



MORNING BRIEFING

June 26, 2017

Voluntary Self-Extinction

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

(1) Meet Les U. Knight, who wishes for less humankind. (2) Birth dearth is depressing labor forces around the world. (3) Fertility tends to be higher on farms than in cities. (4) Crop of kids easier and cheaper to grow outside of city limits. (5) Green Revolution on balance depressed population growth. (6) Malthus got it so wrong. (7) Chinese government's 2-child policy may be undercut by previous 1-child policy. (8) There is still fertile soil in India and Africa. (9) US leading indicators still bullish on real GDP, which is likely to remain stuck growing around 2.0%. (10) NBx2 again. (11) Movie Review: "My Cousin Rachel" (+).

Global Demography: Birth Dearth & Urbanization. The Voluntary Human Extinction Movement (VHEMT) was founded in 1991 by Les U. Knight, a high-school substitute teacher who lives in Portland, Oregon. He and his followers believe that human extinction is the best solution to the problems facing the Earth's biosphere and humanity. The VHEMT [website](#) shows that the group's motto is "May we live long and die out." Their Facebook page sells tee-shirts declaring: "When You Breed, the Planet Bleeds." Another declares: "Thank You for Not Breeding." Sure enough, the pace of human breeding has slowed, but for reasons that have nothing to do with VHEMT.

All around the world, humans are not having enough babies to replace themselves. There are a few significant exceptions, such as India and the continent of Africa. Working-age populations are projected to decline along with populations in coming years in most of Asia (excluding India), Europe, and Latin America. The US has a brighter future, though the pace of population growth is projected to slow significantly in coming years.

There are many explanations for the decline in fertility rates around the world to below the replacement rate, which is estimated to be 2.1 children born per woman in developed countries. It is higher in some developing countries that have higher mortality rates.

Melissa and I believe that the most logical explanation is urbanization. The United Nations estimates that the percentage of the world population that has been urbanized rose from 29.6% in 1950 to just over 50.0% during 2008 ([Fig. 1](#)). This percentage is projected to rise to 66.4% by 2050. The world fertility rate was around 5.0 births per woman in the mid-1950s ([Fig. 2](#)). It fell to 2.5 in 2015. The UN projects it will fall to 2.0 by the end of this century.

In our opinion, families are likely to have more children in rural communities than urban ones. Housing is cheaper in the former than in the latter. In addition, rural populations are much more dependent on agricultural employment. They are likely to view every child as contributing to a family's economic well-being once he or she is old enough to work in the field or tend the livestock. Adult children also are expected to support and to care for their extended families by housing and feeding their aging parents in their own huts and yurts.

In urban environments, children tend to be expensive to house, feed, and educate. When they become urban-dwelling adults, they are less likely to welcome an extended-family living arrangement, with their

aging parents living with them in a cramped city apartment. A UN [report](#) titled “*World Urbanization Prospects: The 2014 Revision*,” noted, “The process of urbanization historically has been associated with other important economic and social transformations, which have brought greater geographic mobility, lower fertility, longer life expectancy and population ageing.”

In our opinion, the urbanization trend since the end of World War II was attributable in large part to the “Green Revolution,” the term coined by William Gaud, the former director of the US Agency for International Development, a.k.a. USAID, to give a name to the spread of new agricultural technologies: “These and other developments in the field of agriculture contain the makings of a new revolution. It is not a violent Red Revolution like that of the Soviets, nor is it a White Revolution like that of the Shah of Iran. I call it the Green Revolution.”

In 1970, Norman Borlaug—often called “the Father of the Green Revolution”—won the Nobel Peace Prize. A January 1997 [article](#) about him written by Gregg Easterbrook in *The Atlantic* was titled “Forgotten Benefactor of Humanity.” Easterbrook wrote that the agronomist’s techniques for high-yield agriculture were “responsible for the fact that throughout the postwar era, except in sub-Saharan Africa, global food production has expanded faster than the human population, averting the mass starvations that were widely predicted.” Borlaug may have prevented a billion deaths as a result.

