



MORNING BRIEFING

July 10, 2017

More of the Same

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

(1) No surprises in payroll employment. (2) Wage inflation remains subdued but outpacing price inflation. (3) Earned Income Proxy augurs well for consumer spending. (4) Consumers upbeat, especially about here and now. (5) Despite wild swings in CESI, real GDP growth steady around 2.0%. (6) Boom-Bust Barometer and Weekly Leading Indicator remain bullish for equities. (7) Fed's Fischer has lots to say, but not much is new. (8) Fed remains on slow but steady normalization course. (9) Movie: "The Beguiled" (- - -).

US Employment: Same Old, Same Old. This is starting to get dull. There just isn't much happening other than more of the same. In the US, private-sector payroll employment has increased 170,800 per month on average during the first six months of the year. Sound familiar? Here are the average gains for 2016, 2015, 2014, 2013, and 2012: 160,700, 216,700, 235,700, 210,200, and 186,800 ([Fig. 1](#)). Although the unemployment rate has been below 5.0% for the past 14 months and below 4.5% for the past three months, wage inflation, as measured by average hourly earnings, remains around 2.5% on a y/y basis, as it has since the end of 2015 ([Fig. 2](#)). When the unemployment rate got this low during the previous two economic cycles, wage inflation rose to around 4.0%. Here are a few related developments:

(1) *Jobs.* Interestingly, payroll employment among general merchandise stores, which dropped 63,800 during the first three months of the year, rose during two of the past three months by a total of 19,800 ([Fig. 3](#)). In the natural resources industry, payroll employment has increased 56,000 since bottoming during October of last year ([Fig. 4](#)). The recovery in construction employment seems to have stalled in recent months, probably reflecting a shortage of workers rather than of work ([Fig. 5](#)).

(2) *Wages.* Helping to keep a lid on wage inflation is that price inflation remains subdued below wage inflation. The PCED headline and core inflation rates were both 1.4% y/y during May, well below the Fed's 2.0% target ([Fig. 6](#)). Using the headline PCED, real average hourly earnings rose to a record high during May ([Fig. 7](#)). That's up 5.7% since the start of the current economic expansion during June 2009, and 13.0% since May 2002. The notion that real wages have stagnated for the past 15 years is an urban legend!

(3) *Earned income.* It all adds up to yet another new high in our Earned Income Proxy (EIP) for private-sector wages and salaries ([Fig. 8](#)). It rose 0.6% m/m during June and 4.5% y/y. Adjusted for the headline PCED, we reckon that the EIP rose 0.7% m/m and 3.3% y/y. This augurs well for consumer spending.

(4) *Confidence.* The strength of the labor market is buoying consumer confidence. The Consumer Optimism Index (COI), which is an average of the Consumer Sentiment Index and the Consumer Confidence Index, edged down in June, but remained near the recent cyclical high ([Fig. 9](#)). The COI's current conditions component rose to a new cyclical high last month.

The increases in real wages and payrolls and the recent decreases in gasoline prices are boosting confidence. Uncertainty about the fate of the Trump administration's health care and tax reform policies

doesn't seem to be weighing on overall confidence so far.

US Economy: Staying on Course. Friday's better-than-expected news on employment followed two solid readings for June's M-PMI (57.8) and NM-PMI (57.4). Both registered very high readings for their new orders components, at 63.5 and 60.5, while their employment components were also quite good, at 57.2 and 55.8 ([Fig. 10](#)). The M-PMI augurs well for the growth rate in S&P 500 revenues since they are positively correlated ([Fig. 11](#)).

As Debbie and I have noted before, we don't get too excited when the Citigroup Economic Surprise Index takes a dive, as it did during the first half of the year ([Fig. 12](#)). That's because it is extremely volatile and cyclical. After it falls, it always rebounds, until it falls again. It may be starting to rebound again. While the latest economic indicators are looking up, there's no reason to believe that real GDP won't continue to increase at a relatively leisurely pace of 2.0% on a y/y basis, as it has since the second half of 2010.

Stocks: Still Fundamentally Good. The latest ascent into record-high territory for the S&P 500, with historically high P/Es, naturally has raised fears of a correction, or worse. It seems to Joe and me that the market is doing a very good job of correcting internally on a regular basis without giving up the high ground. The latest example is the recent selloff in technology stocks and rebound in financial ones. That might continue without triggering a market-wide selloff.

