



MORNING BRIEFING

January 9, 2017

Labor's Turn & Turnover

See the [collection](#) of the individual charts linked below.

(1) What do you get when you play country songs backwards? (2) Johnny Paycheck would have voted for Trump. (3) Tighter labor market reflected in higher wages and quits, which are boosting consumer confidence. (4) Earned Income Proxy at record high. (5) Retiring Baby Boomers boosting NILF count. (6) Is the yuan done going down yet? (7) PBOC desperate to hold onto 7.0 yuan/\$ and \$3.0 trillion reserves. (8) China's capital controls are latest desperate measures. (9) Trump's pick of US ambassador to China is BFF of Xi. (10) Movie: "Hidden Figures" (+ +).

US Economy: Happy Days. I like country music. The lyrics are easy to understand. However, they are often depressing. Many country songs are about guys who lose their jobs, their cars, their houses, their wives, and their dogs. But don't despair. When you play the songs backwards, the sad losers get their dogs back, their wives back, their houses back, their cars back, and their jobs back. That seems to reflect the experience of lots of people during the current economic expansion. Many of them probably voted for President Donald Trump. We know that he did much better among rural voters, who like country music, than urban ones, who are more into hip hop.

Now, many of the gainfully employed are singing a different a country [song](#) with somewhat different [lyrics](#), namely, "Take This Job and Shove It." It was popularized in 1977 by country singer Johnny Paycheck. It's about the bitterness of a man who has worked long and hard with no apparent reward. He wants to quit because his "woman done left and took all the reasons" for working.

That's still depressing. However, on a more upbeat note, more and more workers are quitting their jobs for better pay. Quits rose over 3.0 million per month late last year, matching the previous cyclical peak readings during 2006 and 2007 ([Fig. 1](#)). At the same time, layoffs dropped to the lowest pace of the current expansion. On a 12-month-sum basis, separations rose to 60.1 million through October, including quits of 35.6 million and layoffs of 20.1 million ([Fig. 2](#)).

That's a remarkable amount of turnover considering that payroll employment totaled 144.9 million during October. Over this 12-month period, hires exceeded separations by 2.5 million. That's close to the 2.3 million increase in payroll employment over this same period. As Debbie discusses below, Friday's employment data for December suggest that all workers, whatever their music preferences, should be singing "Happy Days Are Here Again." Consider the following:

(1) *Earned Income Proxy*. Payroll employment rose only 156,000 during December, down from the 182,000 monthly average during the first 11 months of the year. However, some of that weakness might have reflected the termination of jobs related to the presidential campaigns. The strength of the employment market was confirmed by the 0.4% m/m and 2.9% y/y increases in the average hourly earnings of all workers, the best increase y/y since June 2009 ([Fig. 3](#)).

As a result, our Earned Income Proxy for total wages and salaries in the private sector rose 0.6% m/m and 4.0% y/y to yet another record high ([Fig. 4](#)). This bodes well for December's retail sales, which will be released on Friday. (See our [EIP](#).) So, by the way, does auto sales, which rose to a cyclical high of 18.4 million (saar) during December ([Fig. 5](#)).

(2) *Wages*. Not surprisingly, the quits rate is highly correlated with the Consumer Confidence Index ([Fig. 6](#)). It is also highly correlated with the yearly percent change in average hourly earnings for all workers and the Atlanta Fed's measure of median wage growth for job switchers ([Fig. 7](#) and [Fig. 8](#)).

The relationships among these variables are obvious. When workers are confident enough to leave their current jobs to take (or seek) higher-paying ones, that tends to put upward pressure on wages for job-stayers as well. Employers can't raise wages to attract new hires without raising wages for their current employees, if for no other reason than to dissuade them from looking elsewhere. In turn, higher wages boost confidence and the quit rate.

By the way, the 2.9% increase in wages for all workers over the past 12 months is comparable to a 2.2 million increase in payroll employment over the same period. The difference is that employment gains are on the margin, while wage gains are spread among all workers, which is even better for confidence.