The resulting productivity boom in agriculture eliminated lots of jobs and forced small farmers to sell their plots to large agricultural enterprises that could use the latest technologies to feed many more people in the cities with fewer workers in the fields. Ironically, then, the Green Revolution provided enough food to feed a population explosion. Instead of working the land on family farms, much of the population moved to the cities and had fewer kids! Good old Tommy Malthus, the dismal scientist of economics and demographics, never anticipated ag tech and urbanization. Now consider the following related developments:

(1) *China*. The fertility rate in China has plunged from 6.0 in the mid-1950s to below 2.0 during 1996 ([Fig. 3](#)). It remains below that level and is projected to do so through the end of the century. Initially, the drop had less to do with urbanization than with the government’s response to the country’s population explosion, which was to introduce the one-child policy in 1979. That did slow the 10-year growth rate in China’s population from a peak of near 3.0% at an annual rate during 1968 to 0.5% in 2016. However, it also led to a shortage of young adult workers and a rapidly aging population. So the government reversed course, with a two-child policy effective January 1, 2016.

Meanwhile, urbanization has proceeded apace, with the percentage of the urban population rising from 10.0% in 1950 to 50.0% during 2010 and reaching 57.3% in 2016 ([Fig. 4](#)). The urban population increased by 21.8 million that year, which is truly extraordinary, as this category has been increasing consistently by around 20 million per year since 1996 ([Fig. 5](#)). To urbanize that many people requires the equivalent of building one Houston, Texas per month! I first made that point in a 2004 study.

In our opinion, the move to a two-child policy is coming too late. China’s primary working-age population (15-64 years old) peaked at a record high of 1.02 billion during 2014 and is projected to fall to 815 million by 2050 ([Fig. 6](#)). By 2050, the primary working-age population in China will represent 59.7% of the total population, below the peak of 73.8% during 2010 ([Fig. 7](#)). Over the same time span, the elderly dependency ratio, which we define as the primary working-age population divided by the number of seniors (65+), will fall from 8.8 workers/senior to 2.3 by 2050; even more eye-popping is the drop from its peak of 16.2 during 1965 ([Fig. 8](#)).

In any event, the fertility rate is unlikely to rise in response to the government’s new policy. Young married couples living in cities are hard-pressed to afford having just one child. An 10/30/15 [article](#) in

the *Washington Post* titled “Why many families in China won’t want more than one kid even if they can have them,” observed:

“[F]or many couples, it has become very costly to have kids in China. To prepare a child to succeed in the country’s competitive schools and workplaces, parents must invest lots of time and money in a child—for schooling, extracurricular activities, and outside tutoring, often for college-entrance and English proficiency exams.” Another problem is that most “Chinese of child-bearing age are single kids, and they may forgo having another kid in order to better support their aging parents.” As is written in the Bible, “As you sow, so shall you reap.”

(2) *US*. The fertility rate in the US was over 3.0 during the second half of the 1950s ([Fig. 9](#)). It fell just below 2.0 during 2013, and been hovering around that level since then. The percent of Americans living in rural areas fell from 30.0% during 1960 to 18.4% during 2015 ([Fig. 10](#)). The UN projects that the primary working-age population will continue to grow through 2050, though the growth rate will be very low ([Fig. 11](#) and [Fig. 12](#)).

(3) *Europe*. The fertility rate in Europe fell from 2.7 during the late 1950s to below 2.0 during 1980, and has remained below that level ever since; it’s projected to remain below the replacement rate through the end of the century ([Fig. 13](#)). Europe’s primary working-age population peaked at a record 503 million during 2010 and is expected to decline to 361 million by the end of the century ([Fig. 14](#)).

(4) *Africa & India*. During 2015, among the highest fertility rates were in India (2.5) and Africa (4.7). They are projected to decline to 1.9 and 3.1 by 2050. India’s primary working-age population is projected to rise from 860 million during 2015 to peak at 1.12 billion during 2050 before heading lower over the remainder of the century. Africa’s primary working-age population stands out, as it is projected to rise from 663 million during 2015 to 1.57 billion during 2050 and 2.84 billion by the end of the century. India and Africa remain predominantly rural.

