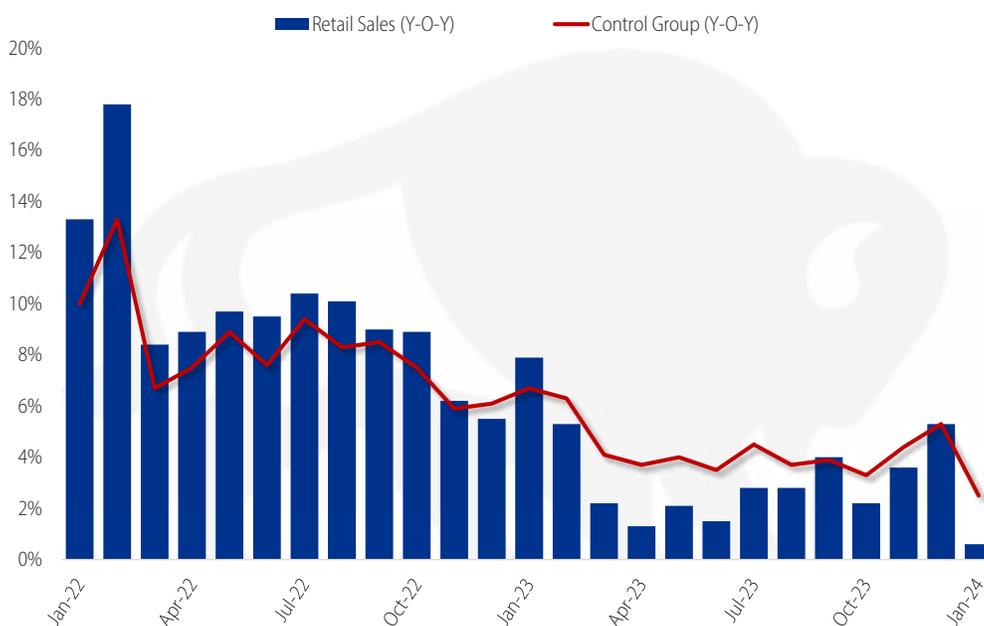


## Winter Puts a Chill on January Spending

Severe weather across much of the country put a chill on consumers who took a break from their torrid pace of spending during January. Retail sales fell -0.8% last month, much weaker than the expected -0.2% decline and the largest monthly drop since February of last year. Year-over-year retail sales look even worse, posting a small +0.6% increase, well below the +5.3% rise in December and the weakest since May 2000. January weakness was broad based with nine of 13 categories posting declines. Car sales led the way down, falling -1.7% in January, while gasoline station sales also slipped -1.7%. Other notable declines were seen in building materials which fell -4.1% and non-store retailer sales which dropped -0.8%. The closely watched control group figure that feeds into the GDP calculations dropped -0.4%, well below the median forecast for a +0.2% gain, while the year-over-year reading posted a modest +2.5% increase, well off December's +5.3% pace.

While January retail sales were indeed weak, suggesting some deterioration in consumer spending, we should be careful not to read too much into any one month. That's especially true given the impact of weather on last month's data and the difficulties surrounding seasonal adjustments post-pandemic. The Fed has been cautioning that they need to see further improvement in the inflation data, a warning that seems prescient in light of Tuesday's hotter than expected CPI numbers. Likewise, one month of weaker than expected retail sales data does not signal the demise of the consumer.

### Retail Sales (Year-over-Year Percent Change)



Source: US Census Bureau

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*Year-over-year retail sales look even worse, posting a small +0.6% increase, well below the +5.3% rise in December and the weakest since May 2000.*

*The Fed has been cautioning that they need to see further improvement in the inflation data, a warning that seems prescient in light of Tuesday's hotter than expected CPI numbers. Likewise, one month of weaker than expected retail sales data does not signal the demise of the consumer.*

Bond markets, which had been sent reeling by Tuesday's CPI data, took a bit of relief from this morning's weaker retail sales data. The two-year Treasury yield has been especially volatile in the last week. After trading around 4.45% last Friday, the yield spiked to 4.67% after Tuesday's CPI report, fell as low as 4.50% immediately after this morning's retail sales release, and now sits at 4.58%. The 10-year yield has seen a wide trading range as well, from a low of 4.12% to a high of 4.33% in the last five days.

## Market Indications as of 10:13 A.M. Central Time

DOW	Up 159 to 38,583 (HIGH: 38,797)
NASDAQ	Down -67 to 15,792 (HIGH: 15,991)
S&P 500	Up 8 to 5,009 (HIGH: 5,027)
1-Yr T-bill	current yield 4.96%; opening yield 4.93%
2-Yr T-note	current yield 4.57%; opening yield 4.58%
3-Yr T-note	current yield 4.37%; opening yield 4.38%
5-Yr T-note	current yield 4.22%; opening yield 4.24%
10-Yr T-note	current yield 4.25%; opening yield 4.25%
30-Yr T-bond	current yield 4.43%; opening yield 4.43%

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