(3) *NILFs*. So why aren't all those people who dropped out of the labor force coming back in, thus boosting employment and keeping a lid on wages? The number of people 16 years or older who are not in the labor force (NILFs) actually rose to a new record high of 95.1 million during December, up 1.1 million y/y ([Fig. 9](#)). Most of that increase over the past year was attributable to NILFs who are 65 years old or older. This cohort currently accounts for 42% of all NILFs.

The Baby Boomers are starting to retire at a faster pace. The oldest of them, born in 1946, turned 65 in 2011. The youngest of them, born in 1964, won't do the same until 2029. From the start of 2011 through the end of 2016, the number of retirement-aged NILFs increased by 7.5 million. There will be millions more Baby Boomers joining the NILF crowd through 2029. We are going to need a lot more assisted living facilities, nursing homes, legal and illegal foreign nursing aids, and robots trained for geriatric care.

(4) *National income share*. It may be that retiring Baby Boomers are putting downward pressure on wages, offsetting the upward pressure of the tightening labor market, as reflected in rising quits. Presumably, they had higher wages than the younger workers who are taking their places. That certainly would explain why the median wage for all workers is up 3.9% y/y through November, while the average wage rose 2.5% over the same period ([Fig. 10](#)).

In any event, the labor market may have tightened enough to drive up even the average wage at a faster pace notwithstanding the moderating impact of retiring Baby Boomers. The National Income & Product Accounts (NIPA) shows that labor's share of National Income may be finally recovering. Compensation of Employees fell to 60.7% of National Income during Q3-2014 ([Fig. 11](#)). It was back to 62.6% during Q3-2016.

Must this be bad news for profits? Not necessarily. Debbie and I think it could actually be a positive. Granted, corporate profits' share of National Income was down to 13.2% during Q3-2016 from a recent high of 14.4% during Q2-2014, which exceeded or nearly matched all previous peaks ([Fig. 12](#)). However, since consumers account for so much of GDP, a higher share of National Income could revive overall economic growth.

One more very important point: NIPA's National Income shares data are computed on a pre-tax basis. The huge tax cuts proposed by the incoming Trump administration certainly could boost both consumers' disposable incomes and corporate after-tax earnings significantly.

China: Don & Yuan. At the beginning of last year, stock markets around the world plunged. So did

emerging market currencies, especially the Chinese yuan. At the time, it was widely feared that something was very wrong in China, and that whatever it was might force the Chinese to devalue their currency. We were skeptical and argued that the trigger for the turmoil in global financial markets early last year was fears that the Fed might actually raise interest rates three or four times in 2016, a point that was hammered home by two key Fed officials, namely Fed Vice Chairman Stanley Fischer and FRB-SF President John Williams.

Emerging market currencies swooned again at the end of last year on renewed concerns about a Fed rate hike, which occurred on December 14. It turned out to be “one-and-done” for the Fed in 2016, just as we had predicted. Meanwhile, the yuan has continued to weaken, though it jumped sharply on Thursday of last week. With the Fed more likely to raise the federal funds rate this year two or three times, might another EM currency crisis be in the cards, led by a meltdown of the yuan? This scenario could get really nasty if the Trump administration labels China a currency manipulator, though Chinese officials seem to be doing their utmost to keep the yuan from crashing. Last year, China seemed to be falling into a vicious spiral of capital outflows and currency depreciation. Consider the following developments:

(1) *Capital outflows.* Our proxy for China’s net international capital flows is simply the 12-month change in its non-gold international reserves minus the 12-month sum of its merchandise trade balance ([Fig. 13](#)). This measure started to signal massive net capital outflows during the second half of 2014. Over the 12 months through November of last year, it showed outflows totaling \$912 billion.

(2) *Currency reserves.* In an effort to avert a collapse of the yuan, the People’s Bank of China (PBOC) had to sell its international reserves, which dropped by a whopping \$1.0 trillion from its record high of \$4.0 trillion during June 2014 to \$3.0 trillion in December of last year ([Fig. 14](#)). The outflows continued despite this intervention, and the yuan dropped from a recent high of 6.04 yuan per US dollar to 6.92 at the end of last week.

