Retail Sales Slow in September with Holiday Week Data Catch Up

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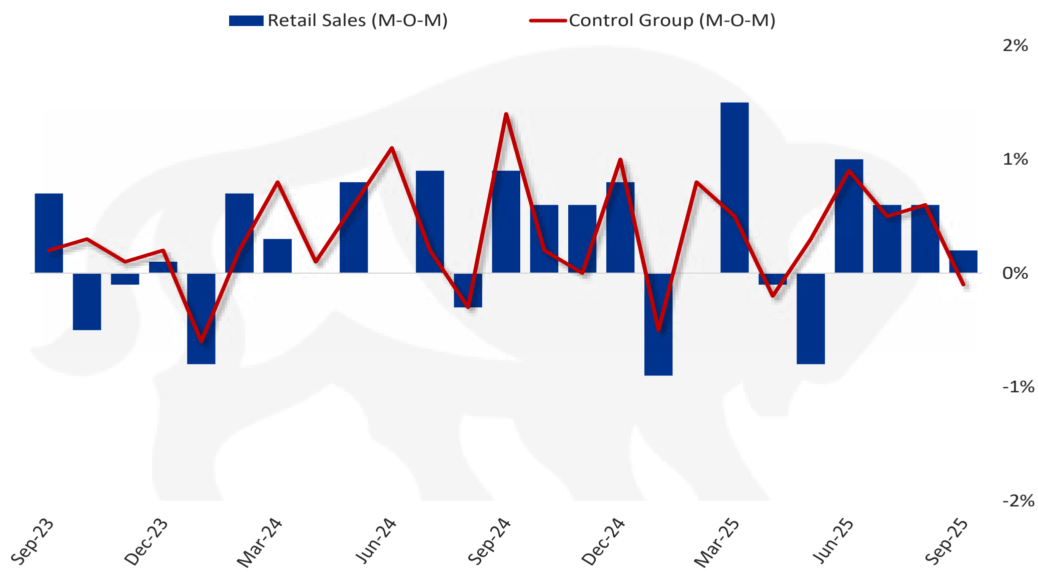
The Census Bureau released September retail sales and the Bureau of Labor Statistics published the September Producer Price Index today as both agencies work to restore normal release schedules following the recent government shutdown. While somewhat stale, these reports arrive just ahead of the holiday shopping season and two weeks before the Fed's December meeting.

Headline retail sales, which are not adjusted for inflation, rose +0.2% in September, missing the +0.4% consensus and slowing from +0.6% in August. The control group, which feeds into GDP, slipped -0.1% after a strong prior-month increase. Among major categories, eight of the thirteen saw increases. Health and personal care rose +1.1%, gasoline stations +2.0%, and restaurants +0.7%, while clothing and online shopping each declined -0.7%. The two largest moves came from miscellaneous sales (+2.9%) and sporting goods (-2.5%) but these represent smaller shares of total sales. Overall gains were concentrated among higher-income consumers, while lower-income shoppers focused on necessities.

Wholesale inflation moved higher as the Producer Price Index advanced +0.3% month-over-month, reversing August's -0.1% decline and matching expectations. Year-over-year wholesale inflation held at +2.7%, while core PPI (excluding food and energy) rose just +0.1%, softer than the +0.2% forecast. Core prices are up +2.6% from a year ago, signaling modest underlying pressure.

Retail Sales (Month-over-Month Percent Change)



Source: US Census Bureau

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Turning to more current data released today, U.S. consumer confidence dropped sharply in November, falling by the most in seven months amid growing concerns about the labor market and the economy. The Conference Board's index fell 6.8 points to 88.7, weaker than all economist estimates. Expectations for the next six months hit their lowest level since April, and current conditions fell to a more than one-year low. Anxiety is being driven by rising unemployment, October's wave of layoffs, and persistent inflation pressures. Recent job gains have been concentrated in health care and hospitality, while broader hiring remains weak.

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The Fed will not see October's unemployment rate or CPI before the December 10 meeting, the first time in 78 years for jobs data and 113 years for CPI to not be published. The Bureau of Economic Analysis has also canceled its advance Q3 GDP estimate, leaving policymakers without a clear read on growth. Markets remain divided. Fed funds futures now price an 85% chance of a December rate cut, up sharply from last week's 50%, as investors weigh mixed labor signals against stubborn inflation. Futures imply 36 basis points of easing by Q1 2026, reflecting uncertainty over the Fed's path amid incomplete data.

Treasury yields remain around 10 basis points lower since last Thursday's September jobs report and Friday's dovish speech from NY Fed President John Williams. Tomorrow we'll get the backlog of September's durable goods orders and the Fed will release its Beige Book. The Fed blackout period for communications begins at the end of this week.

Market Indications as of 10:22 A.M. Central Time

DOW	Up 375 to 46,824 (HIGH: 48,255)
NASDAQ	Down -37 to 22,835(HIGH: 23,958)
S&P 500	Up 7 to 6,712 (HIGH: 6,891)
1-Yr T-bill	current yield 3.63%; opening yield 3.60%
2-Yr T-note	current yield 3.49%; opening yield 3.48%
3-Yr T-note	current yield 3.48%; opening yield 3.49%
5-Yr T-note	current yield 3.59%; opening yield 3.60%
10-Yr T-note	current yield 4.01%; opening yield 4.03%
30-Yr T-bond	current yield 4.65%; opening yield 4.67%