Meanwhile, two of our favorite weekly fundamental stock market indicators continue to support the bull market trend. Here is an update:

(1) *Our Boom-Bust Barometer* (BBB) is simply the ratio of the CRB raw industrials spot price index and weekly initial unemployment claims ([Fig. 13](#)). It remains in record-high territory, with a whopping y/y gain of 21%.

(2) *Our Weekly Leading Index* (WLI) averages our BBB and the Bloomberg weekly Consumer Comfort Index ([Fig. 14](#)). WLI tracks the S&P 500 even better than our BBB. It is also up in record territory, with a gain of 13% y/y.

(3) *Forward earnings*. Both measures have been highly correlated with the S&P 500 since 2000. That's because both have been highly correlated with the forward earnings of the S&P 500, which rose to yet another record high during the 6/29 week ([Fig. 15](#) and [Fig. 16](#)).

Fed's Fischer: Yada, Yada, Yada. FRB Vice Chairman Stanley Fischer has been a particularly active Fed governor this summer, having given three formal [speeches](#) in the past month. Fischer is an important voice on the FOMC whose opinion tends to carry weight across the Committee, especially with Fed Chair Janet Yellen. Though wordy, none of the speeches discussed the direction of monetary policy. Rather, the focus was on Fischer's concerns regarding the health of the US economy and financial markets.

Importantly, however, there was nothing in Fischer's recent speeches to suggest that he is wavering from his previous comments on the need for the gradual pace of monetary normalization to stay on course. During April, he said that a continued gradual [increase](#) in interest rates (about one more this year) would be appropriate and unaffected by the start of the slow [unwinding](#) of the Fed's balance sheet. Below, we summarize Fischer's latest speeches, all of which seem to indicate that he expects more of the same:

(1) *More melt-up*. On June 27 at an IMF workshop in Washington, D.C., Fischer [outlined](#) four areas of

cyclical vulnerability related to financial stability, including financial-sector leverage, nonfinancial-sector borrowing, liquidity and maturity transformation, and asset valuation pressures. Summarizing his assessment, Fischer said: “[O]verall, a range of indicators point to vulnerability that is moderate when compared with past periods: Leverage in the financial sector is at historically low levels, and ... vulnerabilities associated with liquidity and maturity transformation appear to have decreased. However, the increase in prices of risky assets in most asset markets over the past six months points to a notable uptick in risk appetites, although this shift has not yet led to a pickup in the pace of borrowing or a sizable rise in leverage at financial institutions.”

(2) *More low-productivity.* “How much does productivity growth matter? The basic answer: simple arithmetic says it matters a lot,” according to Fischer’s concluding [remarks](#) at a July 6 forum in Massachusetts. “[T]he U.S. economy has been in a low-productivity growth period since 1974 [except for the mid-1990s]. The record for the past five years has been particularly dismal.” Fischer attributed the recent decline in productivity growth to several factors, including weak private-sector investment, which “may in part reflect uncertainty about the [fiscal] policy environment.”

On the public front, Fischer presented a [chart](#) showing that government-funded R&D as a share of GDP is at a record low, which in his words is “disturbing.” Nevertheless, he optimistically concluded: “Governments can take sensible actions to promote more rapid productivity growth.” In other words, Fischer seems to be expecting more of the same productivity growth until fiscal policymakers save the day, a sentiment he has reiterated before.

(3) *More to be done.* On June 20, at a macroprudential conference in the Netherlands, Fischer [homed in](#) on housing and financial stability. Interestingly, he attributed vulnerabilities in housing to low interest rates: “With the recent crisis fresh in mind, a number of countries have taken steps to strengthen the resilience of their housing finance systems. ... But memories fade. Fannie, Freddie, and the Federal Housing Administration are now the dominant providers of mortgage funding, and the FHLBs have expanded their balance sheets notably. House prices are now high and rising in several countries, perhaps as a result of extended periods of low interest rates.”

(4) *More communication.* How can we be sure that Fischer hasn’t changed his tune? Because he hasn’t given us reason to believe otherwise. In an April 17 [speech](#), Fischer directly informed the markets about his thinking on the Fed’s communication strategy. He asked: “How can the Fed avoid surprising markets?” Then answering his own question, he said: “Clear communication of the Federal Open Market Committee’s (FOMC’s) views on the economic outlook and the likely evolution of policy is essential in managing the market’s expectations.”

