

BUSINESS CONDITIONS MONTHLY

November 2015 Vol. 2 Issue 11

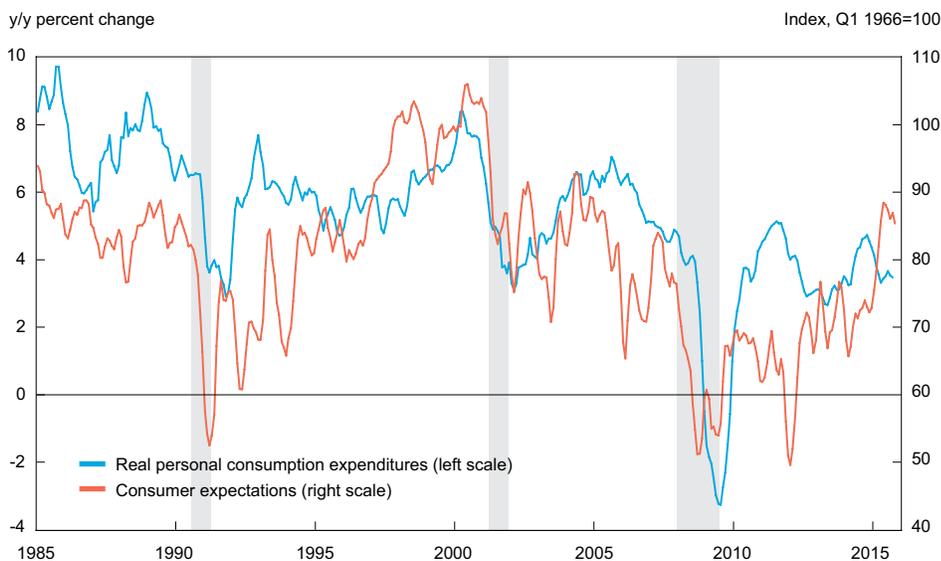


Strong holiday spending could be a gift to the economy

In April we predicted that consumer spending would lead economic growth over the next few quarters. Despite the weak 1.7 percent growth in real consumer spending in the first quarter, we saw that consumer fundamentals remained in good shape and were expected to improve. In fact, spending gained 3.6 percent and 3.3 percent in the second and third quarters, respectively.

This month we update the trends chart from our April Business Conditions Monthly to show that conditions are ripe for further increases. After hitting a short-term high in March, consumer expectations pulled back, reflecting a jump in retail gas prices as well as stock market declines. But both of those trends have reversed. Pump prices have fallen and stock prices have rebounded. We expect these favorable trends along with still-strong consumer fundamentals to boost consumer expectations just as holiday shopping kicks off later this month (Chart 1).

Chart 1. Consumer expectations are rising, just in time for holiday spending.



Notes: Shaded areas denote recessions. Three-month moving averages. Consumer expectations lead consumer spending by three months.

Sources: Sources: Bureau of Economic Analysis, University of Michigan (Haver Analytics).

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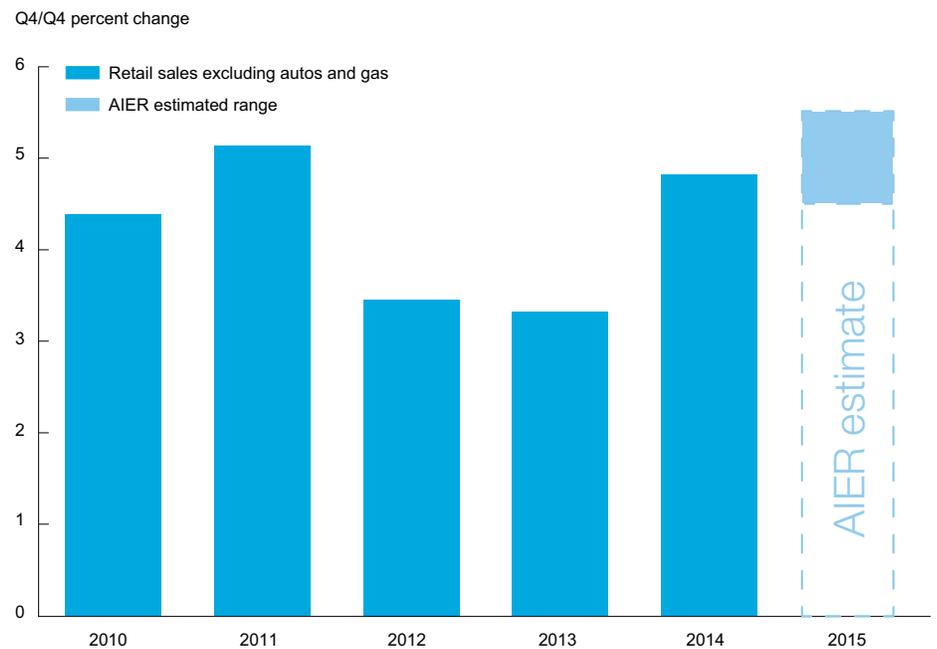
Consumer sentiment and solid fundamentals suggest an upbeat outlook among holiday shoppers

As we head into the holiday season, an always-important period for retailers, our focus turns again to what drives consumer spending, which accounts for about 70 percent of real gross domestic product. Holiday shopping delivers as much as 40 percent of total annual sales and profit for some merchants. The strength of fourth-quarter consumer spending likely will play a critical role in sustaining economic growth as well as providing support for U.S. equity prices.

Over the past year, the U.S. economy has added more than 2.8 million new jobs, increasing payroll employment to 142.4 million and pushing the national jobless rate down to 5 percent. Even with this growth, 4.9 million jobs remain unfilled. In addition, wages are rising at roughly 2.5 percent annually. Job market strength has led to longer hours worked and pay increases. After analyzing employment report data on jobs, hours worked, and hourly wages, we estimate take-home pay gains at 4.6 percent on an annual basis, enough to sustain continued advances in consumer spending. Household net worth stands at an all-time high of \$85.7 trillion, while consumer debt service burdens are close to 30-year lows. Finally, the household savings rate is hovering near 8 percent, compared with a scant 2 percent rate before the Great Recession.

Despite patches of weakness in the economy, we see ongoing improvements in consumer fundamentals. This should translate into holiday retail sales gains of around 5 percent when measured from fourth quarter to fourth quarter, at the high end of the range of seasonal gains in recent years.

