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AIER American Institute for Economic Research

BUSINESS CONDITIONS MONTHLY

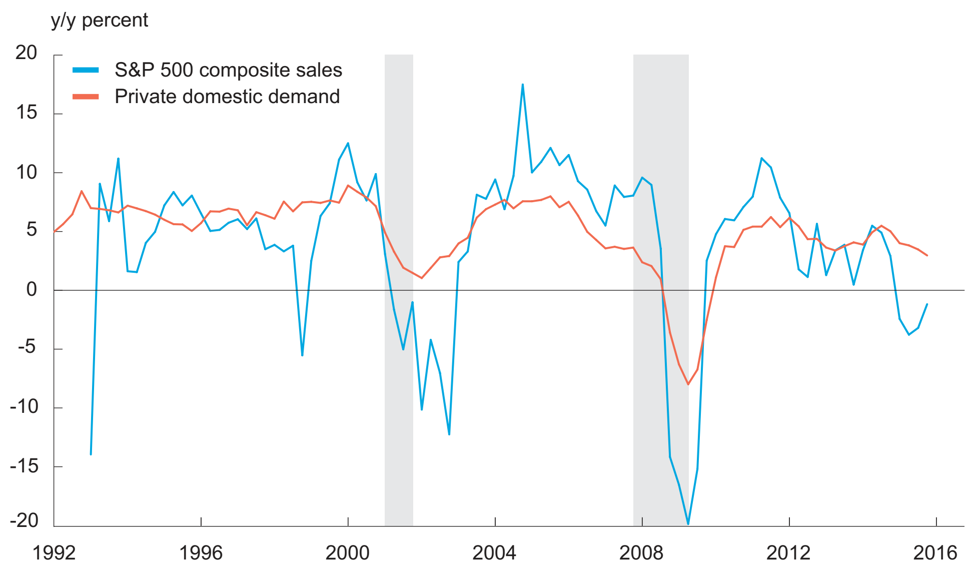
February 2016 Vol. 3 Issue 2

Mixed economic signals put a fresh focus on corporate earnings.

The U.S. economy has struggled with inconsistent performance for much of the current expansion, which began halfway through 2009. That inconsistency reared up again in the last three months of 2015. The initial estimate for gross domestic product, or GDP, the broadest measure of economic activity, shows that growth slowed in that period. Future revisions based on more complete data may show a different picture, but the first take puts real GDP rising at a meager 0.7 percent annual rate compared with a 2 percent pace in the third quarter and 3.9 percent in the second.

In light of the weakness in global economic growth and commodity-related industries, we have been focusing on private domestic demand—consumer spending and private investment—as a key driver of U.S. activity. But even that gauge shows some softening. Continued growth in this core measure of demand will likely be critical to sustaining both broader economic activity and top-line sales gains for publicly traded U.S. companies (Chart 1).

Chart 1. Continued growth in private domestic demand is critical to sustaining gains in the stock market.



Notes: Shaded areas denote recessions. Private demand excludes personal consumption expenditures on housing.
Sources: Bureau of Economic Analysis, Standard & Poor's (Haver Analytics).

Inside this issue

Earnings growth is critical to further gains in the labor market.

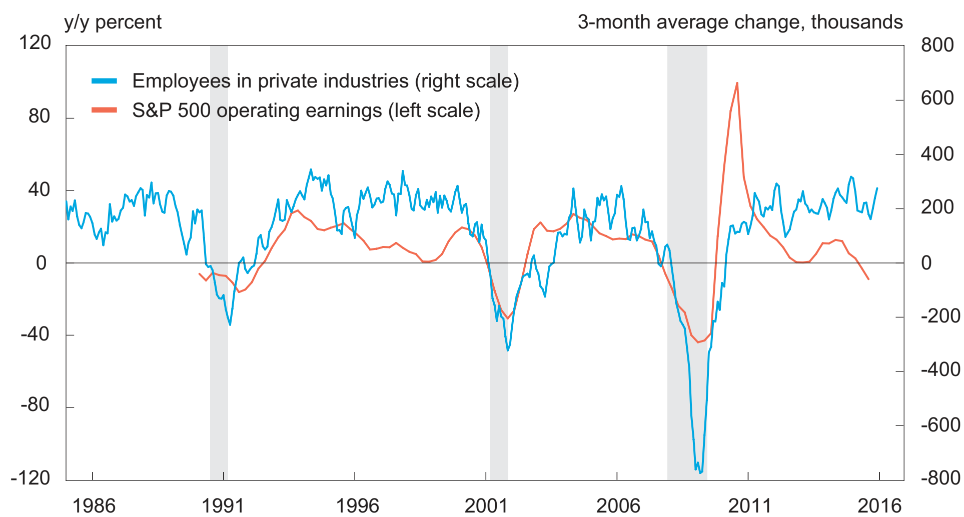
While real GDP growth slowed to just a 0.7 percent annual pace as last year ended, job creation accelerated. U.S. payrolls added an average of 284,000 jobs in each of the last three months of 2015, well above the monthly average of 174,000 for the previous quarter. In addition, the jobless rate fell to 5 percent in October and remained at that rate through December, while total employment climbed to an all-time high 143.2 million workers by year-end. With such a sharp divergence between the weakening overall economy as measured by GDP and the rising strength in the labor market measured by strong job growth, a key factor in assessing the economic outlook may be fourth-quarter corporate earnings.

Stock prices can be thought of as the present value of expected future earnings. Those projected earnings take into account the outlook for sales, profit margins, risks or uncertainty related to forecasts of future earnings, and inflation, among other things. Quarterly earnings reported by U.S. public companies offer a chance to reevaluate expectations and add to our understanding of the economic environment.

A virtuous cycle between earnings and jobs is evident in the data (Chart 2) and supported by theory. As companies experience strong, consistent profit growth, confidence in the outlook for future sales and earnings improves, supporting hiring increases. However, the reverse can also be true. Should sales and earnings growth slow or decline, companies can lose confidence in the outlook and often reduce hiring and increase job cuts.

As noted earlier, continued growth in private domestic demand will be critical to the overall outlook. It will also be important for future job gains in those sectors, helping to offset weakness in export-related areas of the economy and industries affected by energy and commodity prices. Prolonged weakness in demand, especially in an environment of slowing global growth, could raise the risk of recession.

Chart 2. A rebound in earnings growth would help support future job gains, while continued declines could put the expansion at risk.



Notes: Shaded areas denote recessions. S&P 500 data available from 1988.

Sources: Bureau of Labor Statistics, Standard & Poor's (Haver Analytics).

ECONOMIC OUTLOOK

The ongoing inconsistent economic performance and mixed data continue to be reflected in our Business-Conditions Cycle model. In our latest evaluation, 54 percent of our leading indicators were on an upward trend in January, unchanged from our December reading. January marks the 77th consecutive month at or above 50 percent. Consistent readings above the midpoint suggest a low probability of recession over the next six to 12 months. Conversely, a drop below 50 percent may indicate an increased chance of a future contraction.