(3) *Currency intervention.* The PBOC fears that if the yuan breaches 7.0, that might be a key psychological level that could trigger a freefall in the currency. Likewise, traders have warned that if China’s reserves fall below \$3.0 trillion, that also could spark a collapse in confidence in China’s currency. At the end of last week, the PBOC acted to defend the 7.0 level. CNH Hibor, the official benchmark for the interbank borrowing cost of offshore yuan in Hong Kong, was set at 61.3%, up from 38.3% on Thursday. This is not the first time that China’s government has intervened in the yuan offshore market, and it won’t be the last. The intervention is intended to cause lots of pain for short-sellers of the yuan.

(4) *Capital controls.* The government stepped up capital controls late last year to stem the outflows. According to an 11/29 CNBC [article](#), Chinese companies wanting to invest at least \$5 million overseas will have to meet with the PBOC and China’s State Administration of Foreign Exchange (SAFE) to explain the use of funds. Previously, the amount was set at \$50 million.

At the start of this year, according to a 1/2 Reuters [article](#), new regulations require financial institutions to report all transactions, domestic and international, exceeding 50,000 yuan (\$7,201) compared to the previous limit of 200,000 yuan. On top of this, any overseas transfer exceeding \$10,000 by an individual must be reported too. In addition, the Chinese are required to declare how they intend to use the \$50,000 foreign exchange that they are allowed to convert each year. This sum is allowed only for non-investment purposes in an effort to block purchases of foreign properties. Also gone are the days of “smurfing,” where friends and relatives helped to move money overseas, according to a 2/3 Bloomberg [story](#).

(5) *Carry trade*. The yuan was strong from 2010-2013 when Chinese companies took advantage of low overseas interest rates to borrow in international capital markets. When the Fed terminated QE3 in late 2014 and started raising the federal funds rate at the end of 2015 and again at the end of last year, Chinese companies scrambled to pay off their US debts. The pressure to do so will only increase if the Fed continues to raise the federal funds rate this year.

Reuters [reported](#) on 12/30 that China's outstanding foreign debt at the end of September 2016 was \$1.43 trillion as [compared](#) to \$1.53 trillion at the end of September 2015. That's according to data from SAFE. Despite the y/y decline, the country's foreign exchange regulator said that foreign debt rose in the latest quarter versus the previous one, "indicating that the deleveraging process in [China's] foreign debt is basically over." However, the accuracy of China data can be sketchy. And it seems too early to count on the certainty of the recent uptrend. Before a q/q rebound during Q2, foreign debt fell q/q during Q1-2016 and Q4-2015 "as domestic firms repaid their dollar liabilities amid expectations that the yuan would weaken."

(6) *Trump cards*. President-elect Donald Trump has accused the Chinese of manipulating the yuan to boost their exports. But the PBOC's interventions suggest that it does not want the yuan to be too weak. Trump has promised to declare that China is a currency manipulator during his first day in office on January 20. That could worsen China's currency crisis. However, he already has backed off of some of his campaign promises. He also has picked a US ambassador to China who is likely to work well with the Chinese government to sort out currency and other issues.

A 12/7 Reuters [article](#) reported: "President-elect Donald Trump will nominate Iowa Governor Terry Branstad as the next U.S. ambassador to China, choosing a longstanding friend of Beijing after rattling the world's second largest economy with tough talk on trade and a telephone call with the leader of Taiwan. The appointment may help to ease trade tensions between the two countries, the world's two biggest agricultural producers, diplomats and trade experts said. Branstad has visited China at least six times, and Chinese President Xi Jinping has traveled to Iowa twice, including once while Branstad was governor.

