



## MORNING BRIEFING

September 30, 2019

### California Dreamin'

See the [collection](#) of the individual charts linked below.

(1) Never say "never." (2) Asking favors. (3) Trump berates China at UN. (4) Banning US investments in China? (5) Fatalistic pessimism in California: Socialism is coming. (6) Funding a Universal Basic Income with taxes on the wealthy and MMT. (7) The next financial crisis. (8) The curse of negative interest rates. (9) Happy thoughts. (10) Four alternative scenarios for the impeachment process. (11) Down and out in Beverly Hills. (12) Movie review: "Downton Abbey" (+ +).

**California I: The Other Coast.** I visited with our accounts in California last week. I was in San Francisco, Pasadena, Los Angeles, Newport Beach, and San Diego. According to the 1972 song: "It never rains in Southern California." It did on Thursday and Friday when I was in LA and San Diego. In other words, never say never. Never say Trump won't be impeached. Never say "Never Trump," which actually has a [Wikipedia page](#).

While I was meeting with our accounts out West, the West Wing at the White House faced an impeachment hearing as a result of the President of the United States' asking the President of Ukraine for a favor. Everyone else outside of the Beltway went about their business. The financial markets remained relatively calm. The S&P 500 edged down 1.0% last week ([Fig. 1](#)). The 10-year US Treasury bond yield edged down last week to 1.69% ([Fig. 2](#)).

Some of the weakness in the stock market last week was attributable to President Trump's [speech](#) at the UN on Tuesday. He berated China as follows: "In 2001, China was admitted to the WTO. Our leaders then argued that this decision would compel China to liberalize its economy and strengthen protections to provide things that were unacceptable to us, and for private property and for the rule of law. Two decades later, this theory has been tested and proven completely wrong. Not only has China declined to adopt promised reforms, it has embraced an economic model dependent on massive market barriers, heavy state subsidies, currency manipulation, product dumping, forced technology transfers, and the theft of intellectual property and also trade secrets on a grand scale."

Nevertheless, he expressed hope that an agreement that's beneficial for both countries still can be negotiated. But, he said, "I will not accept a bad deal for the American people."

On Friday, the market was weak on news that the Trump administration is considering curbs on US investments in China. In his *Barron's* [column](#), Randy Forsyth explained, "What's actually being discussed would plug a loophole exempting Chinese companies from the same disclosure requirements that other foreign and U.S. concerns face."

Also jarring investor confidence last week were signs that the IPO market is getting tougher for new offerings, especially if they have questionable earnings prospects. As Randy concluded, "[i]f the equity market is showing rational reluctance to provide profitable exits for private investors in profitless unicorns, that's all good."

Meanwhile, in California, while there wasn't much *immediate* concern about these recent events, I was surprised by the uniformity of the fatalistic narrative about the long-term outlook that seemed to prevail during several of my meetings. The basic premise is that whether Trump does or does not weather the latest impeachment storm, socialism is coming. Consider the following:

(1) *Socialism*. Sooner or later, there will be a wealth tax, according to this narrative, and the wealthy will willingly pay it for the sake of social stability. It will happen sooner if Warren is in the White House in 2021.

In this scenario, the wealthy are getting wealthier thanks to technological innovation. That allows them to make more of the goods and services we all consume with less and less labor. That means that more and more people will be forced out or leave the labor force if they can't adapt to the brave new world.

(2) *UBI*. To maintain social stability, the government will have to provide a Universal Basic Income (UBI) that would allow people to pursue whatever path they find rewarding in life, whether it be working for a living, writing poetry, or mastering miniature golf.

(3) *Taxes and MMT*. To pay for all this, income taxes on the rich will have to be raised and supplemented with taxes on their wealth. Furthermore, just as Modern Monetary Theory predicted, the Fed will keep interest rates near zero and buy lots of Treasury bonds, enabling the fiscal authorities to run larger and larger deficits to fund their socialist schemes and green new deals.

