

This Week's News that isn't CPI

Yesterday's December CPI report dominated headlines, but there were several other economic releases this week worth a mention, *the majority of which signaled weakness on the horizon.*

On Tuesday, the NFIB small business index dropped by -2.1% to 89.8, *the second lowest reading of the Covid-era.* Small business owners pared back hiring expectations in anticipation of weakening growth. In more normal times, this would be viewed in a negative light, but given the Fed's plan to whittle down the number of available jobs, *reduced hiring plans are welcome.*

On Wednesday, the World Bank announced it had sliced its 2023 global growth forecast from +3.0% to +1.7%. According to the WSJ, it would represent the third weakest pace of global growth in almost three decades, behind only the "great recession" of 2009 and the 2020 pandemic year. This is a reminder that U.S. growth will be further constrained by global headwinds.

This morning, the University of Michigan consumer sentiment index for December actually showed an unexpected *increase.* The headline index climbed from 59.7 to 64.6, the highest since April 2022. Both current conditions and the future outlook indexes climbed to eight-month highs. Much of the improvement can be attributed to the lowest consumer inflation expectations in nearly two years. The fact that consumers perceive lower inflation has everything to do with the drop in gas prices.

Yields are higher on the day, and mixed on the week. The bond market has priced-in 25 basis point hikes for the next two FOMC meetings with rate cuts to begin in the fourth quarter. At the same time, Fed officials continue to insist on 75 bps of tightening in Q1, before pausing over the remainder of the year. Although the FOMC will ultimately have final say on its monetary policy, the recent track record of Fed officials favors the market.

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Market Indications as of 1:54 P.M. Central Time

DOW	Up 40 to 34,230 (HIGH: 36,800)
NASDAQ	Up 39 to 11,040 (HIGH: 16,057)
S&P 500	Up 6 to 3,989 (HIGH: 4,797)
1-Yr T-bill	current yield 4.69%; opening yield 4.61%
2-Yr T-note	current yield 4.23%; opening yield 4.13%
3-Yr T-note	current yield 3.90%; opening yield 3.81%
5-Yr T-note	current yield 3.61%; opening yield 3.53%
10-Yr T-note	current yield 3.51%; opening yield 3.44%
30-Yr T-bond	current yield 3.63%; opening yield 3.58%

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