"Branstad called Xi a 'longtime friend' when Xi visited Iowa in February 2012, only nine months before he became China's leader. On Wednesday, Branstad said he and Xi have had a '30-year friendship' and added: 'The president-elect understands my unique relationship to China and has asked me to serve in a way I had not previously considered.' Before his nomination was announced, Foreign Ministry spokesman Lu Kang called Branstad an 'old friend' of China when asked in Beijing about a Bloomberg report on the appointment, although he said China would work with any U.S. ambassador."

Movie. "Hidden Figures" (+ +) ([link](#)) is a film based on a true story about three remarkable African-American women who worked at NASA at the start of the space program during the early 1960s. One of them was an extraordinary mathematician, who made John Glenn's orbit around the earth possible. Another supervised the space agency's use of its first IBM mainframe computer. The third was an accomplished aeronautical engineer. They performed their jobs with amazing tenacity and dignity despite lots of obstacles they faced because of their color. It is truly a great American story.

CALENDARS

US. Mon: Consumer Credit \$18.5b, Rosengren. **Tues:** NFIB Small Business Optimism Index 99.6, JOLTS, Wholesale Inventories 0.9%. (Bloomberg estimates)

Global. Mon: Eurozone Unemployment Rate 9.8%, Eurozone Sentix Investor Confidence 12.8, Germany Industrial Production 0.6%*m/m*/1.9%*y/y*, Germany Trade Balance (euros) 20.3b, China CPI &

PPI 2.2%/4.6% y/y. **Tues:** China New Yuan Loans 676.0b, China Aggregate Financing 1300b, China M2 11.4% y/y, Japan Consumer Confidence. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): The US MSCI index rose 1.8% last week, ranking 30th of the 49 markets as 45 rose in US dollar terms--compared to 47th a week earlier, when it fell 1.1% as 42 markets moved higher. The AC World ex-US index underperformed the US MSCI for the seventh time in eight weeks, rising 1.9% for the week versus a 1.0% gain a week earlier. BRIC was the best-performing region last week with a gain of 2.6%, followed by EM Asia (2.5%). The week's worst regions, albeit with gains: EMEA (1.4), EMU (1.4), EAFE (1.8), EM Latin America (1.8), and EM Eastern Europe (1.9). Last week's best-performing countries: Morocco (7.5), Philippines (6.6), Argentina (6.3), Peru (5.5), and Austria (4.4). Turkey (-4.5) was the worst performer, followed by Mexico (-2.7), Sri Lanka (-2.3), and Jordan (-0.4).

S&P 1500/500/400/600 Performance ([link](#)): All three indexes rose last week and with the exception of SmallCap, had their best gains in four weeks. LargeCap fared best, with a gain of 1.7%, ahead of MidCap (1.3%) and SmallCap (0.3). Twenty-seven of the 33 sectors rose in the latest week, up from three rising a week earlier, which was then the lowest total in eight weeks. LargeCap ended the week at a record high, but MidCap and SmallCap remained 0.8% and 2.0% below their respective record highs in early December. Last week's best performers: MidCap Telecommunication Services (6.6), MidCap Energy (4.0), SmallCap Energy (3.8), LargeCap Health Care (2.9), and LargeCap Tech (2.4). SmallCap Consumer Discretionary (-1.4) was the worst smallest sector performer last week, followed by LargeCap Telecommunication Services (-1.2), SmallCap Utilities (-0.6), SmallCap Industrials (-0.4), and SmallCap Consumer Staples (-0.2).

S&P 500 Sectors and Industries Performance ([link](#)): Ten of the 11 sectors rose last week, and five outperformed the S&P 500's 1.7% gain--compared to one sector rising a week earlier, when five outperformed the S&P 500's 1.1% decline. Health Care was the best-performing sector for the week with a 2.9% gain, followed by Tech (2.4%), Consumer Discretionary (2.3), Real Estate (2.1), and Materials (1.8). Telecom was last week's worst performer with a decline of 1.2%, followed by gains for Utilities (0.5), Energy (0.6), Consumer Staples (0.7), Financials (1.2), and Industrials (1.4).