(4) *Democrats' agenda*. Of course, none of the above is theoretical. Several of the contenders to be the next Democratic nominee for president are running on minor variations of this socialist agenda.

Some of my friends in California, who tend to be conservative, aren't endorsing this agenda. Rather, they seem resigned to it. They figure that following the next financial crisis, the socialists will have all the plans to make life better for all who have been on the losing side in the brave old world. In the brave new world, health care will be free, and so will all education. This may require some of us to be less free to pursue our selfish interests such as building a business, earning more money, and accumulating wealth.

(5) *Next crisis*. According to a few of the accounts I met, the next financial crisis is coming sooner rather than later. These folks tend to be involved in commercial real estate as well as private equity and debt. They told me that they are seeing "crazy stuff" happening in these markets that is very reminiscent of the excesses that led to the Great Financial Crisis. Commercial real estate values are soaring, as investors are coming to believe that their financing rates will remain near historical lows forever. Credit quality is rapidly deteriorating, as bonds and leveraged loans are issued with fewer, if any, covenants.

One fellow in Newport Beach, who has 30 years of experience as a derivatives trader, believes that bonds with negative yields may be symptomatic of the proliferation of new derivatives that convert them into positive returns. Such alchemy is reminiscent of how derivatives transformed subprime mortgages into triple-A CDOs and CDSs.

(6) *Happier story*. In several of my meetings, I offered a more optimistic alternative scenario to the one outlined above. The key is productivity growth.

I think productivity growth is starting to make a comeback as the labor market gets tighter. If so, then wages—which have been rising faster than prices since the mid-1990s—would rise at a faster clip.

Faster growth of real wages likely would more than offset the supply-side slowdown in payroll employment growth. A quicker pace of productivity growth would keep a lid on inflation. Profit margins would remain at recent historical highs or even go higher. The bull market in stocks would continue as earnings moved higher.

(7) *Bottom line.* Needless to say, my trip to California was an eye opener. So with my eyes wide open, I'm going to remain bullish on stocks for now, but will work with my team to more fully assess some of the risks that were discussed at my meetings in California.

**California II: Politics Matters.** In the past, politics didn't seem to matter much to the stock market. We've had bull markets when the White House had both Democratic and Republican presidents ([Fig. 3](#)). The same can be said about the relationship of the stock market to the balance of power in Congress ([Fig. 4](#)). Yet prior to every presidential election, we all seem to agree that it will be more consequential than ever for the economy and the stock market.

That's especially true now as we approach the next election. This time, the election might actually be more consequential than previous ones because the agenda of the Democrats has turned increasingly to the Left, while the Republican agenda (at least under Trump) has gone in the other direction. If Trump doesn't get impeached and wins another term, that would be a radically different scenario than a victory by Elizabeth Warren, who is passing Bernie Sanders as the standard-bearer for the socialists in the Democratic Party.

Joe Biden is still in the race, but he could be the only casualty of the move by the Democrats to impeach Trump. After all, while Trump's request of the Ukrainians only implied a quid pro quo—military aid in exchange for the favor Trump requested—Biden is on tape saying that military aid was contingent on the country's delivering on the favor Biden requested. Some Democrats may very well be hoping that they knock *both* Trump and Biden out of the presidential race!

Politics matters, and we will be spending more time assessing it, not as partisans, but as investment strategists trying to determine whether the latest developments are bullish or bearish for stocks and bonds. Given last week's events, I asked Melissa to research the impeachment process. Here are a few of her preliminary findings on this topic that came up often in my discussions in California:

(1) *The case for and against.* Did Trump abuse his executive power to withhold US aid when he asked the Ukraine to "look into" Biden, who may have abused his power as vice president to stop a Ukrainian prosecutor's inquiry into his son? That's the central question in the impeachment inquiry. The President's defenders claim that evidence suggesting Trump abused his power is lacking and question whether he broke any laws.

But an impeachment may proceed regardless. Under the framework of the Constitution, [according](#) to the *Washington Post*, the House can vote to impeach a president for "high crimes and misdemeanors," meaning whatever the House wants it to mean. Impeachment alone wouldn't remove Trump from office, however; for that, the Senate must convict the impeached.