(5) *Latin America*. The fertility rate in Latin America was 2.2 during 2015 and is expected to fall to 1.8 by 2050. The region’s working-age population was 422 million during 2015 and is projected to peak during the early 2040s at 500 million before heading downwards to 390 million by the end of the century.

(6) *Study guide*. The UN also has a [report](#) titled “*World Fertility Patterns 2015*.” Nearly half the world lives in countries with below-replacement levels of fertility. According to the report: “Today, 46 per cent of the world’s population lives in countries with low levels of fertility, where women have fewer than 2.1 children on average. Low-fertility countries now include all of Europe and Northern America, as well as many countries in Asia and Latin America and the Caribbean. Another 46 per cent of the world’s population lives in ‘intermediate-fertility’ countries that have already experienced substantial fertility declines and where women have on average between 2.1 and 5 children.”

Melissa, Mali, and I are working on creating a bunch of global demography chart books for our [website’s](#) Global Demography section. So far, we have [Global Population](#), [Global Working-Age Population](#), and [Global Elderly Dependency Ratios](#).

US Economy: Leading the Way. As Debbie reports below, both the Index of Leading Economic Indicators (LEI) and the Index of Coincident Economic Indicators (CEI) rose to fresh record highs during May ([Fig. 15](#)). Here are a few top-line impressions:

(1) Previously, we’ve reported that a benchmark analysis of the previous five cyclical upturns in the CEI shows that the average duration of the expansion phase (once the index had recovered to the previous

cyclical peak) was 65 months, which would put the next peak during March 2019 ([Fig. 16](#)). The average increase during the past five expansions (from the latest peak to the previous one) was 18.6%. The current one is up only 7.8%, so it might have a ways to go on this benchmark.

(2) For the here and now, the CEI is up 2.1% y/y through May ([Fig. 17](#)). This growth rate has been highly and closely correlated with the y/y growth rate in real GDP. Both have been hovering around 2.0% since mid-2010.

(3) The ratio of the LEI to CEI is remarkably well correlated with the Resource Utilization Rate, which is the average of the capacity utilization rate and the employment rate (i.e., 100 minus the unemployment rate) ([Fig. 18](#)). They've both recovered smartly since their 2009 troughs but remain well below their previous cyclical peaks, supporting our No-Boom-No-Bust (NBx2) scenario for now.

(4) The big worry, of course, has been the significant narrowing of the yield curve spread, which is one of the 10 LEI components, in recent weeks. It has been a reliable indicator of recessions when it has turned negative. Keep in mind, though, that it hasn't turned negative, and that it is only one of the components of the LEI. There are nine others, including the S&P 500, which is at a record high. (See our [Leading & Coincident Indicators](#).)

Movie. "My Cousin Rachel" (+) ([link](#)) is based on a novel by the late English author Dame Daphne du Maurier. She wrote romances that rarely had conventional happy endings. At least Romeo and Juliet had a few good moments together before they met their tragic end. For the romantic couples in Daphne's novels, there are fewer happy moments before it all ends badly. Her novels have been described as "moody." She spent much of her life in Cornwall, where most of her works are set. This movie, starring Rachel Weisz as the moody "Rachel" of the title, is also set in Cornwall, and has an unsettling beginning, middle, and ending too. It reminds me of our relationship with politicians these days: We want to love them, but they always let us down. Let's hope they don't kill us.

