

## June Consumer Spending Proves Unexpectedly Solid

Advance retail sales were *unchanged* in June, bettering the -0.3% median forecast, although beyond the flat headline the report showed surprisingly brisk consumer demand. Last month's cyber attack on CDK Global, a software vendor used by over 15,000 auto dealers, had a significant negative effect on the overall number, but when autos are excluded, sales increased by a solid +0.4%, again exceeding expectations. When autos and volatile gasoline sales are excluded, the increase was +0.8%, the most in 17 months. All previously reported May gains were revised higher.

Control group sales, which exclude sales at auto dealers, gas stations, building materials stores and eating and drinking establishments rose +0.9%, the most since January 2023. Since the control group data is used in the GDP calculation, this morning's data will push Q2 economic growth projections higher.

Of the 13 major sales categories, only autos, gas and sporting goods declined. Food and beverage sales were up by just +0.1%, suggesting that discretionary spending may be in process of waning. E-commerce and building materials logged significant advances.

Bonds are rallying once again in early trading despite the better-than-expected report as investors ignore increased consumer demand and focus instead on receding inflation. From the perspective of Fed officials, the continued resilience of consumers is a disappointment, but as long as price pressures trend lower, the first rate cut is still likely at the September FOMC meeting.

### Market Indications as of 8:48 A.M. Central Time

DOW	Up 327 to 40,539 (NEW HIGH)
NASDAQ	Up 66 to 18,539 (HIGH: 18,647)
S&P 500	Up 17 to 5,649 (NEW HIGH)
1-Yr T-bill	current yield 4.86%; opening yield 4.83%
2-Yr T-note	current yield 4.47%; opening yield 4.45%
3-Yr T-note	current yield 4.24%; opening yield 4.22%
5-Yr T-note	current yield 4.12%; opening yield 4.12%
10-Yr T-note	current yield 4.21%; opening yield 4.22%
30-Yr T-bond	current yield 4.42%; opening yield 4.45%

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