Among the Leaders, strong favorable trends continued for real new orders for consumer goods, housing permits, retail sales, and the yield curve, supporting our analysis that the U.S. consumer is leading the economy forward.

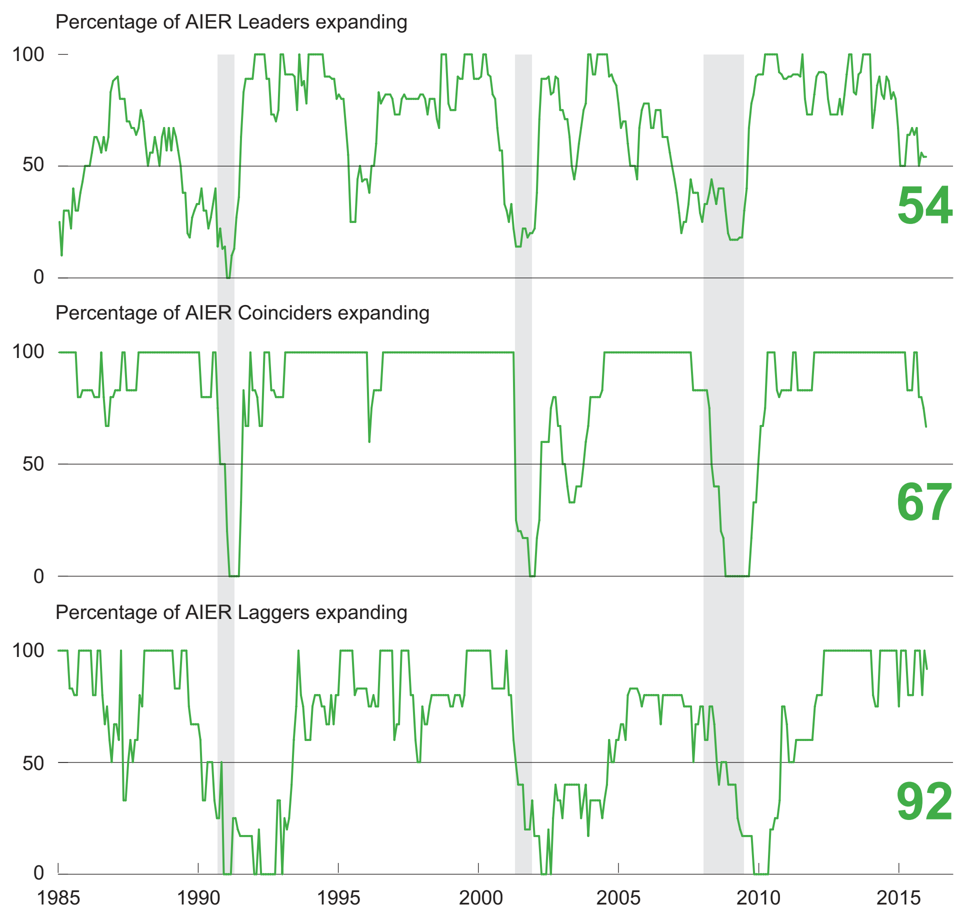
On the negative side, the ratio of manufacturers' sales to inventories, real new orders for core capital goods, and debit balances in margin accounts at broker/dealers were showing weak trends. The poor performance by core capital goods likely reflects the impact of energy and commodity price declines (see Chart 1, January 2016 BCM, https://www.aier.org/bcmoverview2016jan).

With a reading close to but still above 50, the model confirms our view that the U.S. is on a sustainable, moderate growth path. However, the outlook remains fragile given the strong crosscurrents affecting various parts of the economy.

The percentage of expanding coincident indicators fell to 67 from 75 percent in January. The proportion of lagging indicators expanding fell to 92 percent following a perfect 100 reading in December (Chart 3).

Chart 3. Indicators at a glance

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



Source: AIER.

SCORECARD

With oil prices continuing to fall and the dollar still strengthening in December, the month-to-month outlook for inflation remains weak. Out of 23 indicators tracked in the AIER Inflationary Pressures Scorecard, 14 show falling pressure, one is stable, and eight indicators support rising pressure.

Special attention should be given to the money and credit landscape this month. The impact on inflation of the Federal Reserve's tighter monetary policy has kicked in. Since the Fed in December raised interest rates, money supply growth has slowed, putting downward pressure on inflation.

Consumer demand slackened in recent months. That was reflected in declining December retail sales and slower growth in personal income, pointing to falling inflationary pressure. In response to diminished demand, supply fell, as measured by industrial production. But falling supply supports higher consumer prices in the future. In other words, the effect of the weaker demand was offset by the decreased supply, together suggesting a neutral impact on inflation.

Cheap oil and a strong dollar continue to depress prices of food, energy, and imports. There is no sign of runaway inflation in the near term.

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. The outlook for inflation remains weak.

	3-MTH. AVERAGE CHANGE Previous	Latest	INFLATION PRESSURE
DEMAND AND SUPPLY			
Demand			
Average hourly earnings (Dec.)	2.75%	1.92%	Falling
Nonfarm payrolls, total mil. (Dec.)	142.24	142.96	Rising
Personal income (Dec.)	3.97%	3.71%	Falling
Retail sales (Dec.)	2.84%	1.11%	Falling
Supply			
Ind. prod. - consumer goods (Dec.)	8.00%	-5.98%	Rising
Manufacturing utilization (Dec.)	76.29%	76.13%	Falling
Retail inventory/sales ratio (Nov.)	136.33	137.67	Falling
MONEY, BANKING, AND CREDIT			
Fed funds rate (Jan.)	0.13%	0.29%	Falling
Interest on excess reserves (Dec.)	0.25%	0.29%	Falling
Money supply (M2) (Dec.)	7.38%	4.76%	Falling
Money velocity (Nov.)	-12.43%	-0.33%	Rising
Revolving consumer credit (Nov.)	7.26%	6.89%	Falling
COSTS AND PRODUCTIVITY			
Producer price index (Dec. 2015)			
Final demand	-2.15%	-1.09%	Rising
- Food	-3.31%	-6.91%	Falling
- Energy	-31.91%	-15.04%	Rising
- Goods less food and energy	-1.08%	-1.09%	Falling
- Services	0.36%	1.09%	Rising
Import price index (Dec. 2015)			
Autos	0.00%	-1.41%	Falling
Consumer goods ex. autos	-0.74%	-0.74%	Stable
Commodity prices (Dec. 2015)			
S&P GSCI Commodity Index	-55.80%	-43.42%	Rising
Wages and productivity			
Private compensation (Q4–2015)	8.08%	5.96%	Falling
Nonfarm business productivity (Q3–2015)	3.50%	2.20%	Rising
Nonfarm business unit labor costs (Q3–2015)	2.00%	1.80%	Falling

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

CONSUMER PRICE INDEX ANALYSIS

The Consumer Price Index, or CPI, slipped 0.1 percent in December from November, mainly from a sharp decline in energy costs. Energy fell 2.4 percent, and households also paid less for food. Food prices in December declined 0.2 percent from November and were 0.9 percent lower than three months earlier.

