Consumers End Q4 on a Mostly Positive Note

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U.S. retail sales rose +0.4% in December following an upwardly revised +0.8% November gain, as consumers maintained solid spending into year end. Although the headline increase was below the +0.4% median forecast, the prior month revision and strong underlying numbers tell a more positive story.

So-called "*Control group sales*," which exclude gasoline stations, auto dealers, food services and building materials stores (and are used to calculate GDP) rose +0.7%, well above the +0.4% median forecast and *the most in three months*. This indicates better economic growth in Q4 than previously thought.

Ten of 13 spending categories increased last month, including miscellaneous stores (+4.2%) food and beverage stores (+0.8%) and motor vehicles (+0.7%). Gasoline station sales rose +1.5%, although the increase is attributed to higher pump prices rather than volume as retail sales data is not inflation-adjusted. Sales declined at building material stores (-2.0%) and food services & drinking places (-0.3%).

Bonds yields are slightly higher in early trading after yesterday's big rally. Solid consumer demand is a weak argument for near-term rate cuts. The futures market is currently signaling the next quarter point cut isn't likely until June

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

DOW	Down -72 to 43,149 (HIGH: 45,014)
NASDAQ	Down -28 to 19,483 (HIGH: 20,174)
S&P 500	Up 4 to 5,954 (HIGH: 6,090)
1-Yr T-bill	current yield 4.20%; opening yield 4.16%
2-Yr T-note	current yield 4.30%; opening yield 4.27%
3-Yr T-note	current yield 4.37%; opening yield 4.34%
5-Yr T-note	current yield 4.47%; opening yield 4.45%
10-Yr T-note	current yield 4.67%; opening yield 4.65%
30-Yr T-bond	current yield 4.89%; opening yield 4.88%

Please see disclosure starting on page 2