Chart 2. Holiday spending could rise 5 percent, boosting the economy.



Sources: U.S. Department of Commerce (Haver Analytics).

ECONOMIC OUTLOOK

Half, or 50 percent, of AIER’s Business-Cycle Conditions (<https://www.aier.org/BCM>) leading indicators were deemed to be expanding in October, down sharply from 67 in September. This marks a return to a neutral reading following five straight months in positive territory, and it marks the 74th consecutive month at or above the 50 percent level (Chart 3).

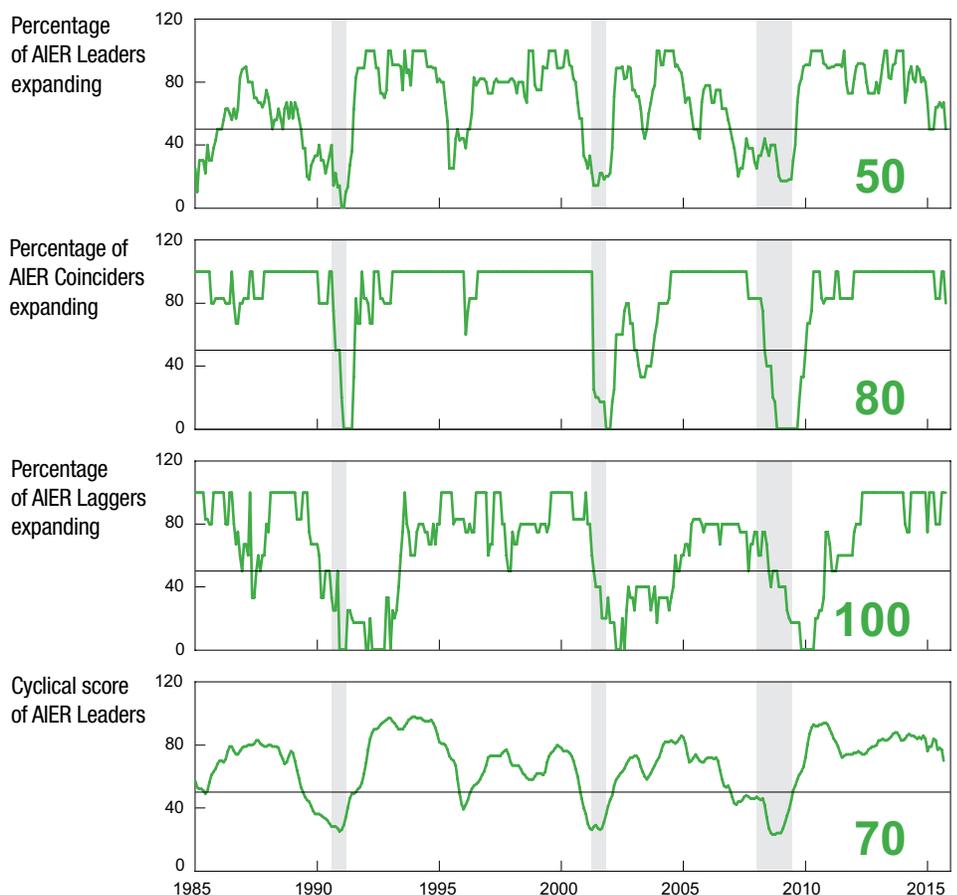
Each month, AIER calculates the percentage of its Twelve Leading Indicators that are judged to be cyclically expanding. Consistent readings above 50 suggest a low probability of recession over the next six to 12 months. Conversely, a drop below 50 percent indicates an increased chance of a contraction. However, before drawing conclusions, we look for confirmation from our cyclical score of Leaders. For October, it was 70, down from 77 but still well above neutral. With our Leaders’ index at neutral and our cyclical score comfortably positive, we see little recession risk over the next six to 12 months.

The proportion of expanding coincident indicators fell to 80 percent in October from 100 percent in September, reflecting some weakness in the economy. Among our six coincident indicators, three were viewed as clearly expanding while one was viewed as probably expanding. One was evaluated as having an indeterminate trend while the sixth probably was contracting. Three of the expanding indicators hit new cyclical highs in the latest month.

The proportion of lagging indicators judged to be expanding held at a perfect 100 reading in October, the third month in a row at that level following three months at 80. Four indicators were expanding or probably expanding, with three of them reaching new cycle highs, while two were viewed as having an indeterminate trend.

Chart 3. Indicators at a glance

Shaded areas denote recessions.
A score above 50 indicates expansion.



Source: AIER.

SCORECARD

The Consumer Price Index continued to fall in September, consistent with our analysis last month. The latest AIER Inflationary Pressures Scorecard shows a further decline for the months ahead. Overall, 14 indicators out of 23 tracked in the Scorecard point to falling inflationary pressure, up from nine last month (Table 1).

On the demand side, retail sales continued to fall, suggesting weakening consumer demand and downward pressure on prices. On the supply side, both industrial production and retail inventory/sale ratios advanced. More supply usually leads to lower prices.

On the money/credit front, even though the money supply grew faster, money velocity slowed. Money velocity is a measure of how frequently money gets spent to buy goods and services. Less frequent money exchange means fewer transactions, which puts downward pressure on prices.

With regard to costs and productivity, producers reported falling costs except for services. Lower producer prices usually mean lower consumer prices down the road. On balance, productivity and labor costs point to declining inflationary pressure.

AIER INFLATIONARY PRESSURES SCORECARD

We track 23 indicators and evaluate their performance over the past three months compared with the prior three months. That is, we compute moving averages of the monthly changes for two consecutive, non-overlapping three-month periods. Finally, we evaluate the inflationary pressure of each indicator through the framework of supply, demand, money/credit, and costs and productivity, and show whether the monthly change points to rising or falling inflationary pressure or stability.

Table 1. Inflationary pressure continues to fall.

