

U.S. Data Review

- Consumer sentiment: pronounced decline, especially in current conditions
- Unemployment claims: modest, almost imperceptible, easing
- PPI: lower energy prices, subdued food prices, random volatility in the core component

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

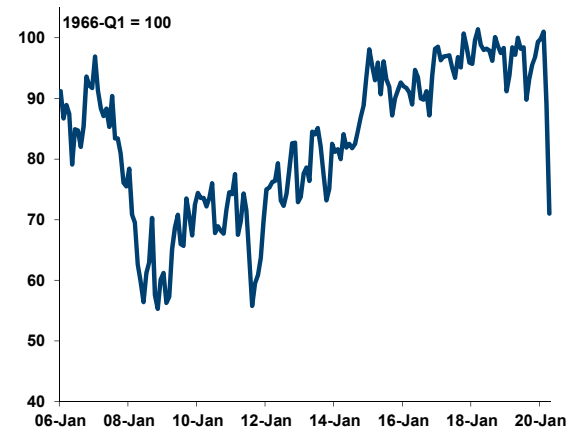
Consumer Sentiment

The index of consumer sentiment plunged 20.3 percent in early April, adding to the drop of 11.8 percent in March. The latest monthly change is now the sharpest in history, exceeding the previous record drop of 18.1 percent in October 2008. The latest reading is not the lowest of the latest expansion, although one has to go back to December 2011 to find a lower value. Also, observations similar to the current reading are typically seen only during or close to recession periods (chart, right).

Both the current conditions and expectations components contributed to the plunge in the headline measure, although the current conditions index played the larger role (off 30.2 percent versus a decline of 12.2 percent in the expectations component). The drop in current conditions pushed the measure to the low portion of its historical range. A few observations in the early stages of the latest expansion were lower than the latest, but otherwise, readings similar to the latest occurred only during or close to recessions (chart, below left).

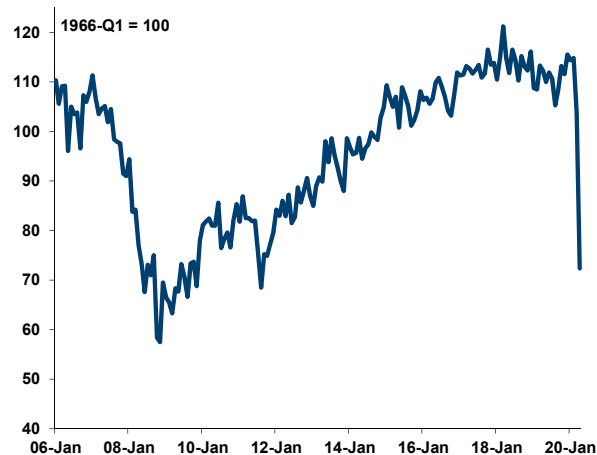
The expectations component was weak, but its drop of 12.2 percent was far from unprecedented, and the new level was in the middle of its historical range (chart, below right). The results suggest that the coronavirus has stirred concern about the future, but it also suggests that individuals are hopeful that the effects will be temporary.

Consumer Sentiment



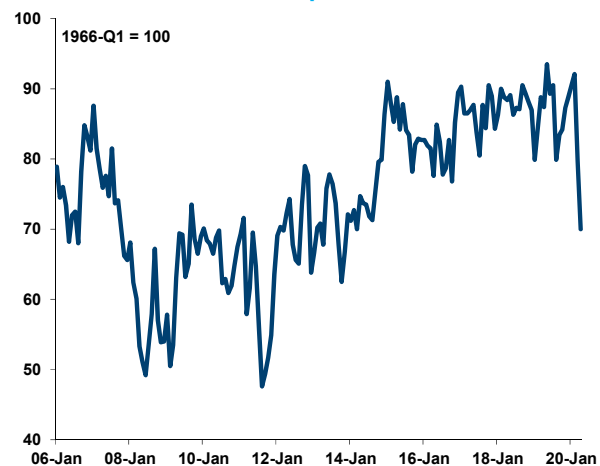
Source: University of Michigan Survey Research Center via Haver Analytics

Consumer Sentiment: Current Conditions



Source: University of Michigan Survey Research Center via Haver Analytics

Consumer Sentiment: Expectations



Source: University of Michigan Survey Research Center via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.