Commodities Performance ([link](#)): Sixteen of the 24 commodities we follow rose last week, down from 17 rising a week earlier. Last week's best performers: Sugar (6.4%), Cocoa (6.4), Cotton (4.7), and Coffee (4.2). Last week's laggards: Natural Gas (-11.8), Lean Hogs (-3.3), and Unleaded Gasoline (-2.2). Eighteen of the 24 commodities rose in 2016, compared to seven and three higher during 2015 and 2014, respectively. The best performers in 2016: Zinc (60.1), Natural Gas (59.3), and Heating Oil (53.8). Last year's laggards: Cocoa (-33.8), Feeder Cattle (-23.6), Live Cattle (-15.2), and Wheat (-13.2).

Assets Sorted by Spread w/ 200-dmas ([link](#)): Spreads between prices and 200-day moving averages (200-dmas) rose last week for 14/24 commodities, 9/9 global stock indexes, and 25/33 US stock indexes compared to 16/24, 4/9, and 3/33 rising a week earlier, respectively. Fifteen commodities trade above their 200-dmas, unchanged from a week earlier as Kansas Wheat turned positive w/w and Lean Hogs turned negative. Commodities' average spread rose to 4.2% from 3.8%. Natural Gas trades 16.6% above its 200-dma, which is the highest of all commodities, but fell 17.3ppts w/w for the worst performance among all commodities and all assets. Sugar had the best w/w gain relative to its 200-dma among all assets last week, rising 5.7ppts to 6.3%. Cocoa (-19.6%) trades at the lowest of all commodities and all assets relative to its 200-dma. The global indexes trade an average of 6.8% above their 200-dmas, up from 5.8% above in the prior week. All nine of the global indexes trade above their

200-dmas, unchanged from a week earlier. Japan (14.4) leads the global indexes, but Brazil was the group's best performer last week as it gained 2.0ppts to 9.0%. Chile performed the weakest of its country peers last week as it rose just 0.2ppts to 2.6%, but South Korea (2.1) is trading at the lowest relative to its 200-dma of the global assets. US indexes trade an average of 8.5% above their 200-dmas, with 29 sectors above, up from a 7.5% average a week earlier, when 29 sectors were above. SmallCap Energy leads all US stock indexes and all assets at 26.1% above its 200-dma, but MidCap Telecom was last week's best performer among US stock indexes and all assets, as it improved 6.6ppts w/w to 8.2%. LargeCap Consumer Staples (-1.6) trades the lowest among US indexes relative to its 200-dma, but SmallCap Consumer Discretionary was last week's worst performer among US stock indexes as it fell 1.7ppts to 5.5%.

S&P 500 Technical Indicators ([link](#)): The S&P 500 remained in a Golden Cross last week for a 37th week (after 17 weeks in a Death Cross) as the index improved relative to its 50-day moving average (dma) and 200-dma for the first time in four weeks. Its 50-dma improved to a nine-week high of 3.1% above its 200-dma from 2.8% a week earlier and a six-month low of 2.0% in early December. That's down from a 30-month high of 5.4% in mid-September, but up from a 52-month low of -4.5% in early March. The S&P 500's 50-dma moved higher for an eighth week after six weekly declines, and the index closed the week above its 50-dma for an eighth week after nine weeks below. The S&P 500 improved to 3.0% above its rising 50-dma from 1.5% and a 38-week high of 4.8% above its rising 50-dma on December 13; that compares to a 52-month high of 6.2% on March 21 and a five-month low of -7.8% in mid-January. The S&P 500's bounce off its 200-dma in early November regained steam last week: The index rose to 6.2% above its rising 200-dma from 4.6%, but remains below the 17-week high of 6.9% above its rising 200-dma on December 13. That compares to a 20-month high of 7.1% in mid-August and a six-month low of -10.0% in mid-February. The 50-dma and 200-dma both rose together for an eighth week after falling for eight weeks.