Specifically, Fischer spoke about the FOMC’s desire to avoid a repeat of the mid-2013 “taper tantrum.” In his view, such an event is unlikely to happen again because the Fed has given its clear guidance that the unwinding of its asset purchases is likely to begin this year in a slow and painless fashion. So far, he noted, the markets have had a muted reaction to that prospect.

Movie. “The Beguiled” (- - -) ([link](#)) is a dark movie directed by Sofia Coppola and starring Colin Farrell and Nicole Kidman. Most of it was filmed at night by candle light, so bring a flash light. It is a remake of a 1971 movie featuring Clint Eastwood and Geraldine Page, and set in an all-girl boarding school in the rural South during the American Civil War. The movie is very slow moving, and all too predictable. There is a subliminal message for stock investors: Beware of a wounded bull that seems to be recovering, only to turn on you.

CALENDARS

US. Mon: Consumer Credit \$14.6b. **Tues:** NFIB Small Business Optimism Index 104.5, Job Openings 5.975m, Wholesale Trade Inventories 0.3%, Brainard, Kashkari. (Bloomberg estimates)

Global. Mon: China CPI & PPI 1.6%/5.5% y/y, China New Yuan Loans 1300b, China M2 9.5% y/y, Germany Trade Balance (euros) 18.7b, Kuroda. **Tues:** Japan Machine Tool Orders. (DailyFX estimates)

STRATEGY INDICATORS

Global Stock Markets Performance ([link](#)): The US MSCI index rose less than 0.1% last week, ranking 22nd of the 49 markets as 21 rose in US dollar terms—compared to 38th a week earlier, when it fell 0.6% as 25 markets moved higher. The AC World ex-US index trailed the US MSCI for the fourth time in five weeks, falling 0.5% compared to a 0.2% decline a week earlier. EMU was the week's best-performing region, with a gain of 0.5%, followed by EM Latin America (-0.1%), BRIC (-0.4), EM Eastern Europe (-0.4), and EAFE (-0.5). EMEA and EM Asia were the week's worst-performing regions, both with declines of 0.8%. Chile (2.1) was the best-performing country, followed by Morocco (1.9), Hungary (1.9), India (1.8), and Finland (1.7). Pakistan (-6.0) was the worst performer, followed by Turkey (-3.4), South Africa (-2.7), Japan (-1.7), and Taiwan (-1.7). The US MSCI is up 8.4% ytd, with its ranking improving w/w to 33/49 from 34/49, but continues to trail the AC World ex-US (11.8) on a ytd basis. Forty-seven of the 49 markets are positive ytd, led by Argentina (40.9), Poland (32.1), Austria (31.5), Greece (29.4), and Korea (26.7). The worst country performers ytd: Russia (-15.9), Pakistan (-11.9), Jordan (0.7), Brazil (1.2), and Canada (2.0). EM Asia is the best-performing region ytd with a gain of 21.2%, ahead of EMU (15.8) and BRIC (15.1). The worst-performing regions: EM Eastern Europe (-4.3), EMEA (-0.2), EM Latin America (8.6), and EAFE (11.3).

S&P 1500/500/400/600 Performance ([link](#)): LargeCap rose 0.1% last week and outperformed MidCap (0.0%) and SmallCap (-0.1) for the third time in four weeks. Twelve of the 33 sectors rose w/w, down from 15 rising a week earlier. LargeCap ended the week 1.2% below its June 19 record high, MidCap was 1.2% below its June 13 high, and SmallCap was 1.3% below its June 13 peak. Financials dominated last week's top gainers: LargeCap Financials (1.5%), SmallCap Tech (1.3), SmallCap Financials (1.2), MidCap Industrials (1.1), and MidCap Financials (0.7). Energy and Telecom dominated last week's worst performers: SmallCap Energy (-4.8), MidCap Energy (-4.1), MidCap Telecom (-3.2), and LargeCap Telecom (-2.2). Twenty-two of the 33 sectors are positive ytd, with LargeCap (8.3) beating MidCap (5.2) and both easily ahead of SmallCap (2.0). The biggest sector gainers ytd: MidCap Health Care (22.2), SmallCap Health Care (19.3), LargeCap Tech (17.0), LargeCap Health Care (15.0), and MidCap Tech (12.3). Energy and Telecom dominate the worst performers ytd: SmallCap Energy (-39.9), MidCap Telecom (-34.8), MidCap Energy (-33.2), LargeCap Energy (-14.9), and LargeCap Telecom (-14.7).