	3-MTH. AVERAGE CHANGE		INFLATION PRESSURE
	Previous	Latest	
DEMAND AND SUPPLY			
Demand			
Average hourly earnings (Sept.)	1.6%	2.3%	Rising
Nonfarm payrolls, total mil. (Sept.)	141.6	142.2	Rising
Personal income (Sept.)	5.0%	3.7%	Falling
Retail sales (Sept.)	4.8%	3.6%	Falling
Supply			
Ind. prod. - consumer goods (Sept.)	-2.6%	6.2%	Falling
Manufacturing utilization (Sept.)	75.9%	76.1%	Rising
Retail inventory/sales ratio (Aug.)	1.45	1.46	Falling
MONEY, BANKING, AND CREDIT			
Fed funds rate (Oct.)	0.13%	0.13%	Stable
Interest on excess reserves (Sept.)	0.25%	0.25%	Stable
Money supply (M2) (Sept.)	4.2%	7.6%	Rising
Money velocity (Aug.)	0.3%	-2.4%	Falling
Revolving consumer credit (Aug.)	7.8%	7.1%	Falling
COSTS AND PRODUCTIVITY			
Producer Price Index (Sept. 2015)			
Final demand	2.6%	-1.4%	Falling
- Food	2.4%	-2.3%	Falling
- Energy	25.0%	-32.9%	Falling
- Goods less food and energy	1.8%	-0.7%	Falling
- Services	0.7%	1.5%	Rising
Import Price Index (Sept. 2015)			
Autos	-0.7%	-0.4%	Rising
Consumer goods ex. autos	-0.4%	-1.1%	Falling
Commodity prices (Sept. 2015)			
S&P GSCI Commodity Index	52.4%	-55.8%	Falling
Wages and productivity			
Private compensation (Q3–2015)	0.0%	2.6%	Rising
Nonfarm business productivity (Q2–2015)	-1.1%	3.3%	Falling
Nonfarm business unit labor costs (Q2–2015)	2.6%	-1.4%	Falling

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau, Federal Reserve Board, Standard & Poor's, AIER (Haver Analytics).

CONSUMER PRICE INDEX ANALYSIS

The Consumer Price Index dropped 0.2 percent in September from August, the second consecutive monthly fall this year. The decline was mainly caused by energy prices, which fell 4.7 percent from last month and 23.9 percent from three months earlier (Table 2). The September decline was the second largest monthly drop since energy prices started plummeting in the summer of 2014 (the largest was a 9.7 percent decline in January 2015).

While energy prices fell steeply, food prices rose 0.4 percent, the largest monthly jump since March 2014. Food was 3.2 percent more expensive than three months ago and 1.6 percent higher than its year-ago level. Food price increases have outpaced the overall price index over the past 20 years (Table 2).

The core CPI, which excludes volatile food and energy prices, making it more stable than the overall CPI, advanced 0.2 percent in September from last month, 1.7 percent from three months ago and 1.9 percent from a year earlier. After falling 0.11 percent in January 2010, the core measure has grown every month since, rising at an average pace of 0.14 percent.

Looking into the core CPI, even though all the core goods tracked in Table 2 dropped in price for the month, overall core goods posted no change. The broader list of CPI components showed several rising prices, including household furnishings and supplies, recreation commodities, and educational books and supplies.

Core services rose 0.3 percent in September from August, contributing to the 0.2 percent rise in the core CPI. Viewed long term, core services posted solid growth in a sluggish inflation environment. The core service price index climbed 2.7 percent above its year-ago level, gaining at an annualized 2.4 pace in the past five years and 2.8 percent over the past 20 years. Medical-care services and education are among the fastest growing CPI components.

Table 2. A steep fall in energy prices caused the second consecutive drop in the monthly CPI.

Data for September 2015	Share	m/m%	3-mth.*	12-mth.*	5-yr.*	20-yr.*
Consumer Price Index	100.0	-0.2	-0.4	0.0	1.7	2.2
Food	14.2	0.4	3.2	1.6	2.5	2.6
Energy	7.6	-4.7	-23.9	-18.4	-1.1	3.3
CPI excl. food and energy	78.2	0.2	1.7	1.9	1.9	2.0
Goods excl. food and energy	19.3	0.0	-0.8	-0.5	0.3	0.2
Apparel	3.4	-0.3	1.3	-1.4	1.1	-0.2
New vehicles	3.5	-0.1	-1.1	0.5	1.3	0.2
Medical-care commodities	1.8	-0.2	0.8	2.7	2.4	2.8
Services excl. energy	58.8	0.3	2.5	2.7	2.4	2.8
Shelter	33.1	0.3	3.7	3.2	2.5	2.6
Medical-care services	6.0	0.3	1.6	2.4	2.8	3.8
Transportation services	3.8	0.1	-1.6	2.2	2.2	2.5
Education	3.2	0.3	0.9	3.8	3.7	5.1
AIER'S EPI	36.4	-0.5	0.9	-2.8	1.5	2.8

*=annualized rate

Sources: Bureau of Statistics, AIER (Haver Analytics).

Everyday Price Index

AIER's Everyday Price Index declined 1 percent in September. Including apparel, the EPI slipped 0.5 percent for the month, a slightly larger drop than measured by the Consumer Price Index.

Over the past 12 months the EPI has fallen 3.6 percent while the CPI has shown no change. Energy accounts for the difference, as it plays a much greater role in the EPI than in the CPI.

Gasoline prices dropped 10.1 percent in September and have fallen 13 percent since May. That month saw a short-lived gain, but over the past year gas prices have fallen 29.6 percent. On the home front, utilities slid 1 percent in September and fell 12.1 percent over the past year. Lower prices for gas and utilities leave more money available for holiday shopping.

Food prices rose 0.4 percent in September with food-at-home prices climbing 0.3 percent and food-away-from-home gaining 0.5 percent. Food-at-home prices were led higher by a 1.4 percent increase in fresh fruits and vegetables. Food-away prices at limited-service establishments, such as Panera Bread or McDonald's, climbed 0.4 percent in September. Over the past 12 months, prices at food-away-from-home establishments have risen 2.9 percent due to strong demand.

<https://www.aier.org/epi>

MONETARY POLICY**Conflicting forces beset Fed policy makers as their December meeting nears**

The Federal Open Market Committee left interest rates unchanged at its October meeting. But in its post-meeting statement the committee explicitly said that a December rate liftoff was under consideration. This signaled to financial markets a likely December liftoff.

However, data released before the Fed's October meeting suggested that the economy was cooling. That led to concerns that a rate increase could significantly damage growth, and it built pressure to keep short-term rates near zero longer or even to push them into negative territory.

One reason to raise rates would be market expectations. These stem from the public statements of Fed officials, which earlier made an implicit commitment to begin raising rates by the end of 2015 and most recently pointed to the December meeting. Failing to deliver may undermine the credibility of the central bank. To the Fed, credibility is particularly important now. This provides an incentive to act before the year-end, to prove it can reach its goals.