Food and energy prices are usually considered volatile. The core CPI excludes both and is seen as a better measure for a long-term perspective. The core CPI rose 0.1 percent in December from November. For the year, the core CPI advanced 2.1 percent, or close to the Fed's annual inflation target of 2 percent, which may help Fed officials breathe a little more easily.

Most goods in the CPI basket were cheaper in December, including apparel, alcoholic beverages, and new vehicles. However, prices rose for household furnishings and educational books and supplies. All services, without exception, were more expensive.

The month-to-month price divergence between goods and services was in line with the long-term trend. Goods (excluding food and energy) grew at an annual 0.2 percent rate over the past 20 years, while services (excluding energy) advanced at a 2.8 percent rate. Households have consistently seen faster cost increases for services than goods in the past two decades.

Among all services, the fastest growth has come in education, up by an annualized rate of 3.7 percent over the past five years and 5.1 percent over the past two decades. It was followed by medical-care services, which rose 3 percent annually over the past five years and by about 3.8 percent in each of the past 20 years.

Ignoring food and energy prices, core CPI inflation has been fairly stable not only in the recent past but also over the long run. It has grown at a consistent rate of about 2 percent annually. Going forward, if energy prices stop falling or decline more slowly, CPI inflation is likely to grow.

Table 2. Prices fell for most goods but rose for services.

Data for December 2015	Share	m/m%	3-mth.*	12-mth.*	5-yr.*	20-yr.*
Consumer Price Index	**100.0**	**-0.1**	**0.5**	**0.7**	**1.5**	**2.2**
Food	14.2	-0.2	-0.9	0.8	2.3	2.6
Energy	7.2	-2.4	-12.7	-12.7	-3.3	3.1
CPI excl. food and energy	78.6	0.1	2.1	2.1	1.9	2.0
Goods excl. food and energy	**19.3**	**-0.1**	**-1.6**	**-0.4**	**0.3**	**0.2**
Apparel	3.4	-0.2	-5.3	-0.9	0.9	-0.3
New vehicles	3.5	-0.1	-0.8	0.2	1.2	0.2
Medical-care commodities	1.8	-0.1	1.6	1.5	2.3	2.8
Services excl. energy	**59.3**	**0.2**	**3.3**	**2.9**	**2.5**	**2.8**
Shelter	33.3	0.2	2.8	3.2	2.6	2.6
Medical-care services	6.1	0.1	5.6	2.9	3.0	3.8
Transportation services	5.7	0.3	4.4	2.6	2.2	2.6
Education	3.2	0.2	3.7	3.6	3.7	5.1
AIER'S EPI	**35.8**	**-0.7**	**-7.2**	**-1.9**	**0.8**	**2.6**

Notes: *= annualized rate. AIER's EPI share is the share of the CPI.
Sources: Bureau of Labor Statistics, AIER (Haver Analytics, FactSet).

Everyday Price Index

AIER's Everyday Price Index, a measure of inflation for commonly purchased goods and services, declined 0.7 percent in December after falling 0.6 percent in November. For the full year, the EPI sank 1.9 percent.

The broader Consumer Price Index slipped 0.1 percent in December and rose 0.7 percent for the year. Because the EPI assigns a greater weight to energy, the difference between the two stems largely from lower costs for fuels and power.

Energy prices fell 2.4 percent in December and slid 12.7 percent for the year because of abundant supplies. Gasoline prices dropped 3.9 percent in December, capping a 19.7 percent plunge over 12 months. Even with winter in full swing, home heating oil fell 4 percent.

The 0.5 percent decline in food prices at grocery stores in December was broad based. Meat, poultry, fish, and egg prices dropped 1.4 percent; fresh produce fell 0.5 percent; and bakery products declined 0.1 percent. Restaurant food prices, on the other hand, increased 0.1 percent and climbed 2.6 percent for the year.

Prescription drug prices fell 0.3 percent in December, and the cost of personal-care services declined 0.2 percent. However, both prescription drug and personal-care services costs rose 2.4 percent in 2015.

https://www.aier.org/epi

MONETARY POLICY

The Federal Open Market Committee in late January decided to keep the target range for the federal funds rate unchanged at 0.25 to 0.50 percent, following a 0.25 percent hike the previous month – the central bank's first credit tightening in over nine years. Considering recent stock market turmoil, plunging oil prices and no meaningful evolution in economic conditions since the policy-making committee's mid-December meeting, the decision was not difficult to make.

Economic data released since the Dec. 15–16 meeting presented mixed signals—industrial production fell, GDP rose, the jobless rate held steady, while employment hit a new high at year-end. Wage and benefits growth remained sluggish. The employment-cost index, a broad measure of worker compensation, climbed just 0.6 percent in the final three months of 2015. The core personal consumption expenditure price index, the Fed's favored inflation gauge, rose 1.3 percent last year, well below its 2 percent inflation target.

On top of those indicators, lower oil prices and weak global economic growth may have made Fed policy makers more cautious about further tightening. A second interest rate increase in March has become unlikely as well.

Financial market turmoil might be another concern. Just after the FOMC released its meeting statement on Jan. 27, U.S. stocks tumbled. The Dow Jones Industrial Average, for example, slid about 154 points, or 0.96 percent, shortly after the statement was released at 2 p.m. that day. But higher volatility was not expected to last long. The Chicago Board Options Exchange's Volatility Index, or VIX, a popular measure of market expectations about volatility over the next 30 days, closed at 23.11 that day, much lower than the 27.59 close a week earlier. This implies that financial markets are sensitive to economic news in the short run, but relatively low VIX readings show that market participants don't expect volatility to continue much longer.

All in all, the recent economic data has sent markets mixed signals. But our Business-Cycle Conditions model this month shows a leading indicators diffusion index of 54, an above-average reading. More data will be needed to confirm the economy's direction.