S&P 500 Sectors and Industries Performance ([link](#)): Four of the 11 sectors rose last week and four outperformed the S&P 500's 0.1% gain. This compares to three sectors rising a week earlier, when five outperformed the S&P 500's 0.6% decline. Financials' 1.5% gain made it the best-performing sector for the third time in the past five weeks, ahead of the gains for these sectors: Industrials (0.7%), Materials (0.6), and Tech (0.6). Telecom (-2.2) was the worst-performing sector, followed by Real Estate (-1.5), Energy (-1.2), Utilities (-0.9), Consumer Staples (-0.8), Consumer Discretionary (-0.6), and Health Care (0.0). Consumer Staples has been the worst performer recently with a five-week losing streak. So far in 2017, nine of the 11 sectors are higher, and five have outperformed the S&P 500's 8.3% gain. The best performers in 2017 to date: Tech (17.0), Health Care (15.0), Consumer Discretionary (9.5), Industrials (9.0), and Materials (8.7). The six sectors underperforming the S&P 500: Energy (-14.9), Telecom (-14.7), Real Estate (3.0), Consumer Staples (5.8), Utilities (5.9), and Financials (7.5).

Commodities Performance ([link](#)): Nine of the 24 commodities we follow rose last week as the S&P GSCI commodities index fell 1.8%, down from 22 commodities rising a week earlier when the GSCI index soared 5.3% for its biggest gain in 30 weeks. Agricultural commodities dominated the week's best performers: Soybeans (6.4%), Corn (3.0), Kansas Wheat (2.5), Coffee (2.5), Sugar (2.5), and Wheat (1.7). Last week's laggards: Silver (-7.2), Natural Gas (-5.6), Nickel (-5.1), Brent Crude (-4.2), and Crude Oil (-3.9). The best performers in 2017 so far: Wheat (31.1), Kansas Wheat (29.7), Lean Hogs (25.8), Feeder Cattle (15.9), and Lead (14.1). The energy-related commodities continue to dominate this year's laggards: Sugar (-27.5), Natural Gas (-23.1), Brent Crude (-17.8), Crude Oil (-17.7), Heating Oil (-16.2), and GasOil (-15.2).

Assets Sorted by Spread w/ 200-dmas ([link](#)): Spreads between prices and 200-day moving averages (200-dmas) rose last week for 8/24 commodities, 3/9 global stock indexes, and 9/33 US stock indexes compared to 22/24, 3/9, and 14/33 rising a week earlier, respectively. Eleven commodities trade above their 200-dmas, unchanged from a week earlier as Soybeans turned positive w/w and Gold turned negative. Commodities' average spread fell w/w to -0.8% from 0.2%. Among assets, Commodities walked away the top three spots last week: Lean Hogs leads all commodities and all assets at 23.7% above its 200-dma, followed by Wheat (23.6%) and Kansas Wheat (23.5). Soybeans (2.3) performed the best of all commodities and all assets last week as it improved 6.0ppts. Sugar (-23.2) trades the lowest of all commodities, but Silver (-10.6) tumbled 6.5ppts last week for the worst performance of all commodities and all assets. The global indexes trade at an average of 4.7% above their 200-dmas, down from 5.0% above in the prior week. Seven of the nine global indexes trade above their 200-dmas, unchanged from a week earlier. South Korea (11.5) leads the global indexes, but Chile (8.3) was the group's best performer last week with a 1.8ppt advance. Canada (-1.9) and Brazil (-1.5) are trading the lowest relative to their 200-dmas of the global assets; they shared the distinction of performing the worst of their country peers last week, each falling 1.1ppts. The US indexes trade at an average of 1.0% above their 200-dmas, with 25 of the 33 sectors above, down from a 1.7% average a week earlier, when 26 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 14.3% above its 200-dma, followed by SmallCap Health Care (13.3). LargeCap Financials improved the most among the US stock indexes, by 0.9ppts to 8.4%. SmallCap Energy trades 29.5% below its 200-dma, the lowest among the US stock indexes and all assets, and also fell 3.1ppts w/w 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 63rd week (after 17 weeks in a Death Cross). However, the index's 50-day moving average (50-dma) relative to its 200-dma weakened for the first time in five weeks, falling to 4.8% above its 200-dma from 4.9%. 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 an 11th week, after trading below for two weeks during late April for the first time since the November election. The S&P 500 dropped to 0.4% above its rising 50-dma from 0.5% and is down 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 5.2% above its rising 200-dma last week, from 5.4% above the week before, and is down 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 31st week.