(2) *Alternative scenarios.* *The Week* helpfully [outlined](#) four impeachment scenarios: impeachment inquiry only, House impeachment and Trump resignation, House impeachment and Senate acquittal, impeachment and conviction (i.e., removal from office). But under which of these scenarios could, or would, Trump run for reelection? Currently, the most likely scenarios are an impeachment inquiry only or an impeachment and acquittal. In either case, Trump could run for reelection.

In the House, a simple majority of 218 votes is needed for impeachment, which would seem an easy

bet, as there are 235 House Democrats. But gaining all the necessary votes may not be so simple, as a 9/25 MSNBC [article](#) discussed. Even harder would be the Senate's removing Trump from office, for which a two-thirds majority is needed; that would require "20 Republicans to join 45 Democrats and both of the Senate's independents."

(3) *Memorandum*. Exhibit A in the impeachment hearing is the [memorandum](#) of Trump's 7/25 telephone conversation with Ukrainian President Volodymyr Zelensky. While Trump did not explicitly request favors in exchange for US aid on this call, evidence external to the call may implicate the President.

(4) *Conspiracy theories*. By the way, Trump also asked the Ukrainian President on the phone call to investigate CrowdStrike, the cybersecurity company involved in the Democratic National Committee's (DNC) allegations that Trump colluded with the Russians to hack the 2016 election database. Trump reportedly believes that a server held in the Ukraine by CrowdStrike may carry evidence that the DNC framed him, as [discussed](#) in a 9/26 *Forbes* article.

**California III: Homeless.** The weather will always be better on the West Coast than the East Coast. It's been that way at least since The Mamas & The Papas sang "California Dreamin'," released in 1965. The lyrics say that "On a winter's day / I'd be safe and warm / If I was in L.A."

On the other hand, California isn't as carefree as it once was, when it was officially nicknamed "The Golden State" in 1968. A 9/28 [article](#) in MarketWatch reported: "More than half a million people are homeless each night in the United States, a new White House report has found. And nearly half of them are concentrated in one state: California."

Why has this happened? Weather-wise, it's less challenging to be homeless in warm and sunny California than other states that have inclement weather. Furthermore, many of California's homeless simply can't afford to rent, let alone own a home. Rents and home prices are too high.

The article cited above is based on a September 2019 White House [report](#), *The State of Homelessness in America* by the Council of Economic Advisers. The article notes:

(1) "At the city level, four of the five cities with the highest rate of unsheltered homelessness are in California: San Francisco, Los Angeles, Santa Rosa and San Jose. Seattle joins the California municipalities in the top five."

(2) "As for state homelessness rates, the District of Columbia has the highest in the country, at 5.8 times the U.S. rate. New York is next, followed by Hawaii, Oregon and California. These five states together [represent] 20% of the overall U.S. population but 45% of the country's homeless population."

A 9/10 *Washington Post* [article](#) reported: "President Trump has ordered White House officials to launch a sweeping effort to address homelessness in California, citing the state's growing crisis, according to four government officials aware of the effort."

**Movie.** "Downton Abbey" (+ +) ([link](#)) is a feel-good movie about the good old days in Britain, when people were more civil to one another than they are today. Everyone knew their place in society and was comfortable with it. Everyone did their job with pride, even those who were the downstairs servants of the upstairs aristocrats. That's a rather simplistic portrait since there are always tensions that keep societies perpetually in flux. The movie is basically a sappy reunion of the British television show's cast of mostly likable characters.