OIL POLICY
Too early to see full implications of ending U.S. export ban

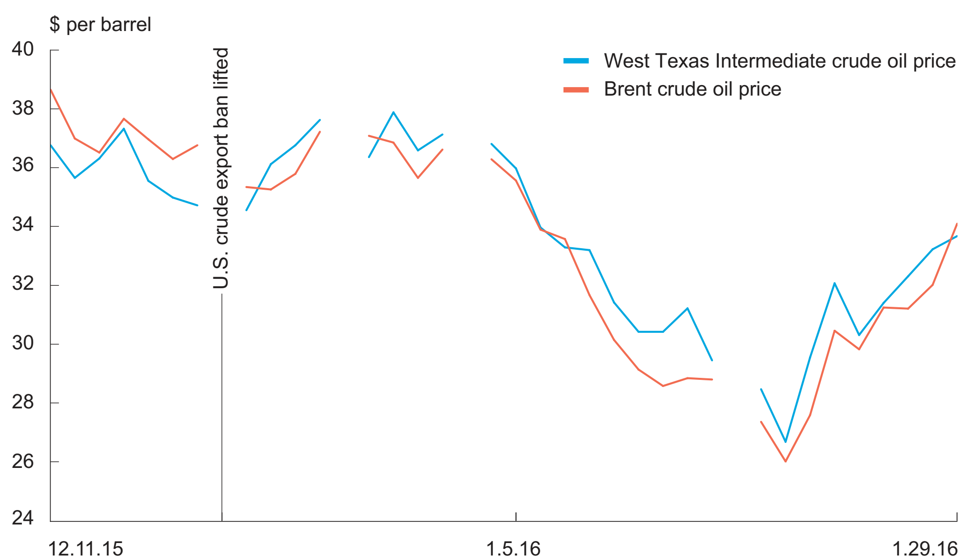
In the September 2015 Business Conditions Monthly we argued that global events could lead U.S. lawmakers to lift a ban imposed in 1975 on exports of domestic crude oil (https://www.aier.org/bcmpolicysept2015). This has now happened. The ban was repealed in a spending bill that President Barack Obama signed on Dec. 18. Since then, several shipments of American crude have left U.S. shores.

When we wrote about the possibility that the ban might be lifted, we argued that "ending the policy would raise U.S. crude prices, stimulating investment, spurring production, and lowering pump prices." It is too early to see any changes in investment or production, and the low global price of oil is likely to depress production, with or without the export ban. But we can see the change in the price of U.S. domestic crude oil, which is measured by the West Texas Intermediate (WTI) benchmark. The global crude price is measured by the Brent benchmark. Since 2011, the WTI price has been below the Brent price, reflecting excess domestic supplies. But the day after the ban was lifted, the WTI price rose above the Brent price, and it remained higher through the end of January (Chart 4). However, both WTI and Brent continue to trend downward, reflecting weak global demand relative to supply. But had the export ban remained in place, the long-standing discount on U.S. crude no doubt would have continued.

One might worry that exporting crude oil could lead to higher gasoline prices down the road. That is unlikely. Gas prices are linked to the Brent benchmark, because exporting domestically refined gasoline, unlike crude oil, has always been allowed. Since the crude export ban was lifted, U.S. pump prices have fallen, following the global trend in oil prices. On Dec. 18, the average U.S. retail price of regular gas was $2.04 a gallon. By Feb. 1 it had fallen to $1.82.

The reasons for oil price declines, which lead to lower gasoline prices, range from China's slowing economy to lifting trade sanctions on Iran. American crude being sold on the global market now can be added to this list.

Chart 4. With the export ban ended, U.S. domestic crude oil prices jumped above the global benchmark.



Note: Daily data (business days only). Line indicates 12/19 lifting of U.S. crude oil export ban. Other breaks indicate holidays.

Source: U.S. Energy Information Administration (FRED).

FIXED INCOME

Just as a retrenchment in earnings can have a negative impact on hiring, slower growth or outright earnings declines are often reflected in fixed-income markets. The impact can be seen in quality spreads both between the yields of corporate bonds, or debt securities, and Treasurys, and among corporate bonds of different quality.

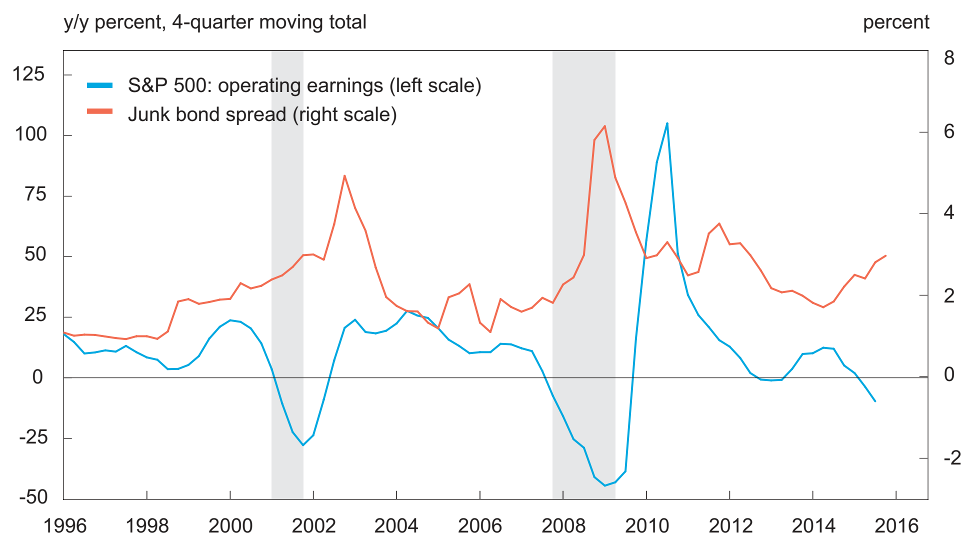
As the economy weakens and the yields on Treasurys decline, the odds of corporate bond defaults increase. Their yields increase (or decrease less) and the spread, or difference in yields, between government and corporate bonds increases.

Yet not all corporate bonds are equal. Companies that are perceived by credit-rating agencies to be less creditworthy or more at risk of default are given a lower grade. Those scoring below a certain level represent a higher risk to investors and are referred to as "junk" bonds. These typically must provide a higher yield to attract investors. Since these lower-rated companies are generally more at risk of default, the yields on their debt securities are often more sensitive to changes in the economic environment; moreover, their bonds typically see their yield spreads widen the most when economic conditions weaken.

Widening spreads can be seen clearly in the relative yields of highly rated, or investment-grade, bonds versus junk bonds. The deceleration in corporate earnings growth since mid-2014 corresponds to the widening spread of junk securities over investment-grade debt. Similar episodes occurred in 2000–2001 and 2007–2009 (Chart 5).

As with the labor market, improving economic activity along with better sales and earnings growth would likely lead to better performance among the bonds of the lowest-rated companies, the issuers of junk bonds. Stronger economic growth would likely lead to a narrowing of spreads between junk and investment-grade debt.

Chart 5. Junk bond spreads have widened as earnings have slowed.



Notes: Shaded areas denote recessions. Junk bond spread is the spread between BB+ and AA bonds.