S&P 500 Sectors Technical Indicators ([link](#)): Just four of the 11 sectors improved w/w relative to their 50-dmas and 200-dmas: Financials, Industrials, Materials, and Tech. Four of the 11 sectors trade above their 50-day moving averages (50-dmas), down from five a week earlier as Real Estate turned negative w/w. These sectors remain above their 50-dmas: Financials, Health Care, Industrials, and

Materials. Energy was below for a 25th straight week; Telecom has been below in 15 of the past 16 weeks; Consumer Discretionary and Consumer Staples for a third week; and Tech and Utilities for a second week. During mid-April, just three sectors were above their 50-dmas, 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. The longer-term picture is better: 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 a 20th week, and Telecom below for a 16th. 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. Six of the 11 sectors have rising 50-dmas, down from eight a week earlier as Real Estate turned up w/w and these three turned down: Consumer Discretionary, Consumer Staples, and Utilities. Energy's dropped for a 22nd week, and Telecom's fell for a 21st. Eight sectors have rising 200-dmas, unchanged from a week earlier. These three sectors continued their 200-dma downtrends: Real Estate's 200-dma dropped for the 15th time in 17 weeks, Telecom's fell for a 16th week, and Energy's for an 11th.

US ECONOMIC INDICATORS

Employment ([link](#)): Jobs growth beat expectations in June, and there were upward revisions to the data for May and April. US companies expanded payrolls by 222,000 last month (52,000 above the consensus estimate of 170,000), after upward revisions to May (to 152,000 from 138,000) and April (207,000 from 174,000), for a net gain of 47,000. Private payroll employment climbed 187,000 after gains of 159,000 (vs 147,000 preliminary) and 194,000 (173,000) the prior two months, for a net addition of 33,000. The breadth of job creation (percent of private industries increasing payrolls) for the both the one-month (59.6%) and three-month (59.4) spans rebounded back toward 60.0%.

Earned Income Proxy ([link](#)): Our Earned Income Proxy (EIP) climbed to another new record high last month, rising for the eighth time in 10 months, by 0.6% m/m and 4.0% over the period. Average hourly earnings, one of the components of our EIP, climbed 0.1% and 2.0% over the comparable periods, while aggregate weekly hours, the other component, advanced 0.5% and 2.0%. Compared to a year ago, the EIP increased 4.5% y/y—holding near its recent high—with wages up 2.5% and aggregate hours 2.0% higher, the latter matching its best rate since the start of 2016. Our proxy tracks income and spending closely and remains favorable for continued solid gains in both.

ADP Employment ([link](#)): According to ADP, “The job market continues to power forward. Abstracting from the monthly ups and downs, job growth remains a stalwart between 150,000 and 200,000. At this pace, which is double the rate of labor force growth, the tight labor market will continue getting tighter.” Private industries added 158,000 to payrolls in June (29,000 below the BLS gain of 187,000), following downward revisions to May (to 230,000 from 253,000) and April (148,000 from 174,000) for a net loss of 49,000. In June, service-providing industries accounted for all the job gains; goods-producing payrolls showed no change after a seven-month gain of 330,000. Within service-providing, the biggest advances came from professional & business services (69,000) and health care/social assistance (33,000). Within goods-producing, declines in natural resources (-4,000) and construction (-2,000) jobs offset a 6,000 gain in manufacturing payrolls—which are up 119,000 the past seven months. Medium-sized companies topped the leader board again last month, boosting payrolls by 91,000—with the mix 75,000 services and 16,000 goods-producing. Large companies moved up to the number-two spot, increasing payrolls by 50,000, all service-providing. Small businesses dropped to the bottom slot, adding only 17,000 to payrolls—the smallest since last October—as goods-producing industries cut 16,000 jobs and service-providing added only 33,000.