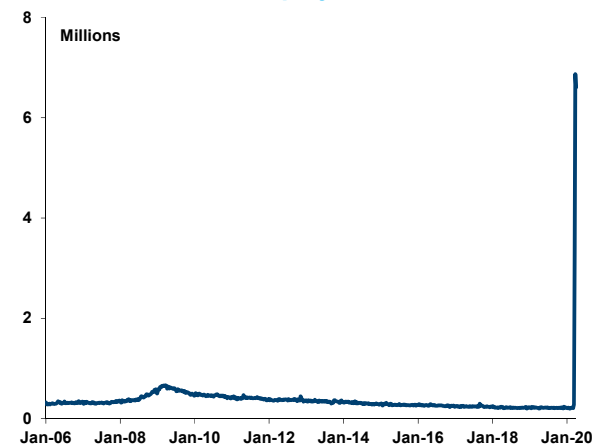
Unemployment Claims

Initial claims for unemployment insurance eased only marginally from the record reading in the prior week, totaling 6.606 million in the week ended April 4 versus 6.867 million in the prior week. The total number of new filers in the past three months now totals 16.780 million.

The number of continued claimants (i.e. the number receiving benefits) totaled 7.455 million, up from 3.059 million in the prior week and observations in the neighborhood of 1.7 million in earlier weeks this year. The new reading exceeded the previous record of 6.635 million in late May 2009 (chart, below right). The number of individuals receiving benefits is notably less than the 16.78 million of new filers partly because continued claims are lagged one week (latest observation is for the week of March 28, versus April 4 for initial claims). Also, there will be some lag between an initial filing and the receipt of benefits. Finally, some initial filers will not receive benefits, either because they quickly find new employment or because they are denied eligibility.

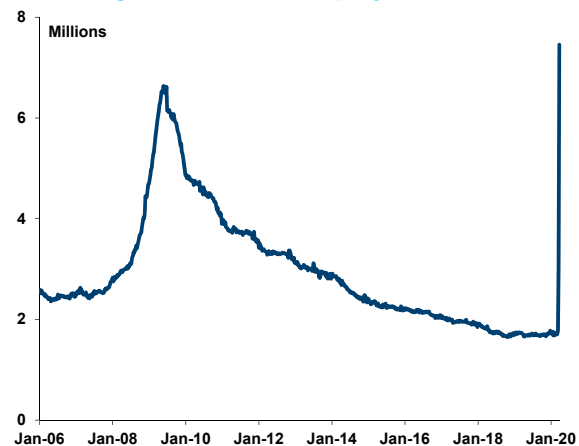
Continued claims will be a valuable indicator in the weeks ahead, as they will provide insights into when (if) individuals are recalled to their jobs.

Initial Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics

Continuing Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics

PPI

The producer price index fell 0.2 percent in March, a smaller decline than expected (consensus was -0.4 percent). Energy prices did their part in restraining the headline index, as they fell 6.7 percent, and food prices were tame as well, showing no change. The surprise occurred, as it often does, in the service component, which rose 0.2 percent, pulled higher by a jump of 1.4 percent in trade services, which offset price declines in other service areas.

The core component fell 0.2 percent, but this drop is a bit misleading. The Bureau of Labor Statistics defines core prices as those excluding food, energy and trade services. After excluding the jump of 1.4 percent in the trade service category, declines in prices of other services pulled the core component lower. Prices of goods other than food and energy rose 0.2 percent, staying close to the pace in the prior three months, which was faster than the average increase of less than 0.1 percent in the first 11 months of last year. Prices excluding food and energy, which matches the usual definition of core prices, rose 0.2 percent.