CALENDARS

US. Mon: Durable Goods Orders Total, Ex Transportation, and Core Capital Goods -0.4%/0.5%/0.5%, Chicago Fed National Activity Index 0.32, Dallas Fed Manufacturing Index 18.0. **Tues:** Consumer Confidence 116.7, Richmond Fed Manufacturing Index 8, S&P Corelogic Case-Shiller HPI 0.6%/m/m/5.9%/y/y, Yellen, Harker, Kashkari. (Bloomberg estimates)

Global. Mon: Germany Ifo Business Climate, Current Assessment, and Business Climate Indexes 114.5/123.2/106.4, Draghi, Carney, Kuroda. **Tues:** China Industrial Profits, Carney. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): The US MSCI index rose 0.2% last week, ranking 18th of the 49 markets as 20 rose in US dollar terms—compared to 19th a week earlier, when it rose 0.1% as 19 markets moved higher. The AC World ex-US index trailed the US MSCI for a third week, rising 0.1% compared to a 0.4% decline a week earlier. EM Asia was the week's best-performing region, with a gain of 1.4%, followed by BRIC (0.8%). EM Latin America was the week's worst-performing region, with a decline of 1.6%, followed by EM Eastern Europe (-0.5), EMEA (-0.5), EMU (-0.3), and EAFE (-0.2). Taiwan (2.6) was the best-performing country, followed by Israel (2.3), China (2.1), Indonesia (1.9), and Morocco (1.7). Colombia (-4.1) was the worst performer, followed by Portugal (-2.7), Brazil (-2.2), Australia (-1.8), and the Philippines (-1.7). The US MSCI is up 9.1% ytd, with its ranking improving w/w to 33/49 from 35/49, but continues to trail the AC World ex-US (12.5) on a ytd basis. Forty-five of the 49 markets are positive ytd, led by Argentina (39.5), Poland (30.7), Turkey (28.6), Korea (28.4), Greece

(25.1), China (24.5), and Austria (24.3). The worst country performers ytd: Russia (-16.5), Pakistan (-8.1), Brazil (-1.6), Jordan (0.0), and Canada (0.8). EM Asia is the best-performing region ytd with a gain of 22.6%, ahead of EMU (16.2) and BRIC (15.6). The worst-performing regions: EM Eastern Europe (-5.2), EMEA (-0.4), EM Latin America (6.5), and EAFE (12.2).

S&P 1500/500/400/600 Performance ([link](#)): LargeCap rose 0.2% last week and outperformed SmallCap (0.1%) and MidCap (-0.5) for a second straight week. Nine of the 33 sectors rose w/w, down from 15 rising a week earlier. LargeCap ended the week 0.6% below its June 13 record high, MidCap was 1.49% below its June 19 high, and SmallCap was 1.5% below its June 13 peak. Health Care and Tech dominated last week's top gainers: SmallCap Health Care (4.6%), LargeCap Health Care (3.6), MidCap Health Care (2.5), LargeCap Tech (2.3), SmallCap Tech (1.8), and MidCap Tech (1.7). Telecom and Energy dominated last week's worst performers: MidCap Telecom (-5.6), SmallCap Energy (-3.7), MidCap Financials (-3.2), SmallCap Telecom (-3.1), LargeCap Energy (-2.9), MidCap Energy (-2.9), and LargeCap Telecom (-2.7). Twenty-three of the 33 sectors are positive ytd, with LargeCap (8.9) beating MidCap (5.0) and both easily ahead of SmallCap (1.8). The biggest sector gainers ytd: MidCap Health Care (23.3), SmallCap Health Care (20.5), LargeCap Tech (19.8), LargeCap Health Care (16.9), and MidCap Tech (14.3). Energy and Telecom dominate the worst performers ytd: SmallCap Energy (-38.9), MidCap Energy (-32.6), MidCap Telecom (-31.6), LargeCap Energy (-14.4), and LargeCap Telecom (-11.8).