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

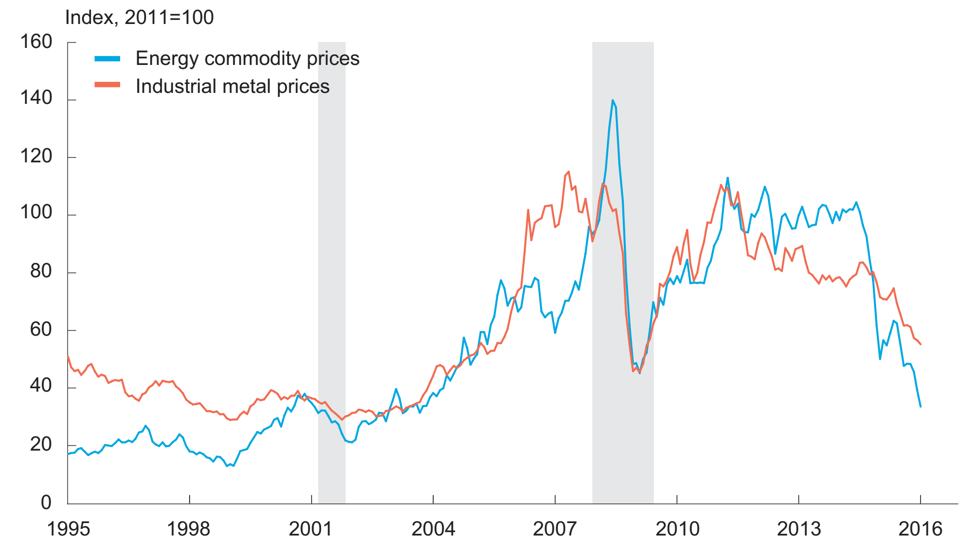
COMMODITIES

One of the strongest ongoing themes, and one we have been writing about for many months, is the plunge in commodity prices. Last month we looked at its impact on capital spending. This month we look at its effect on earnings and jobs.

Prices for energy commodities and industrial metals hit a post-recession peak in 2011. Since that time, price measures for both have fallen 40 percent to 60 percent (Chart 6). At the same time, earnings for metal producers and mining companies have moved into the red, and employment in mining has fallen by 15 percent (Chart 7).

If and when commodity prices rebound, the impact on earnings, jobs, and other aspects of the overall U.S. economy should also reverse, but predicting that turnaround is an extremely difficult task.

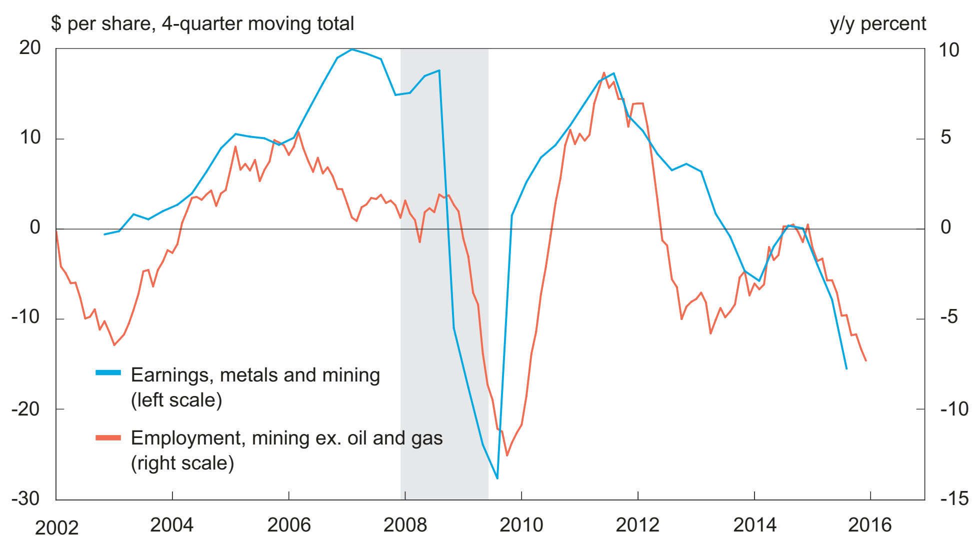
Chart 6. Energy and industrial metals prices have plunged over the past few years.



Note: Shaded areas denote recessions.

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

Chart 7. Earnings and jobs at mining companies have fallen sharply.



Notes: Shaded area denotes recession. Diluted earnings of metals and mining companies in the S&P 500.

Sources: Bureau of Labor Statistics, Standard & Poor's (Haver Analytics).

U.S. EQUITIES

Gross domestic product reflects the overall performance of the economy's various components. So, too, does the Standard & Poor's 500 Index of U.S. equities, where the aggregate data mask a wealth of information about the various components.

Our theme this month focuses on mixed signals from recent economic data and the potential value of a detailed analysis of corporate earnings data being released over the past few and next several weeks. Our work so far has shown that corporate sales and earnings are related to economic activity and the labor market. Further analysis corroborates some ongoing themes while also highlighting key areas to monitor:

Energy and materials, the commodity-sensitive sectors, have seen a complete collapse in earnings—fallout from the plunge in commodity prices. Energy-sector earnings are expected to be down about 74 percent for the fourth quarter compared with a year ago and are by far the biggest factor in the expected 5.7 percent decline in S&P 500 earnings overall. Materials-sector earnings are expected to be down about 25 percent.

Consumer discretionary, health care, and telecommunications services—mostly domestically focused sectors—are expected to show positive growth in earnings from a year ago and are the largest contributors to S&P 500 earnings. Consumer discretionary and health care are also sectors that have had strong job growth, so continued earnings gains are important for the hiring outlook.

Industrials and information technology—more global sectors—are expected to show declines in earnings for the fourth quarter. Recoveries in these sectors are likely to be delayed until global growth picks up.

Table 3. Stock earnings per share by sector.

Fourth quarter 2015	# Co.s Reported	% Co.s Reported	Growth Blended (%)	Contribution	Growth Reported (%)	Surprise
S&P 500	208/504	41.27	-5.67	-5.67	-2.14	3.47
Consumer discretionary	24	27.91	6.38	0.68	28.09	4.45
Consumer staples	14	36.84	-1.77	-0.16	2.59	3.68
Energy	12	30.00	-74.18	-5.91	-67.51	4.35
Financials	42	46.67	0.84	0.15	7.13	0.25
Health care	24	42.86	7.34	0.95	7.84	4.76
Industrials	36	55.38	-4.64	-0.51	-3.41	2.82
Information technology	37	54.41	-3.03	-0.72	-4.51	5.37
Materials	13	48.15	-24.75	-0.68	-35.42	21.11
Telecommunication services	2	40.00	28.25	0.63	29.48	0.26
Utilities	4	13.79	-4.44	-0.10	1.98	-5.16

Notes: Growth Blended combines actual earnings growth with consensus expectations for non-reporting companies. Contribution is each sector's part of Growth Blended. Surprise is percentage that earnings exceed or fall below expectations.

