HilltopSecurities

Big Ticket Autos Boost November Retail Sales

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U.S. retail sales topped forecasts last month on continued strength of vehicle purchases. The +0.7% headline increase was above the +0.6% median forecast as well as the revised +0.5% October gain. Continued resilience by U.S. consumers will ultimately slow the 2025 easing pace, but nothing in this morning's report should derail tomorrow's widely-expected quarter point rate cut.

Surging sales at auto dealerships drove the overall sales number in November, rising +2.8% for the month and +8.2% year-over-year as restocked vehicle inventories prompted discounts. According to Ward's Auto Group, last month's sales were the strongest in three years. When autos are excluded, sales were mixed, up just +0.2% for the second straight month.

Black Friday/Cyber Monday deals pushed e-commerce up +1.8% at the expense of department store sales which sagged -0.6%. Sales at eating and drinking establishments fell -0.4%, the first decline in eight months. Sales at building materials stores were up just +0.4%, continuing a three-month retreat. Gas station sales rose +0.1% for the second straight month, although the tepid increase primarily reflects lower pump prices.

The retail sales "control group," which excludes vehicles, food services, building materials and gasoline station sales (and feeds into the quarterly GDP calculation) was up +0.4%, a nice rebound from October's -0.1% fade.

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The overall report was mixed, but momentum is clearly evident. The three-month annualized average for overall sales was +8.5%, while the control group three-month average was +5.6%.

This morning's release shouldn't alter Fed thinking a day before the FOMC decision. Consumption is solid and Q4 GDP growth is tracking at the quickest pace of 2024, but inflation has moderated enough to tentatively allow another quarter point cut. However, if spending doesn't moderate in 2025, Fed officials will be hard-pressed to continue rate cuts for fear of reigniting inflationary pressure.

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Market Indications as of 8:57 A.M. Central Time

DOW	Down -201 to 43,517 (HIGH: 45,014)
NASDAQ	Down -64 to 20,108 (HIGH: 20,174)
S&P 500	Down -28 to 6,046 (HIGH: 6,090)
1-Yr T-bill	current yield 4.25%; opening yield 4.23%
2-Yr T-note	current yield 4.25%; opening yield 4.25%
3-Yr T-note	current yield 4.23%; opening yield 4.23%
5-Yr T-note	current yield 4.26%; opening yield 4.26%
10-Yr T-note	current yield 4.40%; opening yield 4.40%
30-Yr T-bond	current yield 4.59%; opening yield 4.60%