectors in the falling 200-dma club: Consumer Staples, Real Estate, and Utilities.

US Economic Indicators

Personal Income & Consumption (*link*): Both personal income and personal spending slowed in October. *Personal income* rose 0.2% in October, slowing from 0.4% and 0.5% the prior two months, while disposable income was up 0.3% versus 0.4% in each of the prior two months. Meanwhile, *personal consumption expenditures* rose 0.2% in October, slowing from September's 0.7%, and the average monthly gain of 0.6% the prior three months. Services consumption rose 0.4% in October—as consumers spent more on health care, housing, and utilities, while goods consumption fell 0.2% as consumers cut back on purchases of cars and spent less on gasoline as oil prices declined. *Personal saving* rose $19.6 billion to $768.6 billion, following a four-month decline of $311.0 billion, with the personal saving rate recording a slight uptick to 3.8% after falling from 5.3% in May to a low for this year of 3.7% in September. In *real terms*, consumer spending in October rose 0.2%, with spending on services up 0.2% and goods up 0.1%. *Real disposable income* rose 0.3% in October, the first increase since May.

Personal Consumption Deflator (*link*): October's PCED was unchanged after rising 0.4% in each of the prior two months, while core prices advanced 0.2% after gains of 0.3% and 0.1% the previous two months. The yearly headline rate eased to 3.0% in October, the lowest since March 2021, and down from its peak of 7.1% last June, while the core rate slowed to 3.5%, the lowest since April 2021, and down from its recent peak of 5.6% in February 2022. On a *three-month annualized* basis, the *core rate* was little changed at 2.3% (saar) in October, after easing the prior sixth months from 5.0% in February to 1.9% in August, remaining below its yearly rate of 3.5%. The three-month rate for *durable goods* has been negative every month but one since last November, falling 2.8% (saar) in October, while the three-month rate for *core nondurable goods* prices rose to 2.0% after dipping just below zero in August and remained there in September at -0.3% (saar). Meanwhile, *services prices ex energy* eased to 3.4% (saar) in October after accelerating from 3.8% in June to 4.2% in September. The three-month annual rates for consumer services ex energy (3.4%, saar & 4.6% y/y), core nondurable goods (2.0 & 4.2), and consumer durable goods (-2.8 & -2.2) all were below their yearly rates, with both measures below zero in the latter. *PCED components for which three-month rates lag yearly rates*: used motor vehicles (-18.0 & -7.1), lodging away from home (-9.6 & 0.8), motor vehicles parts (-5.2 & -1.0), clothing & footwear (-1.3 & 2.5), education services (0.8 & 2.2), prescription drugs (2.1 & 3.1), recreation services (4.1 & 5.4), personal care products (4.3 & 5.5), owner-occupied rent (5.4 & 6.8), and tenant rent (5.9 & 7.2). *PCED components for which three-month rates exceed yearly rates*: gasoline & other energy products (30.5 & -6.5), professional & other services (15.3 & 9.7), tobacco (11.1 & 7.2), airfares (9.6 & 2.2), transportation services (5.9 & 4.7), alcoholic beverages purchased for off-premise consumption (4.4 & 3.0), hospitals (4.4 & 3.3), food & nonalcoholic beverages purchased for off-premise consumption (3.0 & 2.3), physician services (2.2 & 0.6), sports & recreational vehicles (1.6 & 0.3), furniture & home furnishings (0.6 & -1.2), household appliances (-6.3 & -8.1), and video audio & information processing (-1.2 & -6.8). *PCED component for which three-month rates & yearly rates are comparable*: new motor vehicles (2.1 & 1.9),

Construction Spending (*link*): Construction spending continued to reach new record highs in October, rising every month so far this year; the gains were driven by public construction spending and private nonresidential spending, with private residential building showing signs of life in recent months. *Total* construction spending climbed 0.6% in October and 10.1% ytd, while private construction investment rose 0.7% and 9.0% over the comparable periods—also to a new record high. *Public* construction spending hasn't posted a decline since August 2022, climbing 0.2% in October and 18.4% over the period to another new record high. Within *private construction*, residential investment rose four of the past six months, up 1.2% in October and 7.2% over the period. Meanwhile, nonresidential investment has declined during only two months since the end of 2021, soaring 34.9% over the period to yet another new record high. Within residential investment, *single-family* construction rebounded 12.0% during the six months through October, after a 12-month plunge of 26.5% to its lowest level since November 2020. *Home improvement* spending has been in a volatile flat trend around recent lows the past few months, though remains at a high level. Meanwhile, *multi-family* construction remains on a steep uptrend, soaring 16.7% y/y, though has stalled in September and October, just south of August's record high.

Auto Sales (*link*): *Total motor vehicle sales* are stalled around recent highs at 15.7 mu (saar) the past three months through November, down from June's recent high of 16.2mu. Sales are up from the recent low of 12.7mu during May 2022. *Domestic light-truck* sales have pulled back since reaching a recent high of 10.1mu (saar) in June, falling to 9.2mu in November, 1.1mu above last December's recent low of 8.1 mu. *Domestic car sales* have fluctuated in a volatile flat trend between 2.0mu to 2.5mu the past 16 months, slipping to 2.2mu last month, at the low end of the range. Sales of *imports* are in a volatile uptrend, accelerating from a recent low of 3.0mu last May to 4.1mu this November—the highest since May 2021.