Source: FactSet

GLOBAL EQUITIES

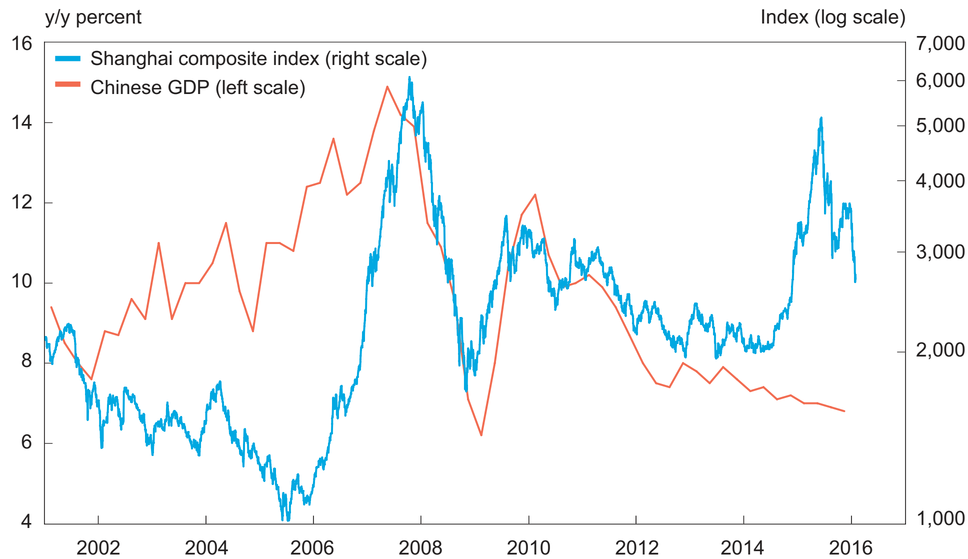
This report has looked at the well established and widely recognized short- and immediate-term relationships between the U.S. economy and capital markets. They are indeed tightly integrated.

However, the tight integration is less evident in China, where at least some measures of equity market performance seem disconnected from the condition of the underlying economy. From 2002 through 2005, the Shanghai composite stock index fell significantly despite accelerating growth in China's GDP. From 2006–2007, the Shanghai index surged ahead in parallel with accelerating economic growth (at least through the early part of 2007). Both China's GDP growth and equity markets tumbled in 2008 and posted a rebound in 2009.

From 2010 through the middle of 2014, both GDP and the equity markets steadily decelerated in the Asian nation. However, in mid-2014 the Shanghai index began a surge and more than doubled, while GDP continued to slow. Clearly the index surge was unsustainable—it is already deflating—and likewise, further collapse in the equity market is possible as cooling GDP growth shows no sign of reviving.

Compounding the variance between the equity market and the real economy is that both are heavily influenced by the Chinese government. Our conclusions are two-fold: First, the equity market declines in China may not be over. Second, since the government tends to interfere in both the market and the real economy, investors in China equities take on an unusually high degree of uncertainty.

Chart 8. The Shanghai composite stock index and the Chinese economy appear to be moving in different directions.



Sources: National Bureau of Statistics of China, FactSet.

THE ECONOMY…

The latest readings from our new model are little changed from the prior readings and continue to suggest a moderate U.S. growth outlook. While the risk of recession is still reasonably low, continued mixed performance by a wide range of economic data suggests a somewhat fragile future. In this environment, corporate earnings results may help shed some extra light on economic conditions and highlight areas at risk.

…INFLATION…

The AIER Inflationary Pressures Scorecard shows a weak outlook for inflation, with falling pressure for 15 out of 23 indicators tracked and eight showing rising pressure. Cheap oil and a strong dollar are depressing prices for food, energy, and imported goods.

…POLICY…

Economic data have been mixed since the Fed in December raised its target range for the federal funds. Policy makers may be more cautious about raising rates in the face of mixed signals, making a March hike unlikely.

It's too early to tell what ending the U.S. oil export ban will mean for domestic production, but it has already lifted domestic crude oil prices above the global benchmark.

…INVESTING

Economic trends are clearly visible in the capital markets. Junk bond spreads have widened, consistent with rising investor concerns over the economic outlook. The plunge in commodity prices is reflected in earnings for energy and materials companies and in hiring trends for those industries.

More broadly, economic trends are also seen in the sector breakdown of earnings for the S&P 500. Domestic demand remains the key driver for the U.S. economy and for corporate earnings. If earnings were to decline significantly, it could affect future hiring and put the current expansion at risk.

In China, the Shanghai composite stock index and the Chinese economy appear to be moving in different directions. Equity performance may still be at risk, but with government intervention far greater than in many other markets and economies, uncertainty abounds for investors.

CAPITAL MARKET PERFORMANCE

(Percent change)

	Jan. 2016	Latest 3M	Latest 12M	Calendar Year 2015	2014	2013	Annualized 3-year	5-year	10-year
Equity Markets									
S&P 1500	-5.2	-6.9	-3.3	-1.0	10.9	30.1	8.8	8.5	4.4
S&P 500 - total return	-5.0	-6.2	-0.7	1.4	13.7	32.4	11.3	10.9	6.5
S&P 500 - price only	-5.1	-6.7	-2.7	-0.7	11.4	29.6	9.0	8.6	4.2
S&P 400	-5.8	-8.8	-8.2	-3.7	8.2	31.6	6.4	7.3	5.4
Russell 2000	-8.8	-10.9	-11.2	-5.7	3.5	37.0	4.7	5.8	3.5
Dow Jones Global Index	-7.3	-8.0	-9.8	0.4	11.9	16.1	2.1	2.2	1.7
Dow Jones Global ex. U.S. Index	-7.6	-10.0	-13.0	-5.1	7.1	13.0	-3.6	-2.7	-0.6
STOXX Europe 600 Index	-6.4	-8.8	-6.8	6.8	4.4	17.4	6.0	4.1	0.6
Bond Markets									
Ryan Labs Treasury index total return	2.3	1.9	-1.7	0.5	9.6	-6.6	2.4	4.7	5.3
Dow Jones corporate bond index total return	0.4	-0.1	-2.6	0.6	7.2	-1.9	2.4	5.0	6.2
Commodity Markets									
Gold	2.0	-6.3	-13.1	-8.3	-10.3	-15.5	-13.2	-4.4	7.1
Silver	5.5	-3.3	-12.3	-8.8	-13.3	-36.3	-21.4	-10.8	5.8
CRB all commodities	-0.5	-5.0	-12.1	-14.0	1.1	-3.1	-8.1	-6.9	2.0