## CALENDARS

**US. Mon:** Dallas Fed Manufacturing Index 1.5, Chicago Purchasing Manager's Index 50.0. **Tues:** ISM & IHS/Markit M-PMIs 50.0/51.0, Clarida, Bullard, Bowman. (DailyFX estimates)

**Global. Mon:** Eurozone Unemployment Rate 7.5%, Germany Retail Sales 0.5%*m/m*/2.9%*y/y*, Germany Unemployment Change & Unemployment Claims Rate 5k/5.0%, Germany CPI 0.0%*m/m*/1.3%*y/y*, UK GDP -0.2%*q/q*/1.2%*y/y*, Japan Jobless Rate 2.3%, Japan Tankan Survey, Japan M-PMI, Japan Housing Starts 902k. **Tues:** Eurozone Headline & Core CPI 1.0%/1.0% *y/y*, Eurozone, Germany, France, and Italy M-PMIs 45.6/41.4/50.3/47.9, UK M-PMI 47.0, Japan M-PMI 48.9, Canada GDP 0.0%, Australia RBA Interest Rate Decision 0.75%, Lowe. (DailyFX estimates)

## STRATEGY INDICATORS

**Global Stock Markets Performance ([link](#)):** Last week saw the US MSCI index fall 1.1% to 2.4% below its 7/27 record high. The AC World ex-US dropped 1.2% for the week and remains in a correction at 14.8% below its record high, in January 2018. The US MSCI's weekly performance ranked 26th among the 49 global stock markets we follow in a strong week for global markets in which 11 of the 49 countries rose in US dollar terms. All regions fell w/w, but the following outperformed the AC World ex-US: EM Latin America (-0.1%), EMEA (-0.5), and EAFE (-0.9). The regions underperforming or matching the AC World ex-US last week: EM Asia (-2.3), BRIC (-2.2), EM Eastern Europe (-1.5), and EMU (-1.2). Turkey was the best-performing country, with a gain of 7.3%, followed by Sri Lanka (2.7), Argentina (2.1), Peru (1.9), and India (1.6). Of the 18 countries that underperformed the AC World ex-US MSCI last week, Egypt fared the worst with a drop of 4.6%. Also underperforming were South Africa (-4.2), China (-4.0), and Korea (-3.1). The US MSCI's ytd ranking remained steady last week at 8/49, with its 18.2% ytd gain double that of the AC World ex-US (9.1). All regions and 35/49 countries are in positive territory ytd. The regions that are outperforming the AC World ex-US ytd: EM Eastern Europe (13.7), EMU (11.2), and EAFE (10.2). EM Asia (3.7) is the biggest laggard ytd, followed by EM Latin America (4.7), EMEA (6.4), and BRIC (6.4). The best country performers ytd: Egypt (30.3), Greece (25.1), Russia (24.8), Switzerland (20.5), and the Netherlands (20.0). The worst-performing countries so far in 2019: Argentina (-32.6), Pakistan (-16.5), Poland (-10.9), Chile (-9.4), and Malaysia (-7.6).

**S&P 1500/500/400/600 Performance ([link](#)):** All three of these indexes fell for a second week and registered their biggest declines in five weeks. LargeCap's 1.0% decline was less than the decreases recorded by MidCap (-1.1%) and SmallCap (-1.6). LargeCap ended the week 2.1% below its 7/26 record high of 3025.86, and MidCap fell to 6.2% below its record high on 8/29/18. SmallCap remained in a correction for an 11th month, as it dropped to 13.8% below its 8/29/18 record. Seven of the 33 sectors moved higher last week, compared to nine rising a week earlier. Last week's best performers: LargeCap Utilities (1.3), LargeCap Consumer Staples (1.2), SmallCap Real Estate (0.8), and MidCap Utilities (0.7). SmallCap Energy (-7.6) was biggest underperformer, followed by MidCap Energy (-5.1), MidCap Health Care (-4.5), and SmallCap Health Care (-4.4). In terms of 2019's ytd performance, all three indexes have logged double-digit gains. LargeCap leads with a gain of 18.1% ytd, 2.5ppts ahead of MidCap (15.6) and well ahead of SmallCap (12.0). Thirty-one of the 33 sectors are positive ytd, with the cyclicals leading the top performers: LargeCap Tech (28.5), MidCap Tech (26.7), LargeCap Real Estate (26.4), SmallCap Tech (24.1), and LargeCap Utilities (22.2). MidCap Energy (-24.0) is the biggest decliner so far in 2019, followed by these underperformers: SmallCap Energy (-19.6), SmallCap Communication Services (1.4), LargeCap Health Care (3.3), and LargeCap Energy (3.9).

