



>: Market Wrap Up September 8, 2008

Monday, September 8, 2008 / Chris Rowe

Did you see Chris Rowe's most recent market wrap up?

Every Monday afternoon at 6:30pm EST. he's posting a SUPER FAST market wrap-up for those of you who want to take a quick peek at the market, and go back to enjoying your life!

Check out what moved the market, one topic or event affecting the value of your portfolio, and find out where the current bull market can be found - Because "there's always a bull market somewhere!" [CLICK HERE TO SEE THE VIDEO!](#)

Let's grow our wealth together folks - Intelligently!!

?Profit from the Trend?

A handwritten signature in black ink that reads 'Chris Rowe'.

Chris Rowe

Chief Investment Officer

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Economic Calendar for the Week of September 1 to September 5

Friday, Sept 12

8:30 PPI: Producer Price Index

Release Details

- * Importance (A-F): This release merits a B-.
- * Source: Bureau of Labor statistics, U.S. Department of Labor.
- * Release Time: Around the 11th of each month at 8:30 ET for the prior month.
- * Raw Data Available At: <http://stats.bls.gov/news.release/ppi.toc.htm>.

The Producer Price Index measures prices of goods at the wholesale level. There are three broad subcategories within PPI: crude, intermediate, and finished. The market tracks the finished goods index most closely, as it represents prices for goods that are ready for sale to the end user. Goods prices at the crude and intermediate stages of production often provide an indication of coming (dis)inflationary pressures, but the closer you get to crude goods, the more that these prices track commodity prices which are already available in traded indexes

such as the CRB (Commodity Research Bureau).

At all stages of production, the market places more emphasis on the index excluding food and energy, referred to as the core rate. Food and energy prices tend to be quite volatile and obscure trends in the underlying inflation rate. Though the market reaction is determined by the month/month changes, year/year changes are also noted by analysts. The index is not revised on a monthly basis, but annual revisions to seasonal adjustment factors can produce small adjustments to past releases.

Highlights

- * Prices rose at just about every level for July. Nevertheless, the implications for future CPI gains are uncertain. Energy prices have obviously declined significantly since these July data. And, the price pressures in components such as capital equipment may not translate into higher consumer prices.
- * These July data are clearly not good news, but they may not have the implications that similar data would have under normal conditions. Expectations are that inflation pressures will recede in the months ahead despite the recent gains.

Big Picture

The Big Picture here is not that complicated. The outlook for total PPI depends heavily on the trend in commodity prices. Those are very hard to predict. Core prices will be influenced by commodity prices as well, as evident in recent data. But weak demand will keep core prices relatively in check. Whether higher PPI prices can be passed along into CPI is questionable, given weak final demand. There will be pressures, obviously, but the outlook for consumer prices also depends heavily on commodity price trends.

8:30 Retail Sales

- * Importance (A-F): This release merits an A-.
- * Source: The Census Bureau of the Department of Commerce.
- * Release Time: 8:30 ET around the 13th of the month (data for one month prior).
- * Raw Data Available At: <http://www.census.gov/svsd/www/advtable.html>.

The retail sales report is a measure of the total receipts of retail stores. The changes in retail sales are widely followed as the most timely indicator of broad consumer spending patterns. Retail sales are often viewed ex-autos, as auto sales can move sharply from month-to-month. It is also important to keep an eye on the gas and food components, where changes in sales are often a result of price changes rather than shifting consumer demand.

Retail sales can be quite volatile and the advance reports are subject to rather large revisions. Retail sales do not include spending on services, which makes up over half of total consumption. Total personal consumption is not available until the personal income and consumption reports are released, typically two weeks after retail sales.

10:00 University of Michigan Consumer Sentiment Index

- * Importance (A-F): This release merits an B-.
- * Source: The Census Bureau of the Department of Commerce.
- * Release Time: 8:30 ET around the 13th of the month (data for one month prior).
- * Raw Data Available At:<http://www.census.gov/svsd/www/advtable.html>.

The Michigan index is almost identical to the Conference Board Consumer Confidence index, though there are two monthly releases, a preliminary and final reading. Like the Conference Board index, it has two subindexes - expectations and current conditions. The expectations index is a component of the Conference Board's Leading Indicators index.

Big Picture

Consumer sentiment indices get way too much attention. The simple fact is that sentiment does not correlate with consumer spending and thus has little predictive value. Consumer spending correlates with income. US consumers spend virtually all their income. Higher income will lead to increased spending, regardless of sentiment. Sentiment correlates with the highly publicized trends in gas prices, political events, and other exogenous factors. Sentiment is near record lows, yet real (inflation adjusted) consumer spending was up at a 1% annual rate in the first quarter, and will be up at about a 2.5% annual rate in the second quarter. Consumers are simply grumpy as they head off to the mall to spend their income.