CONSUMER FINANCE RATES

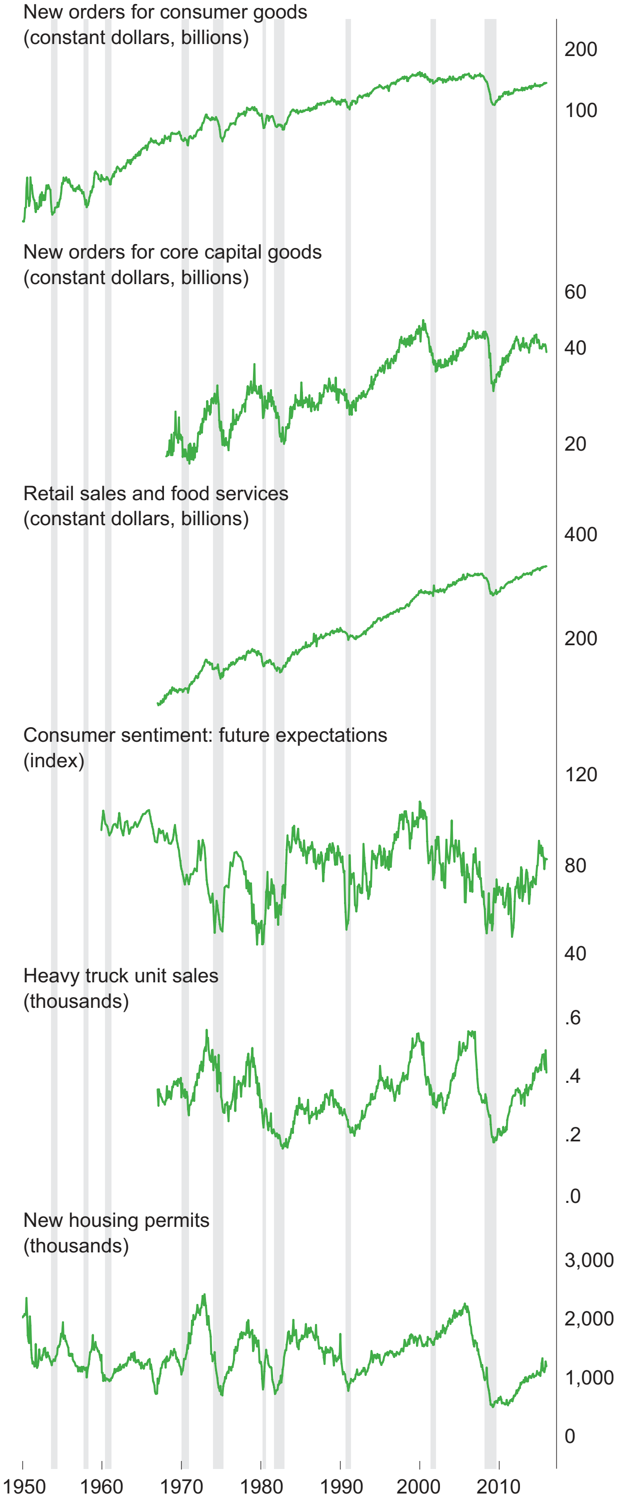
(Percent)

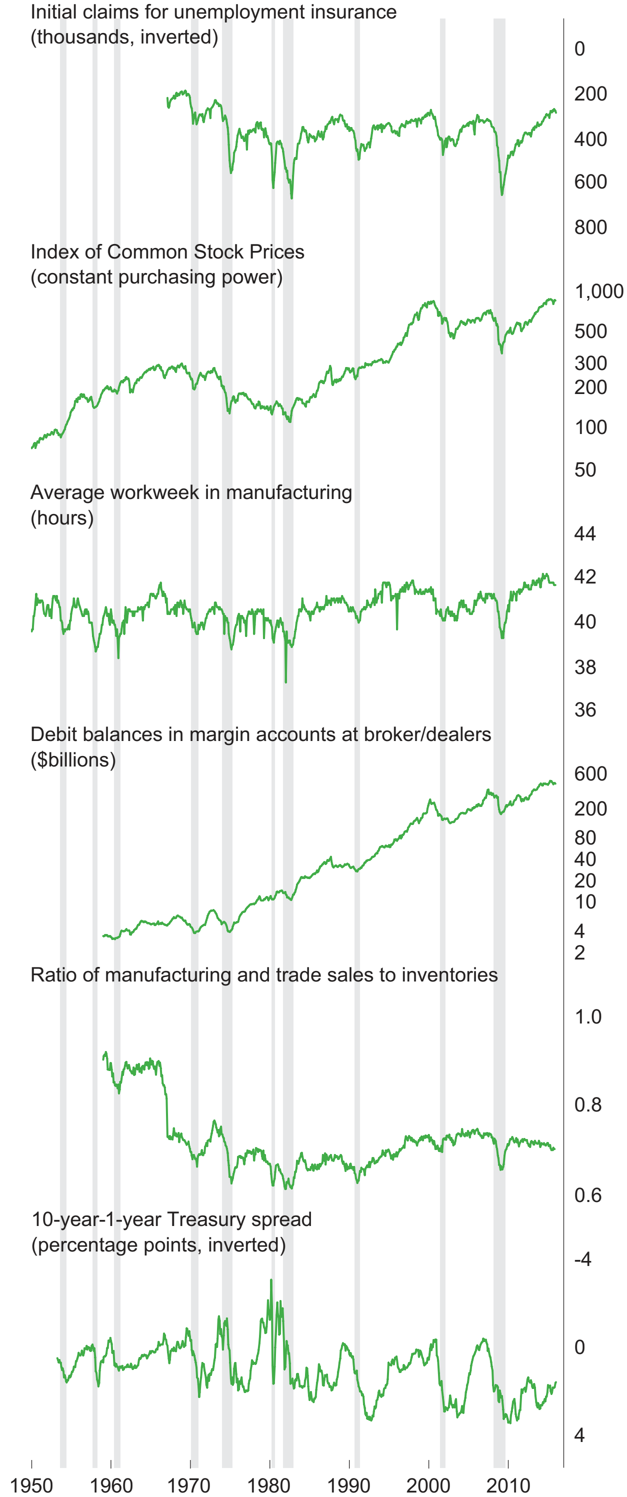
	Jan. 2016	Latest 3M	Latest 12M	Average For Year 2015	2014	2013	Average Over Period 3-year	5-year	10-year
30-yr. fixed mortgage	3.9	3.9	3.9	3.9	4.3	4.2	4.1	4.1	4.9
15-yr. fixed mortgage	3.1	3.2	3.2	3.2	3.4	3.3	3.3	3.4	4.3
5-yr. adjustable mortgage	3.4	3.5	3.4	3.4	3.6	3.4	3.5	3.4	#N/A
Home-equity loan	4.9	4.7	4.5	4.4	4.7	5.1	4.7	4.8	5.4
48-month new car loan	3.2	3.2	3.1	3.0	3.1	2.7	2.9	3.3	5.0

Sources for tables on this page: Barron's, Commodity Research Bureau, Dow Jones,
Frank Russell, Standard & Poor's, STOXX Europe 600, Wall Street Journal (Haver Analytics).