Another reason for raising rates next month is the longstanding link between unemployment and inflation. The jobless rate now stands at 5 percent, which is considered nearly full employment. Normally, such a low level of unemployment would risk heating up inflation. The Fed may believe that increasing interest rates is necessary to curb this risk. But inflation has been well below the Fed's 2 percent target for almost three years. Policy makers must consider the possibility that the relationship between unemployment and inflation will not hold in the future.

At the same time, economic data has been mixed, with signals of weakness (stagnant wages, slowing GDP growth in the third quarter, a faltering global economy, and a stronger U.S. dollar) contrasting with the latest strong jobs report and details of the GDP report that showed strength. This makes the decision more difficult.

If the Fed does boost rates in December, it will likely take a small step, such as a quarter of 1 percent, or a 25-basis-point move, and further increases will be slow in coming. This is the message from Fed officials' public statements. A slight rise in short-term rates is unlikely to have a big impact on businesses and consumers. To avoid a ripple effect, investors should not overreact to a rate move. Standing pat may be the best reaction.

FISCAL POLICY

Congress staves off budget and debt crises, but long-term challenges remain

In late October, Congress approved the Bipartisan Budget Act of 2015, which resolved two pressing issues when President Barack Obama signed it a few days later.

First, the measure suspends the government's debt ceiling through March 2017, letting the government borrow as much as it needs before then. Passage came just in time, since the Treasury Department said that the debt ceiling would have been exceeded on Nov. 3. The legislation also authorizes federal spending for the next two years, providing targets for new appropriations bills that still must be enacted before Dec. 12 to maintain government funding for the current fiscal year, which began Oct. 1.

Other provisions of the act have a more direct impact on people. One shifts some Social Security tax revenue to the Social Security Disability Insurance Trust Fund, extending the life of that program by several years. Without this change, money would have run out within a year.

Another provision limits a substantial increase in some 2016 premiums for Medicare Part B health insurance, which covers physicians' services for people 65 and over. Because prices actually declined in 2015 (inflation was negative) and no cost-of-living adjustment to Social Security is scheduled for the 2016 calendar year, about 70 percent of those on Medicare will see no change in Part B premiums. But to cover the rising costs, the other 30 percent, including those who are not receiving Social Security and those who sign up for Medicare for the first time in 2016, would have seen their premiums rise by more than 50 percent. In July, the Medicare Trustees Annual Report estimated the monthly charge would jump to \$159.30 from \$104.90 currently.

The Bipartisan Budget Act limits the rise to about 19 percent, setting the premiums at \$120 a month. But the story does not end there.

Because of the change under the budget act, total premiums will fall short of covering a quarter of Part B costs, a level that is set by law. To close that gap, the Treasury Department will lend money to Medicare. To repay the loan, those who benefitted from the reduction in the premium increase will pay a \$3-per-month surcharge for as long as it takes to repay the debt.

The budget act resolves several immediate budget issues – funding the government for the current and next fiscal years, saving the Social Security disability program from an imminent collapse, and limiting Medicare Part B premium increases. But it does little to meet longer-term challenges posed by entitlement programs. Medicare costs are rising. Social Security outlays will continue to exceed payroll tax revenue. This imbalance will have to be addressed sooner or later. So while the budget measure settles some fiscal policy fights for the next couple of years, a larger budget battle may ensue.

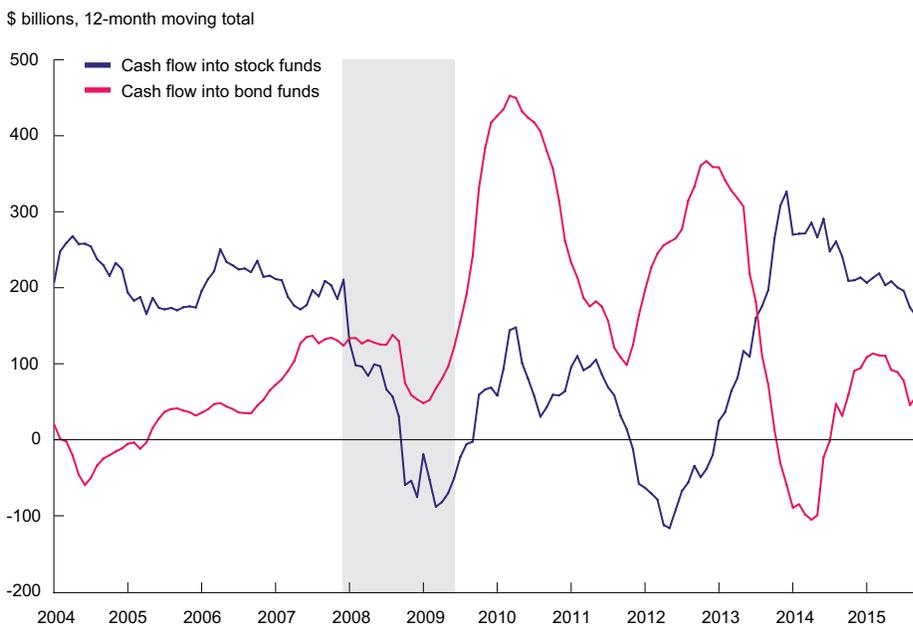
FIXED INCOME

U.S. interest rates remain near historic lows more than six years after the end of the Great Recession. However, the Fed is likely to begin raising short-term interest rates in the not-too-distant future. This will put upward pressure on rates across the board, and bond yields may rise. When yields move higher, bond prices fall. In such an environment, if an investor needs to sell bonds before they mature, there can be a capital loss.

While a disciplined approach to maintaining a proper asset allocation is always critical to long-term success, thoughtful investors will want to pay special attention to bond allocations in their portfolio given the likelihood of interest-rate increases.

The flipside to historic low bond yields is that bond prices are at historic highs. If equity markets were at historically high valuations, it would make sense for an equity investor to rebalance an investment portfolio, taking some profit from high stock prices and moving into less richly valued asset classes. And if a stock sell-off was expected in the near future, an investor might reduce equity exposure to the lowest tolerable level in anticipation of that development. The same should hold for bond investors. With yields so low (and prices high) and expectations of pending Fed rate increases, bringing bond allocations down to the low end of target allocation ranges may provide some benefit.