S&P 500 Sectors and Industries Performance ([link](#)): Three of the 11 sectors rose last week, but just two outperformed the S&P 500's 0.2% gain. This compares to seven sectors rising a week earlier, when seven outperformed the S&P 500's 0.1% rise. Health Care's 3.6% gain made it the best-performing sector for the first time in 20 weeks—beating out Tech's 2.3% rise. Energy (-2.9%) was the worst-performing sector, followed by Telecom (-2.7), Utilities (-1.7), Financials (-1.7), Industrials (-1.1), Consumer Staples (-0.9), Consumer Discretionary (-0.6), Materials (-0.3), and Real Estate (0.1). So far in 2017, nine of the 11 sectors are higher, but only four have outperformed the S&P 500's 8.9% gain. In the ytd derby, Consumer Discretionary moved up to third and Utilities dropped to fourth. The best performers in 2017 to date: Tech (19.8), Health Care (16.9), Consumer Discretionary (10.1), and Utilities (9.4). The seven sectors underperforming the S&P 500: Energy (-14.4), Telecom (-11.8), Financials (2.6), Real Estate (5.7), Consumer Staples (7.7), Materials (8.3), and Industrials (8.4).

Commodities Performance ([link](#)): Four of the 24 commodities we follow rose last week, the lowest in 15 weeks when four commodities also rose. Industrial Metals commodities dominated the week's best performers: Zinc (7.3%), Lead (5.8), Copper (2.5), and Nickel (1.6). Last week's laggards: Cocoa (-7.3), Corn (-6.8), Crude Oil (-4.4), and Soybeans (-4.1). The best performers in 2017 so far: Lean Hogs (18.9), Wheat (16.1), Feeder Cattle (15.9), Kansas Wheat (15.3), and Lead (11.0). The energy-related commodities continued to worsen and are dominating this year's laggards again: Sugar (-32.5), Natural Gas (-20.8), Heating Oil (-20.2), CrudeOil (-19.9), and Brent Crude (-19.5).

Assets Sorted by Spread w/ 200-dmas ([link](#)): Spreads between prices and 200-day moving averages (200-dmas) rose last week for 5/24 commodities, 6/9 global stock indexes, and 7/33 US stock indexes compared to 5/24, 1/9, and 12/33 rising a week earlier, respectively. Eleven commodities trade above their 200-dmas, up from nine a week earlier as Zinc and Lead turned positive w/w. Commodities' average spread fell w/w to -3.7% from -2.1%. Among assets, Commodities walked away the top spot last week: Lean Hogs leads all commodities and all assets at 20.0% above its 200-dma, followed by Kansas Wheat (11.0%). Zinc (3.5) performed the best of all commodities and all assets last week as it improved 6.7ppts. Sugar (-30.3) trades the lowest of all commodities and all assets, but Corn (1.0) tumbled 7.6ppts last week for the worst performance of all commodities and all assets. The global indexes trade at an average of 5.6% above their 200-dmas, up from 5.4% above in the prior week. Eight of the nine global indexes trade above their 200-dmas, up from seven a week earlier as Canada

turned positive w/w. South Korea (12.3) leads the global indexes, but China (6.2) was the group's best performer last week with a 2.8ppt advance. Brazil (-3.1) is trading at the lowest relative to its 200-dma of the global assets, but Chile (7.4) had the weakest performance of its country peers last week as it fell 2.0ppts. The US indexes trade at an average of 2.0% above their 200-dmas, with 26 of the 33 sectors above, down from a 2.9% average a week earlier, when 27 sectors were above. The US stock indexes no longer dominate the top ten assets trading above their 200-dmas as they did in early March. MidCap Health Care now leads all US stock indexes at 16.5% above its 200-dma, followed by SmallCap Health Care, which improved the most among the US stock indexes, by 4.7ppts to 15.4%. SmallCap Energy trades 29.0% below its 200-dma, the lowest among the US stock indexes, but MidCap Telecom (-23.9) fell 3.9ppts for the worst performance of the US stock indexes.