Global Economic Indicators

Global Manufacturing PMIs (*link*): The November survey saw the global manufacturing sector move closer to stabilization. The JP Morgan Global M-PMI ticked up to a six-month high of 49.3, after sliding from 49.9 in February to 48.6 in October. It's been below the breakeven point of 50.0 for the 15th straight month—making this the longest sequence of deterioration since the downturn from December 2000 to February 2002. According to the survey, all five components of the PMI continued to signal a deterioration, though four (new orders, output, stocks of purchase, and employment) all declined at a slower pace last month. Ten of the 31 countries for which November data were available saw expansions of production—including the US, China, and India—while output contracted across the Eurozone as well as in the UK and Japan. Here's how November *M-PMIs ranked by country/region* from highest to lowest: India (56.0), Russia (53.8), Philippines (52.7), Mexico (52.5), Indonesia (51.7), Greece (50.9), China (50.7), Ireland (50.0), South Korea (50.0), Colombia (49.4), Brazil (49.4), US (49.4), WORLD (49.3), Poland (48.7), Japan (48.3), Taiwan (48.3), Myanmar (48.1), Kazakhstan (48.0), Malaysia (47.9), Australia (47.7), Canada (47.7), Thailand (47.6), Vietnam (47.3), UK (47.2), Turkey (47.2), Spain (46.3), Netherlands (44.9), Italy (44.4), EUROZONE (44.2), Czech Republic (43.2), France (42.9), Germany (42.6), and Austria (42.2).

US Manufacturing PMI (*link*): November's M-PMI remained below 50.0 for the 13th straight month—the longest string of readings below 50.0 since the Great Financial Crisis (2007-

09). The M-PMI was unchanged at 46.7 in November after a blip up to 49.0 in September. Looking at November's report, all five sub-components that compose the headline M-PMI were in contractionary territory. The production (to 48.5 from 50.4) measure fell back below 50.0 for the first time since July (48.3), while the employment (45.8 from 46.8) gauge saw a slightly steeper cut in jobs. Meanwhile, gauges for new orders (48.3 from 45.5) and inventories (44.8 from 43.3) continued to contract, though at a lesser rate than in October. The *supplier deliveries* (46.2 from 47.7) measure continued to show faster deliveries, down sharply from May 2021's peak of 78.8. (A reading below 50.0 indicates faster deliveries to factories.) One surprise in the November report was the 5-point gain in the prices paid measure to 49.9, though this measure can be volatile from month to month.

Eurozone CPI Flash Estimates (*link*): October's PCED was unchanged after rising 0.4% in each of the prior two months, while core prices advanced 0.2% after gains of 0.3% and 0.1% the previous two months. The yearly headline rate eased to 3.0% in October, the lowest since March 2021 and down from its peak of 7.1% last June, while the core rate slowed to 3.5%, the lowest since April 2021 and down from its recent peak of 5.6% in February 2022. On a *three-month annualized* basis, the *core rate* was little changed at 2.3% (saar) in October, after easing the prior six months from 5.0% in February to 1.9% in August, remaining below its yearly rate of 3.5%. The three-month rate for *durable goods* has been negative every month but one since last November, falling 2.8% (saar) in October, while the three-month rate for *core nondurable goods* prices rose to 2.0% after dipping just below zero in August and remained there in September at -0.3% (saar). Meanwhile, *services prices ex energy* eased to 3.4% (saar) in October after accelerating from 3.8% in June to 4.2% in September. The three-month annual rates for consumer services ex energy (3.4%, saar & 4.6% y/y), core nondurable goods (2.0 & 4.2), and consumer durable goods (-2.8 & -2.2) all were below their yearly rates, with both measures below zero in the latter. *PCED components for which three-month rates lag yearly rates*: used motor vehicles (-18.0 & -7.1), lodging away from home (-9.6 & 0.8), motor vehicles parts (-5.2 & -1.0), clothing & footwear (-1.3 & 2.5), education services (0.8 & 2.2), prescription drugs (2.1 & 3.1), recreation services (4.1 & 5.4), personal care products (4.3 & 5.5), owner-occupied rent (5.4 & 6.8), and tenant rent (5.9 & 7.2). *PCED components for which three-month rates exceed yearly rates*: gasoline & other energy products (30.5 & -6.5), professional & other services (15.3 & 9.7), tobacco (11.1 & 7.2), airfares (9.6 & 2.2), transportation services (5.9 & 4.7), alcoholic beverages purchased for off-premise consumption (4.4 & 3.0), hospitals (4.4 & 3.3), food & nonalcoholic beverages purchased for off-premise consumption (3.0 & 2.3), physician services (2.2 & 0.6), sports & recreational vehicles (1.6 & 0.3), furniture & home furnishings (0.6 & -1.2), household appliances (-6.3 & -8.1), and video audio & information processing (-1.2 & -6.8). *PCED components for which three-month rates & yearly rates are* *comparable*: new motor vehicles (2.1 & 1.9).

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