

Bonds Little Changed After Delayed Retail Sales and PPI Reports

In the delayed November report, retail sales rose a solid +0.6%, topping the +0.5% median forecast and rebounding from a downwardly revised -0.1% October reading. A bounce in auto sales and enthusiastic holiday purchases helped drive the overall gain.

Ten of 13 categories logged increases in November, with vehicle sales climbing +0.6% after falling -0.2% in October. The month-to-month volatility in autos is attributed to the expiration of the EV tax credit in September. When the volatile auto category is excluded, sales still rose a respectable +0.5%.

"Control group" sales, which exclude auto dealerships, gas stations, building materials stores and food service establishments (and are used to calculate GDP) increased by +0.4%. Although the October control group increase was whittled down from +0.8% to +0.6%, consumer spending appears to be driving *another better-than-expected quarter of economic growth*.

Also, released this morning was the delayed Producer Price Index (PPI) for November. Monthly increases were mostly tame, while annual increases unexpectedly heated up. Final demand PPI rose +0.2% in November, matching the median Bloomberg forecast, while core PPI was unchanged. On a year-over-year basis, headline and core PPI climbed back to +3.0% for the first time since July, both topping their +2.7% median forecasts.

Wholesale goods prices rose +0.9% in November, the most since February 2024, with a +4.6% jump in energy accounting for more than three-quarters of the gain. Prices for services, which make up two-thirds of the index, were *unchanged*.

Bonds have rallied a bit in early trading, although probably more a safety trade than reaction to economic data. The retail sales numbers imply solid Q4 GDP growth, while the PPI report, which included both October and November numbers, was mixed. December PPI is scheduled for release on January 30, and a subsequent drop in gas prices should improve the headline. Nothing in today's data is likely to alter the Fed decision in two weeks. It's still wait and see between now and the March FOMC meeting.

The widely-expected Supreme Court ruling on the constitutionality of Trump's reciprocal tariffs *will not be announced today*. The Court didn't say when its next round of opinions will be issued, but it isn't likely before Tuesday or Wednesday of next week.

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Market Indications as of 9:23 A.M. Central Time

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| DOW | Down -133 to 49,059 (HIGH: 49,590) |
| NASDAQ | Down -224 to 23,486 (HIGH: 23,958) |
| S&P 500 | Down -53 to 6,910 (HIGH: 6,977) |
| 1-Yr T-bill | current yield 3.50%; opening yield 3.49% |
| 2-Yr T-note | current yield 3.52%; opening yield 3.53% |
| 3-Yr T-note | current yield 3.57%; opening yield 3.59% |
| 5-Yr T-note | current yield 3.72%; opening yield 3.75% |
| 10-Yr T-note | current yield 4.15%; opening yield 4.18% |
| 30-Yr T-bond | current yield 4.81%; opening yield 4.84% |

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