

April Retail Sales Unchanged at Lofty Levels

The headline retail sales number for April was *unchanged*, falling short of the median forecast of +1.0%. However, the March sales gain was revised upward from +9.8% to +10.7%, so *the net result wasn't far off the mark at all*. The fact that sales remain elevated despite the lean supply of just about everything supports the strengthening economy narrative. Consumer demand is very strong; producers simply can't keep up.

The retail sales control group (which excludes sales of vehicles, gasoline, building materials and food services) fell -1.5% in April, while the March control group gain was revised upward from +6.9% to +7.6%. The control group numbers are used in the GDP calculation, and so far it appears second quarter growth will far exceed the first quarter. The Atlanta Fed's GDPNow Q2 measure stood at +11.0% as of May 7th.

The bond market has rallied back to levels from earlier this week as today's sales number takes a bit of pressure off the Fed.

Analyzing the day-to-day economic releases has become a fool's errand. There's just too much noise. Consumer spending in January and March were epic thanks to government stimulus checks, while February spending flopped due to freezing temperatures. Supply will be the dominant issue going forward.

In other news worth mentioning from earlier this week, the Job Openings and Labor Turnover Survey (JOLTS) showed job openings in the U.S. surged to a new record high. The number of available jobs climbed from 7.5 million to 8.1 million in March, while the number of hires in March increased to 6 million, leaving a record gap of 2 million.

The NFIB Small Business Index rose from 98.2 to 99.8 in April. Of note within the survey was that the reported job openings increased from 42% to 44%, *the highest level in 45 years of data*. However, small business owners continued to complain about a lack of qualified applicants as a record 42% reported openings could not be filled. NFIB Chief Economist Bill Dunkelberg reported, "Finding qualified employees remains the biggest challenge for small businesses and is slowing economic growth. Owners are raising compensation, offering bonuses and benefits to attract the right employees."

The headline Producer Price Index (PPI) rose +0.6% in April, twice the median forecast, while the year-over-year gain was +6.2%, the highest on record. Over just the last six months, headline PPI is up +7.5%. As was the case in the CPI report, this goes beyond the base effect. The bond market responded with a rally. It's an odd reaction when inflation appears to surge, but producer prices seldom move the markets and Wednesday's CPI report had already telegraphed the runup in prices. Still, the larger than expected PPI numbers add to a pile of inflation data that could be a concern if price pressures prove more than transitory.

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Market Indications as of 9:36 A.M. Central Time

DOW	Up 240 to 34,261 (HIGH: 34,778)
NASDAQ	Up 222 to 13,347 (HIGH: 14,139)
S&P 500	Up 46 to 4,159 (HIGH: 4,233)
1-Yr T-bill	current yield 0.04%; opening yield 0.04%
2-Yr T-note	current yield 0.15%; opening yield 0.16%
3-Yr T-note	current yield 0.33%; opening yield 0.34%
5-Yr T-note	current yield 0.82%; opening yield 0.83%
10-Yr T-note	current yield 1.65%; opening yield 1.66%
30-Yr T-bond	current yield 2.37%; opening yield 2.38%

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