Chart 4. Investors prefer stocks over bonds, but they are investing less in either.



Note: Shaded area denotes recession.

Sources: Investment Company Institute (Haver Analytics).

COMMODITIES

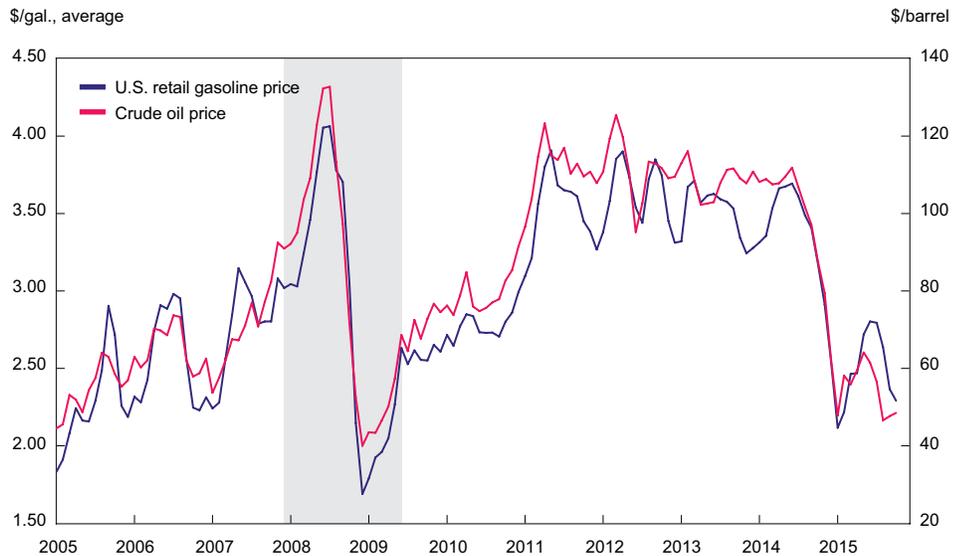
Since crude oil prices collapsed in June 2014, the number of operating U.S. oil rigs has fallen 64 percent, to 572 rigs from 1,609. Despite this, U.S. output kept growing until June 2015, peaking at 9.7 million barrels a day. Production has slipped since then, though it remains at a historically high level of just over 9 million barrels a day. Meanwhile, crude inventories keep rising, hitting a record 1.28 billion barrels, excluding the Strategic Petroleum Reserve.

Crude refining continues at a rapid pace, with output of gasoline, kerosene, and distillates all close to records. Inventories of most refined products also are near seasonal highs. These levels of oil production, refining, and crude and gas inventories are all reflected in pump prices.

The U.S. average retail selling price of gasoline has fallen to \$2.32 a gallon, a level last seen briefly in late 2014, and before that during the last recession and earlier, in 2005 (Chart 5).

While the actual dollar benefit to most consumers is relatively small, the psychological effect can be significant. The collapse in crude helped boost consumer sentiment in 2014. A rebound in early 2015 contributed to a drop in sentiment as did the sell-off in equity markets. Most recently, pump prices are falling once again and should help boost consumer attitudes toward spending.

Chart 5. Gas prices have dropped to 2005 levels as crude oil prices have dipped.



Note: Shaded area denotes recession.
Source: Energy Information Agency (Haver Analytics).

U.S. EQUITIES

U.S. equity markets have rebounded significantly from the roughly 50 percent declines experienced during the Great Recession. By March 2013, the S&P 500 index had risen from its recession low of 676.15 in March 2009 to its pre-recession high of 1565.15. The large-cap benchmark index continued its upward move, hitting an all-time high of 2130.82 on May 21, 2015. This made the S&P 500 one of the strongest performing indexes in developed markets.

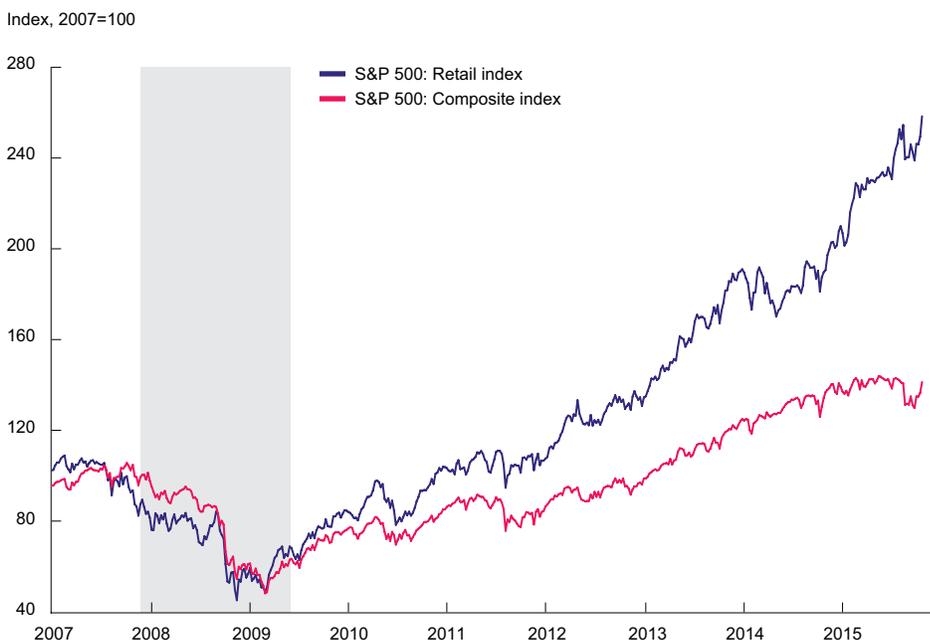
During that time, retailers in the S&P 500 significantly outperformed the benchmark index, gaining 463 percent compared with a 215 percent increase for the broader index (Chart 6). Part of the outperformance may be attributed to strong earnings growth. Over the past five and a half years, earnings-per-share for the Retail Select index rose at an annualized rate of 9.1 percent compared with a 7.8 percent rate for the S&P 500.

On a relative basis, earnings gains for retailers have not outpaced those of the broader index by as much as the index of their share prices has outstripped the overall S&P 500, suggesting that valuations for retailers may be getting elevated relative to the broader market.