**S&P 500 Sectors and Industries Performance ([link](#)):** Three of the 11 S&P 500 sectors rose last week as seven outperformed the S&P 500's 1.0% decline (versus four rising and four outperforming the S&P 500's 0.5% drop the week before). Utilities was the best-performing sector with a gain of 1.3%, ahead



of Consumer Staples (1.2%), Real Estate (0.2), Financials (-0.2), Industrials (-0.4), Tech (-0.8), and Consumer Discretionary (-0.9). Last week's underperformers: Health Care (-3.0), Energy (-2.6), Communication Services (-2.3), and Materials (-1.1). All 11 sectors are up so far in 2019, compared to just two sectors rising during 2018, when the S&P 500 fell 6.3%. These seven sectors have outperformed the S&P 500's 18.1% rise ytd: Information Technology (28.5), Real Estate (26.4), Utilities (22.2), Industrials (20.5), Consumer Discretionary (20.2), Communication Services (20.1), and Consumer Staples (20.0). The ytd laggards: Health Care (3.3), Energy (3.9), Materials (14.3), and Financials (17.7).

**Commodities Performance** ([link](#)): Last week, the S&P GSCI index fell 1.9% for its biggest decline in seven weeks as 11 of the 24 commodities moved higher. That compares to a 3.4% gain a week earlier, which was its biggest in 13 weeks as 15 of the 24 commodities moved higher. The index had nearly climbed out of a correction during mid-April, recovering to a drop of just 10.0% shy of its high in early October 2018, after being down as much as 26.9% from that high on 12/24/18. It moved closer to a bear market again in the latest week, weakening to 18.5% below its 10/3/18 high. Lean Hogs was the strongest performer last week, rising 5.4%, ahead of Live Cattle (5.2%), Sugar (4.6), Feeder Cattle (4.3), and Coffee (2.5). Natural Gas was the biggest decliner, with a drop of 5.9%, followed by Crude Oil (-3.8), Aluminum (-3.4), and Brent Crude (-3.4). The S&P GSCI commodities index is up 9.4% ytd following a decline of 15.4% in 2018. The top-performing commodities so far in 2019: Nickel (61.9), Unleaded Gasoline (23.4), Crude Oil (23.1), Gold (17.6), and GasOil (16.9). The biggest laggards in 2019: Natural Gas (-18.2), Kansas Wheat (-16.6), Cotton (-15.7), Live Cattle (-10.7), and Zinc (-6.1).

**S&P 500 Technical Indicators** ([link](#)): The S&P 500 price index fell 1.0% last week, and weakened relative to its short-term 50-day moving average (50-dma) and its long-term 200-day moving average (200-dma). The index's 50-dma relative to its 200-dma fell for just the seventh time in 32 weeks and is down from a 17-month high of 5.4% in mid-August, but formed a Golden Cross for a 27th week after 16 weeks in a Death Cross formation. The index had been in a Golden Cross for 137 weeks through late November, and its previous Death Cross lasted for 17 weeks through April 2016 (when its 50-dma bottomed at a then-four-year low of 4.5% below its 200-dma in March 2016). The Golden Cross reading fell to a 17-week low of 3.8% from 4.3% a week earlier and compares to -5.2% in early February, which had matched the lowest reading since November 2011. It's still down from a 55-month high of 7.2% in February 2018. The S&P 500's 50-dma dropped for a second straight week as the price index fell to 0.5% above its falling 50-dma from 1.4% above its falling 50-dma a week earlier. It had peaked recently during mid-July at a 19-week high of 4.3% above. That was up from a 22-week low of 4.2% below its falling 50-dma at the end of May, but down from 6.6% above during mid-February, which was its highest since October 2011. The 200-dma rose for a 16th week, and at a faster rate too. It had been rising for 16 weeks through mid-May after falling from October to February in the first downtrend since May 2016 (when it had been slowly declining for nine months). The index traded above its 200-dma for a 17th week, but dropped to a six-week low of 4.3% above its rising 200-dma from 5.8% above its rising 200-dma a week earlier. That compares to a 17-month high of 8.8% above its 200-dma at the end of July and 14.5% below on 12/24, which was the lowest since April 2009; the index remains well below the seven-year high of 13.5% above its rising 200-dma during January 2018.