S&P 500 Technical Indicators ([link](#)): The S&P 500 index remained in a Golden Cross last week for a 61st week (after 17 weeks in a Death Cross). The index's 50-day moving average (50-dma) relative to its 200-dma improved for a third week after falling for nine straight weeks, rising to 4.9% above its 200-dma from 4.8%. That's down from a 34-month high of 5.4% in early April and compares to a six-month low of 2.0% in early December and a 52-month low of -4.5% in March 2016. The S&P 500's 50-dma moved higher for a 33rd week as the index closed above its 50-dma for a ninth week, after trading below for two weeks for the first time since the November election. The S&P 500 dropped to 1.5% above its rising 50-dma from 1.6% and from an 11-week high of 2.5% in early June. These readings compare to a 23-week low of -1.0% in mid-April, a 38-week high of 4.8% on December 13, and a 52-month high of 6.2% in March 2016. The S&P 500 dropped to 6.4% above its rising 200-dma last week from 6.5% and from an 11-week high of 7.4% in early June. That's up from mid-April's 19-week low of 4.2%, but down from a 38-month high of 9.4% on March 1. The 50-dma and 200-dma both rose together for a 29th week.

S&P 500 Sectors Technical Indicators ([link](#)): Just three of the 11 sectors improved w/w relative to their 50-dmas and 200-dmas: Health Care, real Estate, and Tech. Eight of the 11 sectors trade above their 50-day moving averages (50-dmas), down from 10 a week earlier. (The exceptions: Energy remained below for a 23rd straight week; Telecom flipped back into negative territory for the 13th time in 14 weeks; and Consumer Discretionary and Consumer Staples were negative for the first time in 10 and six weeks, respectively.) Still, that's up from just three sectors above in mid-April, which was the lowest since the election. All 11 sectors had been above their 50-dmas during mid-January, and all 11 were below the week before the election, for the first time since December 11, 2015. Nine of the 11 sectors were above their 200-dmas last week, unchanged from a week earlier, as Energy remained below its 200-dma for an 18th week, and Telecom for a 14th. Nine sectors are in a Golden Cross, with 50-dmas higher than their 200-dmas, unchanged from a week earlier and leaving Energy and Telecom still out of the club. All 11 had been in a Golden Cross during a 21-week streak that ended October 24, the longest such stretch since October 2014. Nine of the 11 sectors have rising 50-dmas, unchanged from a week earlier; Energy's dropped for a 20th week, and Telecom's fell for a 19th. Nine sectors have rising 200-dmas, unchanged from a week earlier when Real Estate began rising for the first time in 15 weeks. These two sectors continued their 200-dma downtrends: Telecom's fell for a 14th week, and Energy's for a ninth.

US ECONOMIC INDICATORS

Leading Indicators ([link](#)): "The U.S. LEI continued on its upward trend in May, suggesting the economy is likely to remain on, or perhaps even moderately above, its long-term trend of about 2 percent growth for the remainder of the year," according to the Conference Board. The Leading Indicators Index (LEI) advanced for the ninth straight month, by 0.3% in May and 2.9% over the period, to another new record high. May's advance once again was broad-based, with eight of the 10 components in the plus column; building permits (-0.15ppt) was the only negative, while the average

workweek was unchanged. The biggest positive contributions came from the interest rate spread (0.16), consumer expectations (0.08), ISM new orders diffusion index (0.08), leading credit index (0.07), and stock prices (0.06); the remaining indicators—real nondefense capital goods orders, real consumer goods orders, and jobless claims—added from 0.01 to 0.05ppt.

Coincident Indicators ([link](#)): The Coincident Indicators Index (CEI) in May advanced to yet another record high. The CEI has posted only one decline in 14 months, increasing 0.1% m/m and 2.4% over the time span. Three of the four components contributed positively last month—with all climbing to new record highs: 1) Nonfarm payroll employment continues to head straight up; it hasn't posted a decline since July 2010. 2) Real personal income—excluding transfer payments—remains on its upswing since stalling in early 2016 at record highs; it's up 2.8% since declining by 0.4% the first two months of 2016. 3) Real manufacturing & trade sales advanced 0.2% m/m and 4.0% during the 12 months ending May. The fourth component, industrial production, was unchanged after advancing four of the prior five months to its highest level since March 2015.