Price-to-earnings ratios for both support this conclusion. The P/E ratio for the retail index was 28.1 for the second quarter of 2015 compared with 21.7 for the S&P 500. This represents a 30 percent premium for the retail index over the broader index. That 30 percent premium is down from 52 percent at the end of 2013 but still well above the 15-year average of just 2 percent.

The bottom line is that we expect continued stronger earnings gains for retailers relative to the S&P 500. The current high valuations may curb some of the potential price performance that strong holiday sales gains would suggest for the sector.

Chart 6. Retail stocks are outperforming the broader market.



Note: Shaded area denotes recession.

Source: Standard & Poor's (Haver Analytics).

GLOBAL EQUITIES

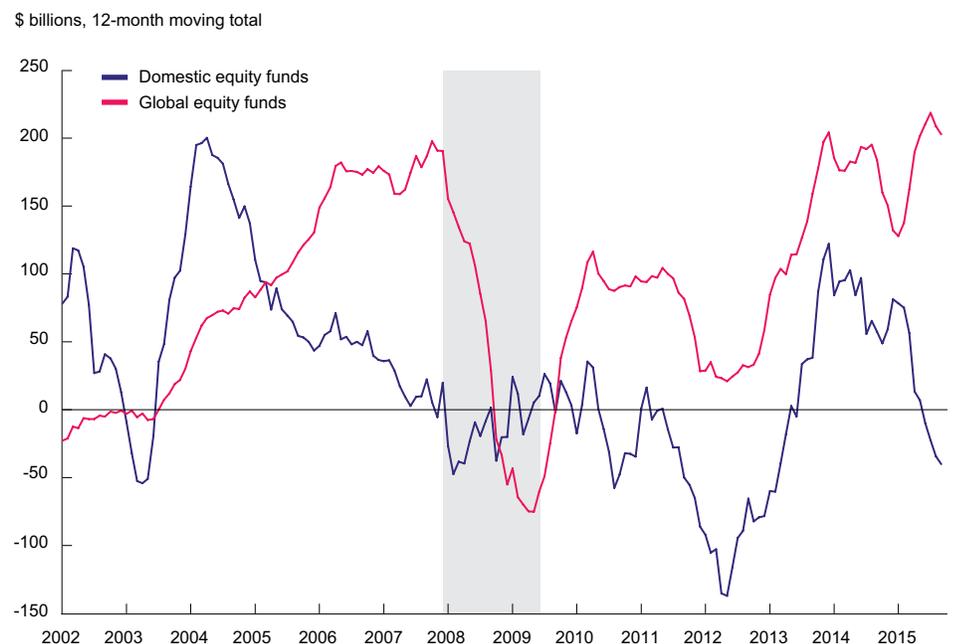
As we have noted, investors appear to prefer stocks over bonds. This seems to make sense given the potential for interest-rate increases that could result in capital losses for bondholders. We take our analysis of mutual fund and index fund inflows and outflows one step further, looking into the breakdown of the cash moving into domestic and global equity funds.

The net movement of money into equity funds was solidly positive before the Great Recession but began to slow during the first three quarters of 2008. The investment into equity funds dropped in late 2008 and switched to a net outflow until late 2009. It remained mildly positive from late 2009 through late 2011 but turned negative from late 2011 through the end of 2012. Beginning in 2013 equity inflows accelerated sharply, hitting a record high at the end of 2013. Since that record, equity inflows have slowly faded even while remaining solidly positive.

When we break down cash flowing into domestic funds versus global funds, a more nuanced story emerges. Cash going into both domestic and global funds accelerated sharply in the second half of 2003, but domestic flows quickly reversed course and drifted down until the recession began in December 2007. New investment in global equity funds continued to rise during that period but turned sharply lower and eventually negative during the recession. Since global flows returned to positive territory in late 2009, after the recession's end, they have strongly outpaced domestic equity inflows (Chart 7).

Two key themes may be driving this. First, U.S. equities and the U.S. economy have performed better than most global equity markets and developed economies. As a result, strategic (passive) investors' allocations may be overweighted with domestic equities and may need to be rebalanced. Second, global markets that have trailed the performance of U.S. equities may now be seen as cheap, so tactical (active) investors may see enhanced value in global markets. Both patterns may continue until allocations and valuations move closer to desired targets.

Chart 7. Investors are favoring global over domestic stock funds for new investment.



Note: Shaded area denotes recession. Inflows equal net new share issuance plus net new cash flow.
Sources: Investment Company Institute (Haver Analytics).

THE ECONOMY...

Steady improvements in consumer fundamentals combined with still-solid consumer expectations provide a positive outlook for holiday spending, which can make or break retailer earnings. The strength of fourth-quarter consumer spending is likely to play a critical role in sustaining overall economic growth. However, our Leaders index fell back to a neutral 50 in the latest reading, adding a note of caution to the outlook. Despite that decline, our cyclical score remains solidly positive, suggesting a relatively low risk of recession ahead.

...INFLATION...

The CPI fell this month, the second back-to-back monthly decline this year. The latest AIER inflation Scorecard points to further downward pressure on inflation for the months ahead. Only seven out of 23 Scorecard indicators support rising inflationary pressure, while 14 suggest falling pressure. The decliners reflect many forces: demand and supply, money, banking and credit, and costs and productivity.

...POLICY...

The Federal Reserve held off raising short-term interest rates at its October meeting. Yet, its follow-up public statement indicated that consideration of a hike will be on the table at the next meeting in December. Markets expect an increase, but some disappointing economic data have left room for doubt.

Congress adopted a budget bill that resolves immediate budget challenges. These include suspending the debt limit and setting parameters for government spending through September 2017. The measure also saves the Social Security disability program from collapse and limits for many Medicare participants an increase in Part B premiums that would have been the largest in history. But long-term fiscal challenges remain.

...INVESTING

Investors are favoring stocks over bonds as the prospect of interest rate increases tempers the outlook for returns on fixed-income securities.

While the plunge in crude oil prices has begun to affect U.S. production, current rates of refining and high gasoline inventory levels are still helping to push pump prices lower.

Retail stocks have been strong performers throughout the current cycle, and our economic outlook suggests continued support for fundamentals, but valuations may raise concerns.

New cash inflows into equities are tilted heavily toward foreign markets. Reallocation by both strategic (passive) and tactical (active) investors may be a primary cause.