S&P 500 Sectors Technical Indicators ([link](#)): The short-term and long-term technical pictures improved for most of the 11 S&P 500 sectors last week. All 11 sectors still trade above their 50-day moving averages, unchanged from a week earlier. That's a big turnaround from nine weeks ago, when all 11 sectors traded below their 50-day moving averages (dma) for the first time since December 11, 2015. Seven of the 11 sectors were above their 200-dmas last week, also unchanged from a week earlier. The four sectors still trading below their 200-dmas: Consumer Staples, Health Care, Real Estate, and Utilities. Only six sectors are in a Golden Cross now, with 50-dmas higher than their 200-dmas. The Golden Cross club members: Consumer Discretionary, Energy, Financials, Industrials, Information Technology, and Materials. All 11 had been in a Golden Cross during a 21-week streak that ended October 24, the longest such stretch since October 2014. Ten of the 11 sectors have rising 50-dmas, up from eight a week earlier, as Health Care and Real Estate turned up w/w. Eight have rising 200-dmas, down from nine a week earlier as Utilities turned down w/w. Consumer Staples is the only sector with a falling 50-dma, and these three have a falling 200-dma: Consumer Staples, Real Estate, and Utilities.

US ECONOMIC INDICATORS

Employment ([link](#)): December's employment gain was below expectations, while a better-than-expected wage gain pushed our Earned Income Proxy (EIP) to a new record high. December payrolls advanced 156,000 (vs. the 175,000 consensus forecast), though revisions showed an upward revision (to 204,000 from 178,000) to November and a slight downward revision (135,000 from 142,000) to October payrolls, resulting in 19,000 more jobs than previously reported. Private payrolls advanced 144,000 last month; both November (198,000 from 156,000) and October (146,000 from 135,000) payrolls were revised higher for a net gain of 53,000. The breadth of job creation (percent of private industries increasing payrolls) for both the one- (57.1%) and the three-month (58.0) spans continued to

hover just below 60%. Our Earned Income Proxy (EIP) resumed its rise in December (+0.6%) after posting its first decline in nine months in November (-0.2). Average hourly earnings, one of the components of our EIP, climbed 0.4% last month after a 0.1% dip in November, while aggregate weekly hours, the other component, rose 0.2%. Compared to a year ago, the EIP increased 4.0% y/y, with wages up 2.9% (highest since June 2009) and aggregate hours 1.1% higher.

Employment by Industry ([link](#)): In December, employment continued to trend up in health care, social assistance, restaurants, transportation & warehousing, and financial activities; professional & business service jobs, usually leading the pack, showed little change in job growth last month. Health care establishments added 43,200 jobs in December, above the 35,000 average monthly gain recorded for all of 2016; social assistance added 20,100 jobs in December, near its high for the year. Restaurants increased payrolls by 29,600 last month and 246,600 for the year, slowing from 2015's tally of 359,400. Transportation & warehousing employment climbed 14,700 last month, above 2016's average monthly gain, though total job gains for the year were roughly half 2015's. Financial activities companies added 13,000 jobs last month, in line with the average monthly gains for the industry over the past two years. Manufacturing employment climbed 17,000 in December; however, 63,000 jobs have been cut since reaching a recent peak at the start of the year. Employment in other major industries--including mining, construction, wholesale trade, retail trade, information, and government--changed little over the month.

ADP Employment ([link](#)): Private industries added 153,000 to December payrolls, considerably below the 172,000 expected increase. November's (to 215,000 from 216,000) gain was little changed from the initial estimate, while October's (124,000 from 119,000) was slightly higher. December's advance was entirely driven by a 169,000 increase in service-providing jobs; goods-producing companies cut payrolls by 16,000 in December--with all industries in the red. Within service-providing, trade, transportation & utilities (82,000) accounted for roughly half of last month's advance, followed by health care & social assistance (26,000) and professional & business services (24,000). Medium-sized companies moved to the top of the leader board last month, adding 71,000 jobs--63,000 service-providing and 8,000 goods-producing. Large companies (63,000) fell to the number two spot after four months at number one. Service-providing (72,000) jobs accounted for the entire gain; goods-producing jobs fell 9,000 in December and 14,000 the past two months. Small businesses (18,000) once again provided the fewest jobs, with advances in service-providing (34,000) jobs more than offsetting a decline in goods-producing (-16,000) ones for the third straight month.