Employment by Industry ([link](#)): Hirings in professional & business services, health care, restaurants,

social assistance, financial activities, and mining led June employment gains. Employment in professional & business services and restaurants continued to trend higher, with the former adding 35,000 in June and 624,000 over the past 12 months, and the latter expanding by 29,300 and 277,000, respectively. Health care added 36,500 jobs last month, averaging 27,800 per month last quarter; these payrolls are up 327,900 y/y. Social assistance payrolls rose at a 26-month high of 22,600 in June and 53,600 last quarter—the best quarterly tally since Q2-2015. Financial activities firms hired 17,000 workers last month and 169,000 over the past 12 months. Mining companies hiked payrolls for the eighth consecutive month by a total of 55,600 after falling steadily from October 2014 through October 2016. Employment in other major industries—including construction, manufacturing, wholesale trade, retail trade, transportation & warehousing, information services, and government—changed little last month.

Unemployment ([link](#)): June's unemployment rate ticked up to 4.4% after sinking to a 16-year low of 4.3% in May. Last month, 361,000 entered the labor force while those not in the labor force fell for the first time in four months, by 170,000; the participation rate ticked up to 62.8%. June's adult (to 4.0% from 3.9%) and college grad (2.4 from 2.3) rates ticked up from their May cyclical lows, while the teenage rate dropped a full percentage point to a new cyclical low of 13.3%. Those working part-time for economic reasons (a.k.a. "involuntary part-time workers") climbed 107,000 to 5.3 million in June (3.3% of the civilian labor force), holding near May's 5.2 million, which was the lowest level since April 2008. The U6 rate (8.6%)—which includes marginally attached workers—and the sum of the underemployment and jobless rates (7.7) both ticked up after sinking to cyclical lows of 8.4% and 7.6%, respectively, in May.

Wages ([link](#)): Wage inflation—as measured by the average hourly earnings rate for all workers on private nonfarm payrolls (AHE)—was 2.5% y/y in June, up from 2.4% in May, holding below February's 2.8%. The wage rate for goods-producing industries (2.3% y/y) held near May's 19-month low of 2.1%, while service-providing's was at 2.5% for the third month, remaining just below its recent high of 2.8%. Within goods-producing, the manufacturing rate (2.1) edged back above 2.0%, after falling below in May for the first time since July 2015, while the construction rate (2.5) accelerated slightly from April's 15-month low of 2.2%; the natural resources rate (1.0) remained low. Within service-providing, the rates for transportation & warehousing (2.4) and leisure & hospitality (4.0) are stalled around recent highs; wholesale trade's (1.9) remained at its lowest reading since summer 2015. Rates for utilities (1.5) and retail trade (1.2) stayed on volatile downtrends, though the latter may have found a bottom. Meanwhile, rates for information services (4.8), financial activities (3.1), professional & business services (2.3), and education & health services (2.1) continued to move sideways, with the first two at the top of their ranges and professional & business services at the bottom of its range.

GLOBAL ECONOMIC INDICATORS

Germany Manufacturing Orders ([link](#)): "The solid development in orders, as well as the excellent business climate, signal further moderate upward momentum in manufacturing," the Economy Ministry said in a statement. May orders rose for the third time in four months, by 1.0% m/m and 3.4% over the period. May's advance was driven by a rebound in foreign orders (3.1%); domestic orders (-1.9) fell for the third straight month, by a total of 5.4%. The rise in foreign orders reflected higher billings from both outside (4.0) and inside (1.7) the Eurozone, driven by a big jump in investment orders of 5.8% and 6.5%, respectively. Billings for consumer (1.0) and intermediate (0.5) goods from outside the Eurozone rose 1.0% and 0.5%, respectively, while those from within the Eurozone fell 12.3% and 1.2%. As for domestic orders, the 5.4% loss during the three months through May reflected declines in intermediate (-8.0) and investment (-3.9) goods; consumer goods orders rose 1.8%.

Germany Industrial Production ([link](#)): Industrial production is on a tear the first five months of 2017,

soaring to a new record high. May's headline production, which includes construction, expanded for the fifth straight month, by 1.2% m/m and 4.9% ytd. Excluding construction (which is how other Eurozone economies report output), production rose 1.4% and 4.6% over the comparable periods. Factory output grew for the fifth consecutive month, by 1.2% m/m and 4.6% over the period. Available June data bode well for production up ahead. Germany's M-PMI rose for the sixth time in seven months, to 59.6 last month, signaling the strongest overall improvement in manufacturing business conditions in Germany since April 2011, while the 12-month outlook for production remained strongly positive. Meanwhile, sentiment among German businesses was "jubilant," Ifo chief Clemens Fuest said in a statement. German businesses confidence soared in June to yet another new record high as both the current situation and outlook brightened.

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