CAPITAL MARKET PERFORMANCE

(Percent change)

	Oct. 2015	Latest 3M	Latest 12M	Calendar Year			3-year	Annualized 5-year	10-year
				2014	2013	2012			
Equity Markets									
S&P 1500	8.0	-1.4	2.9	10.9	30.1	13.7	13.8	12.0	5.8
S&P 500 - total return	8.4	-0.6	5.2	13.7	32.4	16.0	16.2	14.3	7.8
S&P 500 - price only	8.3	-1.2	3.0	11.4	29.6	13.4	13.8	11.9	5.6
S&P 400	5.5	-3.9	1.8	8.2	31.6	16.1	13.8	11.7	7.5
Russell 2000	5.6	-6.2	-1.0	3.5	37.0	14.6	12.4	10.6	6.0
Dow Jones Global Index	3.9	-5.1	-0.5	11.9	16.1	-0.3	7.0	5.3	3.6
Dow Jones Global ex. U.S. Index	4.1	-6.5	-5.1	7.1	13.0	-6.7	2.4	0.3	1.7
STOXX Europe 600 Index	8.0	-5.3	11.5	4.4	17.4	14.4	11.6	7.1	2.6
Bond Markets									
Ryan Labs Treasury index total return	-0.3	0.6	2.3	9.6	-6.6	2.9	1.4	3.5	5.2
Dow Jones corporate bond index total return	0.7	1.0	1.7	7.2	-1.9	11.1	2.2	4.8	6.4
Commodity Markets									
Gold	3.5	3.1	-5.5	-10.3	-15.5	6.4	-12.6	-2.7	9.5
Silver	5.6	8.9	0.6	-13.3	-36.3	1.6	-20.2	-7.5	8.8
CRB all commodities	-2.0	-4.5	-14.7	1.1	-3.1	-9.6	-6.5	-4.1	2.9

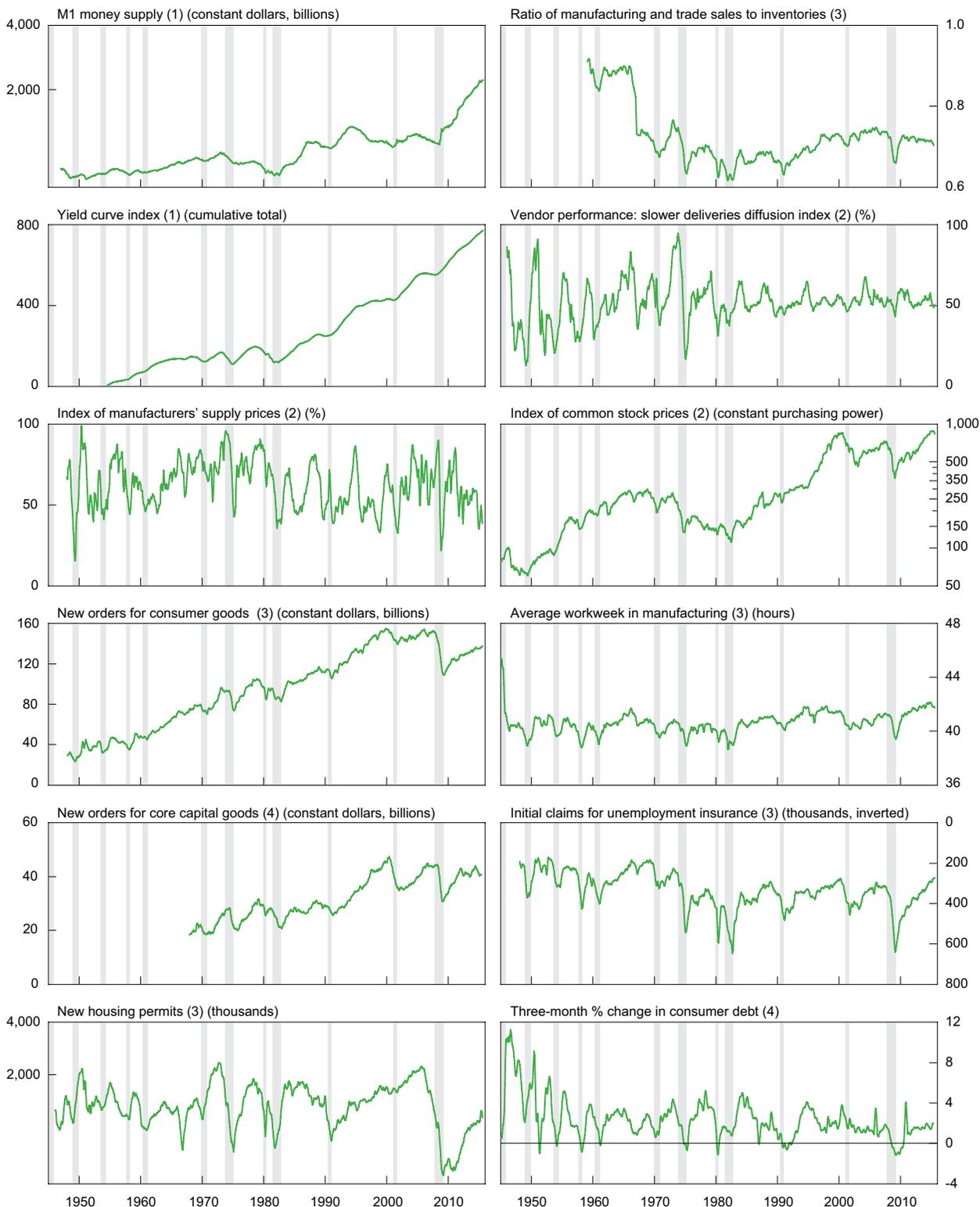
CONSUMER FINANCE RATES

(Percent)

	Oct. 2015	Latest 3M	Latest 12M	Average For Year			Average Over Period		
				2014	2013	2012	3-year	5-year	10-year
30-yr. fixed mortgage	3.8	3.9	3.9	4.3	4.2	3.8	4.1	4.2	4.9
15-yr. fixed mortgage	3.0	3.1	3.2	3.4	3.3	3.2	3.3	3.4	4.3
5-yr. adjustable mortgage	3.3	3.3	3.4	3.6	3.4	3.0	3.5	3.4	#N/A
Home-equity loan	4.6	4.5	4.4	4.7	5.1	4.7	4.7	4.8	5.5
48-month new car loan	3.2	3.1	3.0	3.1	2.7	3.3	2.9	3.4	5.1

Sources for tables on this page: Barron's, Commodity Research Bureau, Dow Jones, Frank Russell, Standard & Poor's, STOXX Limited, Wall Street Journal. Haver Analytics.