Regional M-PMIs ([link](#)): Three Fed districts now have reported on manufacturing activity for this month—New York, Philadelphia, and Kansas City—and they show that growth in the sector improved for the second month. We average the composite, orders, and employment measures as data become available. The composite index rose from 11.4 in April to 19.5 in June, heading back near February's 25.3—which was the highest reading since July 2004. The New York (to 19.8 from -1.0) measure moved from contraction to expansion, while Kansas City's (11 from 8) improved for the second month; Philadelphia's (27.6 from 38.8) continued to show robust growth. The new orders gauge rebounded from 10 to 16, as the New York (18.1 from -4.4) region saw orders expand again, while Philadelphia (25.9 from 25.4) billings remained at high levels; Kansas City (4 from 9) manufacturers saw orders grow at the slowest pace in 10 months. The employment measure slowed for the second month, from April's cyclical high of 14.2 to 12.9 this month, as both the New York (7.7 from 11.9) and Philadelphia (16.1 from 17.3) gauges showed that manufacturers expanded payrolls at a slower, but still solid pace; Kansas City's (15 from 11) measure rebounded back near its high for the year.

GLOBAL ECONOMIC INDICATORS

US PMI Flash Estimates ([link](#)): Private-sector growth lost momentum this month, slowing for the first time in three months. Markit's C-PMI Flash Estimate fell from 53.6 to 53.0 in June, moving back down to March's low for the year; it was at a 14-month high of 55.8 in January. Both the manufacturing and service sectors experienced a growth slowdown. The M-PMI (to 52.1 from 52.7) sank to a nine-month low, while the NM-PMI (53.0 from 53.6) slumped to a three-month low. According to the reports, the slowdown in manufacturing reflected softer rates of output and new business growth, which more than offset accelerations in job creation and inventory building. As for the service sector, there were some positive developments, with new orders posting its best growth since January and hiring continuing to rebound from April's low. Both sectors reported a slowdown in input price inflation, with manufacturing's the weakest since March 2016.

Eurozone PMI Flash Estimates ([link](#)): Growth in the Eurozone finished its best quarter in six years, according to the flash estimate. June's C-PMI slipped to a five-month low of 55.7 from 56.8 in May, which was the best pace since spring 2011; the Q2 average was 56.4, improving steadily from Q2-2016's 52.9. June readings show the Eurozone's manufacturing sector remained on a tear, with its M-PMI (to 57.3 from 57.0) accelerating to a 74-month high; the NM-PMI (54.7 from 56.3) slowed to a five-month low. Manufacturing companies reported the strongest influx of new orders since February 2011, partly reflecting strong exports, while employment growth was just shy of May's two-decade high. Meanwhile, new orders growth in the service sector was the weakest in four months, though companies continued to enjoy their best spell of employment growth since early 2008. By country, growth in

Germany (56.1) and France (55.3) were the slowest in four months and five months, respectively, mainly reflecting a softening in the service sector. M-PMIs for both Germany (59.3) and France (55.0) were the second highest since April 2011. Growth across the rest of the Eurozone eased for a second month, but both business activity and hiring held among their best rates in 10 years.

Japan M-PMI Flash Estimate ([link](#)): Japan's manufacturing activity this month rose at the slowest pace in seven months, according to its flash estimate. The M-PMI fell for the first time in three months, according to the flash estimate, slipping to 52.0 after climbing from 52.4 to 53.1 the prior two months. June's report notes that growth in both new orders and output rose at the slowest rates since late last year, though external demand is holding up well, helping to support employment gains within the sector.

Contact us by [email](#) or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Debbie Johnson, Chief Economist, 480-664-1333
Joe Abbott, Chief Quantitative Strategist, 732-497-5306
Melissa Tagg, Director of Research Projects & Operations, 516-782-9967
Mali Quintana, Senior Economist, 480-664-1333
Jackie Doherty, Contributing Editor, 917-328-6848
Valerie de la Rue, Director of Institutional Sales, 516-277-2432
Mary Fanslau, Manager of Client Services, 480-664-1333
Sandy Cohan, Senior Editor & Webmaster, 570-775-6823

Copyright (c) Yardeni Research, Inc. Please read complete [copyright and hedge clause](#).