Unemployment ([link](#)): The unemployment rate ticked up in December to 4.7% after dropping unexpectedly in November from 4.8% to 4.6%--which was the lowest since August 2007. The civilian labor force increased 184,000 last month after declines of 187,000 in each of the prior two months; those not in the labor force advanced for the third month by 18,000 m/m and 841,000 over the period. The participation rate (62.7%) continued to fluctuate around cyclical lows. December's teenage rate (to 14.7% from 15.2%) sank to a new cyclical low, while the adult (4.3% from 4.2%) and college grad (2.5 from 2.3) rates edged up from November's cyclical lows. Those working part-time for economic reasons (a.k.a. "involuntary part-time workers") declined for the fourth month, by a total of 429,000, to a cyclical low of 5.6 million in December (3.5% of the civilian labor force). The U6 rate--which includes marginally attached workers--fell to a new cyclical low of 9.2% last month, while the sum of the underemployment and jobless rates ticked up to 8.2% after falling from 8.5% to a new cyclical low of 8.1% in November.

Wages ([link](#)): Wage inflation--as measured by the average hourly earnings rate for all workers on private nonfarm payrolls (AHE)--rebounded 0.4% in December after falling 0.1% in November, boosting the yearly rate to 2.9%, the highest since June 2009. The wage rate for goods-producing industries (3.1% y/y) continues to bounce around 3.0%, while service-providing's (2.9) jumped to its highest reading since April 2009. Within goods-producing, the natural resources rate accelerated to 2.7% after dropping to a 17-month low of 0.5% in November, while rates for manufacturing (to 3.4% from 2.8%)

and construction (3.0 from 2.5) both returned to 3% handles. Within service-providing, rates for leisure & hospitality (4.4) and wholesale trade (3.7) remain on accelerating trends, while the rate for transportation & warehousing (2.3) was stalled around recent highs again last month. Meanwhile, rates for education & health services (1.8) and utilities (2.5) remain on decelerating trends--though did tick up last month; the rate for information services (4.4) is down from October's cyclical high of 5.4%. Moving sideways are rates for professional & business services (3.0) and financial activities (2.4), though the former is at the top of its range. The wage rate for retailers is on an upswing in recent months, accelerating steadily from 1.5% in September to 2.5% in December.

GLOBAL ECONOMIC INDICATORS

Eurozone Retail Sales ([link](#)): Eurozone retail sales took a step back in November after reaching a new record high in October. Sales sank 0.4% after rebounding 1.4% in October--the first gain in three months. November's loss reflected declines in sales of nonfood products--excluding fuel (-0.9%) and food, drinks & tobacco (-0.4)--which more than offset a 1.0% rebound in automotive fuel sales. Among member states for which data are available, the largest declines were recorded in Germany (-1.8%), Portugal (-1.3), and Austria (-1.3); the largest gains were posted in Luxembourg (+6.2), Estonia (1.7), Slovenia (1.4), and Slovakia (1.4).

Eurozone Economic Sentiment Indicators ([link](#)): The Economic Sentiment Index (ESI) for December improved significantly for the Eurozone (+1.2 points to 107.8) and the EU (1.8 points to 109.1) as a whole--both reaching new cyclical highs. ESIs rose notably in France (+2.0 to 105.5), the Netherlands (+1.9 to 107.1), and Germany (+1.6 to 109.6); Italy's was unchanged at 104.2, while Spain's fell 2.2 points to 106.2. At the sector level, sentiment increased across the board, led by retail trade (+1.7 to 3.2), industry (+1.2 to 0.1), and the consumer (+1.1 to -5.1), followed by construction (+0.8 to -12.0), and services (+0.7 to 12.9) sentiment.

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