**S&P 500 Sectors Technical Indicators** ([link](#)): Seven of the 11 S&P 500 sectors traded above their 50-dmas last week, down from 10 a week earlier. Communication Services, Health Care, and Tech moved back below in the latest week—joining Consumer Discretionary, which has mostly been below since the beginning of August. The longer-term picture—i.e., relative to 200-dmas—fell to nine sectors trading above from 10 a week earlier. That's up from just six at the end of August, which was the lowest count since early June. Health Care moved below in the latest week and joined Energy, which was below its 200-dma for an 11th week after being above—just for a week—for the first time since early October. Ten sectors are in the Golden Cross club (with 50-dmas higher than 200-dmas), unchanged from a

week earlier and compared to just two in February and all 11 in January 2018. Again, Energy is the sole laggard, not having been in a Golden Cross for 45 straight weeks. Six sectors have rising 50-dmas now, up from three a week ago. The 50-dmas turned up w/w for Communication Services, Financials, and Industrials—and turned down for Materials. Among the remaining four laggards, Energy and Health Care have had mostly declining 50-dmas since late spring. All 11 sectors have rising 200-dmas, up from 10 a week earlier, as Energy made another attempt to move higher after mostly falling since last October. Materials and Financials moved higher for a fifth week in their attempts at new uptrends for the first time since last September. That compares to just two sectors with rising 200-dmas in early January, in what was then the lowest count since all 11 sectors had falling 200-dmas two years before.

## US ECONOMIC INDICATORS

**Personal Income & Consumption** ([link](#)): Both nominal and real consumer spending in August increased for the seventh time this year to new record highs, and will likely continue to set new highs, with incomes and savings up and inflation subdued. Nominal spending advanced 0.1% in August and 3.6% ytd, while real consumer spending expanded 0.1% and 2.5%, respectively, over the same periods. So far this year, real spending on goods (5.4% ytd) is up sharply, with both durable (7.5) and nondurable (4.4) goods contributing; services (1.3) consumption is more subdued, though on an accelerating trend. Meanwhile, real wages & salaries reached a new record high in August, climbing 3.6% so far this year. Personal savings in August, based on the 12-month sum, shot up to a record high \$1.30 trillion. As for inflation, August data show headline inflation was only 1.4% y/y, while the core rate—the Fed’s preferred measure—accelerated slightly to 1.8%, remaining below its target rate of 2.0%.

**Consumer Sentiment** ([link](#)): “Consumer sentiment continued to post small increases throughout September due to more favorable income trends, especially among middle income households. The overall trends in the Sentiment index remain quite favorable, but show signs of a slow erosion,” according to the report. The University of Michigan’s Consumer Sentiment Index (CSI) climbed to 93.2 in September, above the mid-month reading of 92.0 and August’s 89.8. September’s final reading for the present situation (108.5) component was above the mid-month and August readings of 106.9 and 105.3, respectively, as was the expectations (83.4) component, which was at 82.4 and 79.9 over the comparable time spans. However, consumers have expressed rising levels of economic uncertainty, with a mix between negative outlooks on the global economy (Brexit, Iran, Saudi Arabia, and China), while some are concerned about domestic issues—anticipating higher inflation and more unemployment in the coming year.