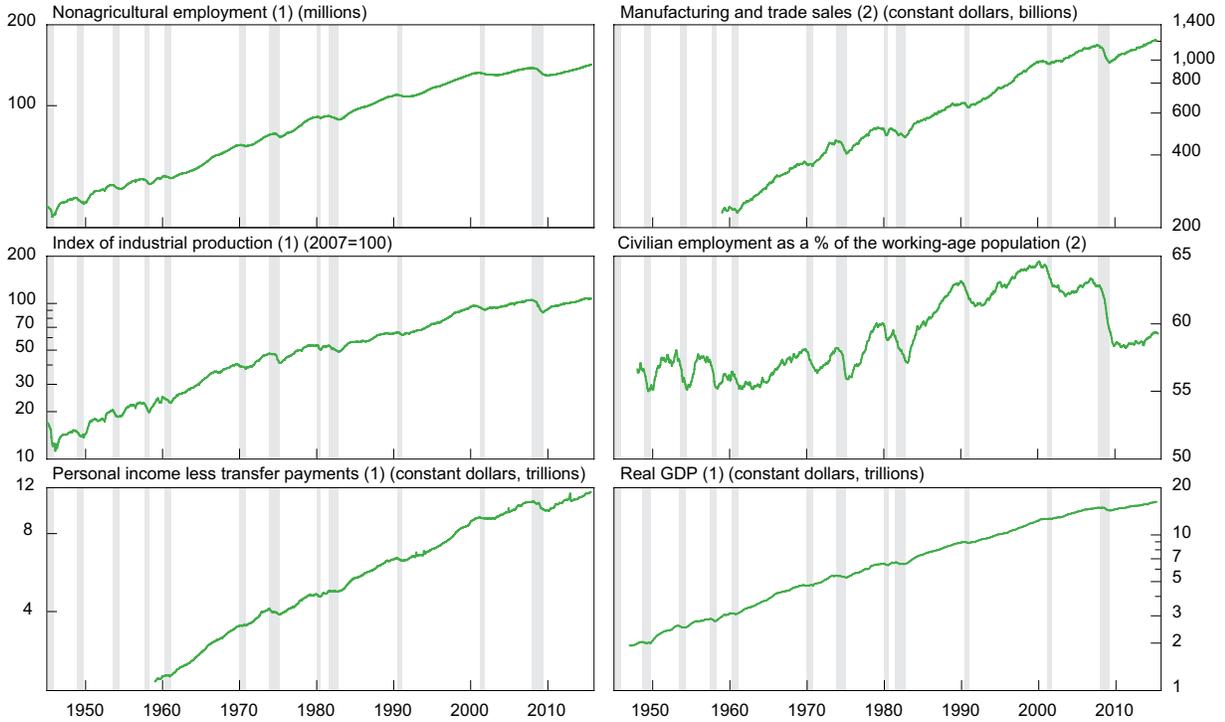
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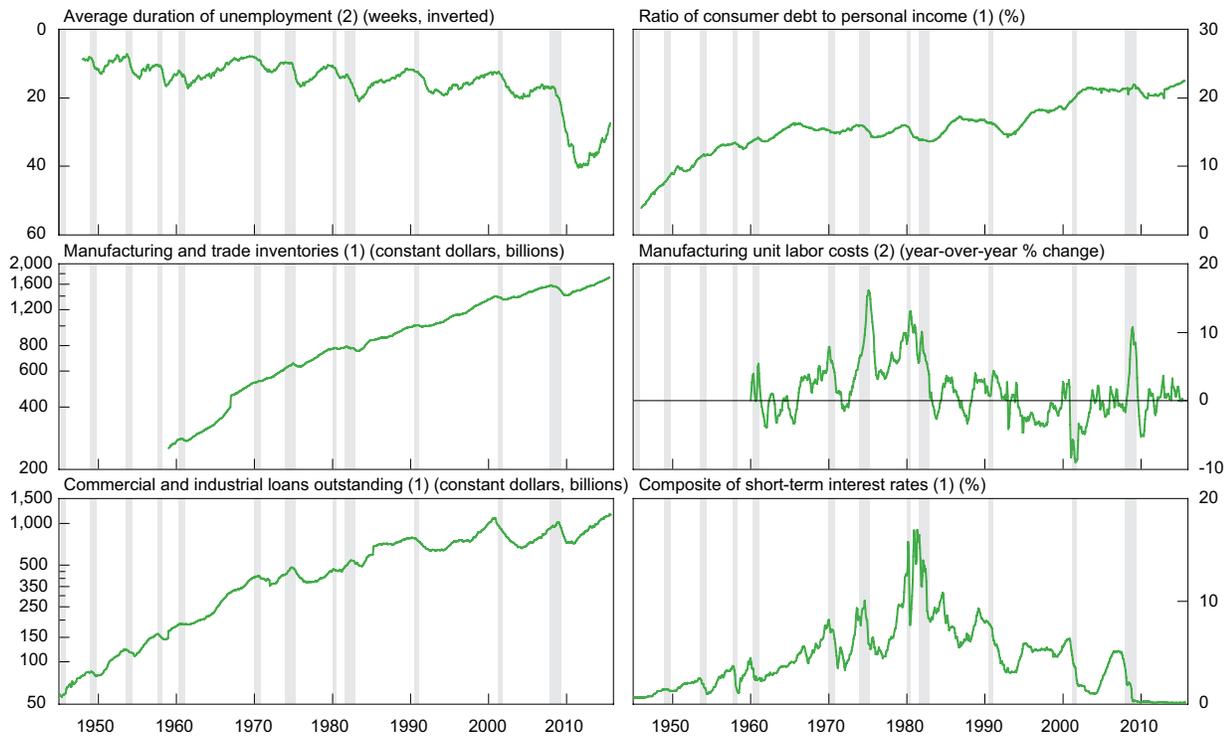
Sources for Appendix: Federal Reserve Board, Institute for Supply Management, Census Bureau, Bureau of Economic Analysis, The Conference Board, Standard & Poor's, Department of Labor, Bureau of Labor Statistics, AIER (Haver Analytics).

Note: Shaded areas denote recessions.

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