APPENDIX

LEADERS (1950–2016)

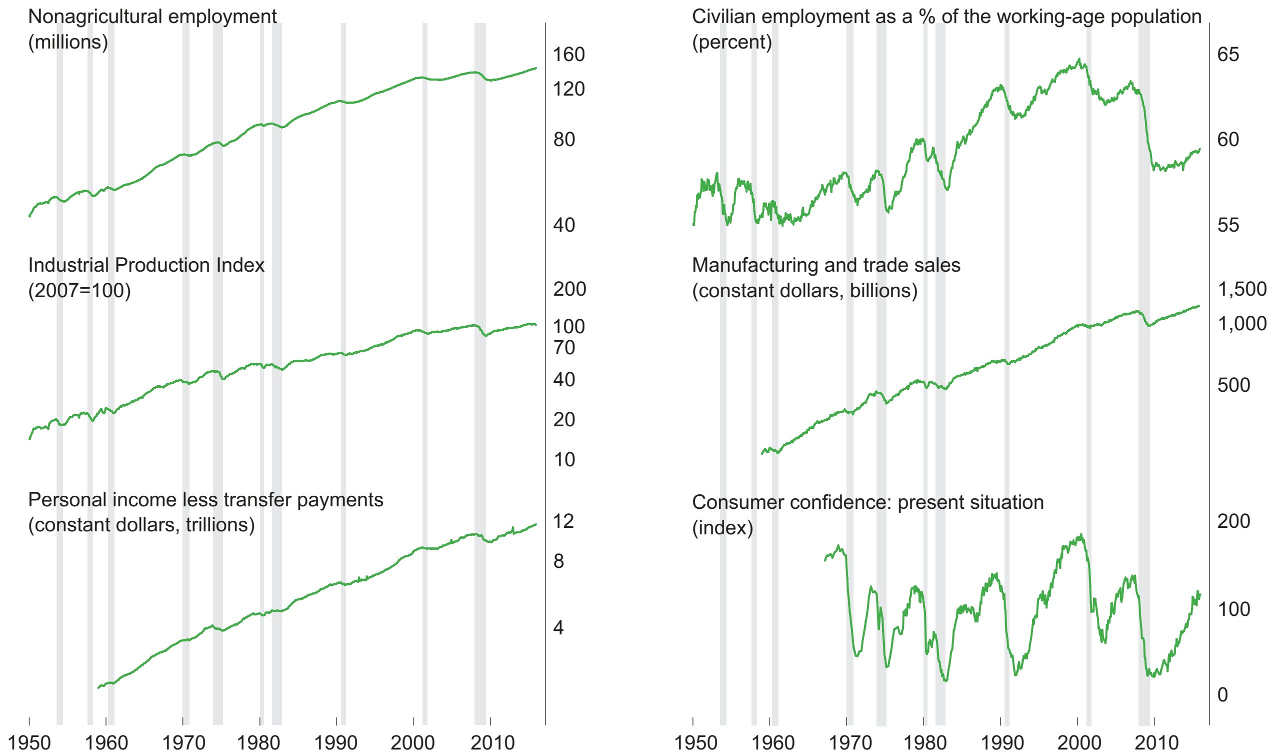




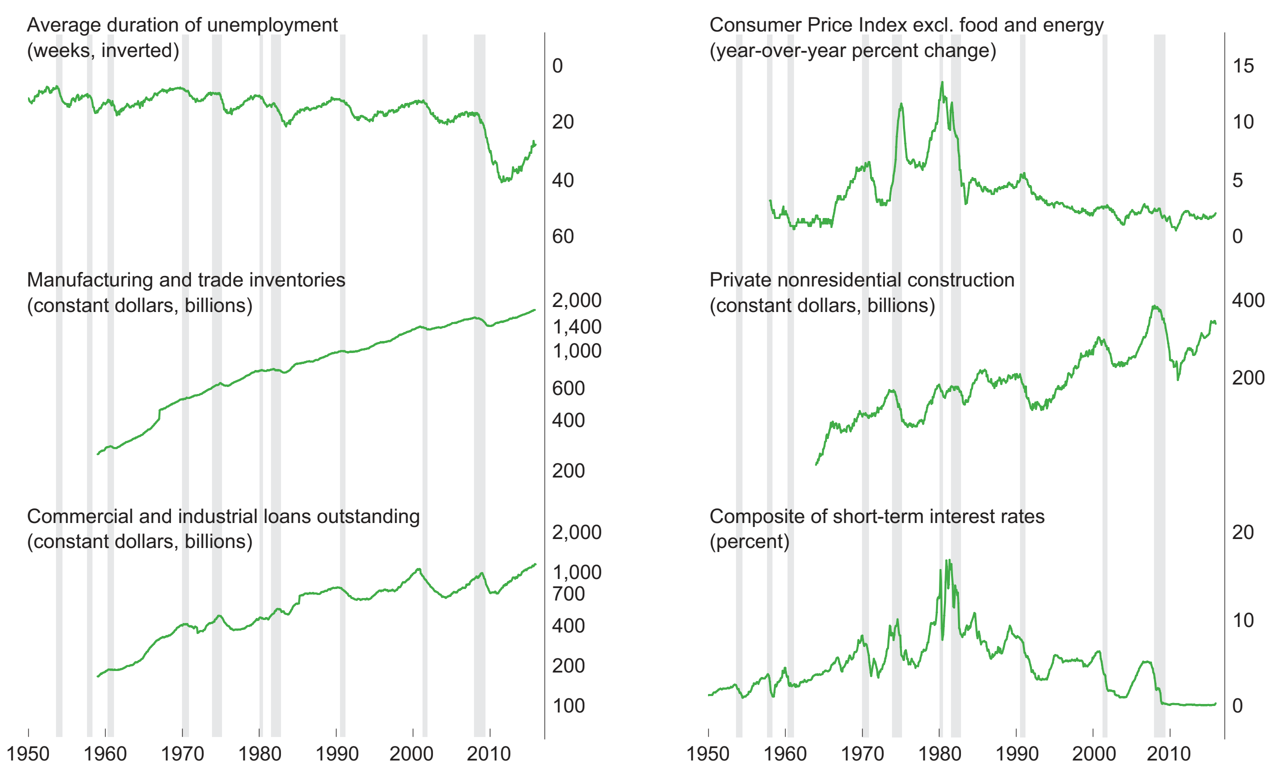
Sources for Appendix: Bureau of Economic Analysis, Bureau of Labor Statistics, Department of Labor, Federal Reserve Board, New York Stock Exchange, Standard & Poor's, The Conference Board, University of Michigan, U.S. Census Bureau.

Note: Shaded areas denote recessions.

COINCIDERS (1950–2016)



LAGGERS (1950–2016)



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ISSN 2376-0516 (print)
ISSN 2376-0524 (online)