**Durable Goods Orders & Shipments** ([link](#)): Core capital goods orders and shipments in August remained around record highs, with both up ytd. Nondefense capital goods orders ex aircraft (a proxy for future business investment) edged down 0.2% last month, only the second decline this year; these orders are up 2.0% ytd. Meanwhile, core capital goods shipments (used in calculating GDP) rose for the first time in three months, and the fifth time this year, climbing 0.4% in August and 1.4% ytd. Overall durable goods orders rose for the third month by 0.2% m/m and 4.1% during the three months through August after a two-month slide of 5.1%, driven by wide swings in volatile aircraft orders. Excluding transportation, billings climbed three of the past four months by a total of 1.1%—within 0.2% of last October’s record high.

**Regional M-PMIs** ([link](#)): The four Fed districts that have reported on manufacturing activity for September so far—Philadelphia, New York, Richmond, and Kansas City—show activity is at a standstill. The composite (to 0.8 from 4.2) index showed activity was the slowest since August 2016, other than during June (-1.6) when it dipped into negative territory for the first time since August 2016. Philadelphia’s composite (12.0 from 16.8) index showed activity remained at a healthy, though slower

rate, while New York's (2.0 from 4.8) composite fell back toward zero, indicating little growth in that region. Meanwhile, Richmond's (-9.0 from 1.0) measure fell back into contractionary territory, while Kansas City's (-2.0 from -6.0) is nearing positive territory again. New orders (2.8 from 4.6) expanded at a very slow rate, one-sixth the pace of a year ago, with only the Philadelphia (24.8 from 25.8) region showing robust growth; New York (3.5 from 6.7) billings barely grew this month. Meanwhile, orders in the Richmond (-14.0 from 2.0) region contracted sharply, while the decline in the Kansas City's (-3.0 from -16.0) narrowed to near zero. Employment (3.9 from -2.8) is expanding, with Philadelphia (15.8 from 3.6) factories hiring at quadruple the pace of August, while New York (9.7 from -1.6) and Richmond (3.0 from -6.0) manufacturers are hiring again after cutting payrolls for three and two months, respectively. Factories in Kansas City (-13.0 from -7.0), however, haven't cut jobs this aggressively since February 2016.

**Pending Home Sales** ([link](#)): "It is very encouraging that buyers are responding to exceptionally low interest rates," said Lawrence Yun, the National Association of Realtors' (NAR) chief economist. "The notable sales slump in the West region over recent years appears to be over. Rising demand will reaccelerate home price appreciation in the absence of more supply." The Pending Home Sales Index (PHSI)—measuring sales contracts for existing-home purchases—rebounded 1.6% in August to 107.3, reversing nearly all of July's decline, with sales in all regions up on both a monthly and y/y basis. August's yearly rate accelerated 2.5%, the best rate since December 2015. The two largest markets, the West (3.1% m/m & 8.0% y/y) and South (1.4 & 1.8) are experiencing the best gains, while the Northeast (1.4 & 0.7) and Midwest (0.6 & 0.2) are playing catch-up. Expecting interests rates to remain low, NAR forecasts home sales to rise 0.6% in 2019 and another 3.4% in 2020. Housing starts are predicted to increase by 2.0% in 2019 and jump an additional 10.6% in 2020.

## GLOBAL ECONOMIC INDICATORS

**Eurozone Economic Sentiment Indicators** ([link](#)): The Economic Sentiment Indexes (ESI) for both the Eurozone (-1.4 points to 101.7) and the EU (-1.4 to 100.0) fell markedly in September to their lowest readings since February 2015 and November 2013, respectively. Among the Eurozone's largest economies, ESIs decreased notably in Spain (-3.1 to 104.2), the Netherlands (-3.1 to 101.6), and Germany (-1.2 to 99.4), and to a lesser extent in Italy (-0.8 to 99.9); France's (-0.2 to 103.9) was little changed. At the sector level, industry (-3.0 to -8.8) confidence tumbled to its lowest reading since July 2013, followed by retail trade (-0.5 to 0.1) and construction (-0.1 to 3.8), while consumer (+0.6 to -6.5) and services (+0.3 to 9.5) sentiment edged higher.

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