

U.S. inflation metrics were pushed by energy prices in March, but core inflation remained calm.

Tightening global supply in early 2019 has boosted the price for West Texas Intermediate crude oil from a low of about \$43.50 per barrel on December 24, to about \$64.15 today. This is still well below the recent peak of about \$75.50 from early October 2018, and near the \$61-\$62 prices from a year ago. If crude remains at or above current prices through April, then energy will again provide a temporary boost to April PPI and CPI.

The national average price for regular unleaded gasoline increased to \$2.81 per gallon today. Some regional markets, particularly California, are seeing much higher prices. A year ago gasoline was \$2.70 per gallon.

The Producer Price Index for final demand increased by 0.6 percent in March, the strongest monthly gain since last October. Over the 12 months ending in March, headline PPI was up by 2.2 percent, well below the recent peak yearly gain of 3.4 percent from last July. The energy price sub-index gained 5.6 percent in March, the strongest monthly gain in that series since it began in December 2009. Core PPI, defined as final demand less food, energy and trade, was unchanged in March after a weak 0.1 percent gain in February. Over the previous 12 months, core PPI has increased by 2.0 percent.

The headline Consumer Price Index increased by 0.4 percent in March. The 6.5 percent increase in the CPI for gasoline pushed the energy sub-index up by 3.5 percent in March. Food prices have also warmed up, gaining 0.3 percent in March after a 0.4 percent increase in February. Core CPI (all items less food and energy) remained calm, inching up by 0.1 percent in March after a similar weak gain in February. Over the 12 months ending in March, core CPI was up by 2.0 percent, while headline CPI

was up by 1.9 percent.

Initial claims for unemployment insurance fell by 8,000 for the week ending April 6, to hit 196,000. This is the lowest level for initial claims since October 1969. There may be some seasonality in the data due to the variable timing of the Easter holiday. However, the very low initial claims data supports the view that February was an anomalous month for labor data and labor market conditions remain very tight heading into spring. Continuing claims for the week ending March 30 fell by 13,000 to hit 1,713,000.

The JOLTS survey for February showed that the job openings rate fell for the month, likely related to the government shutdown through January. Recent labor data shows a bounce back in hiring in March.

Total mortgage applications eased a bit in early April after a strong run through March. Refis surged through March as mortgage rates dropped, so a little give-back in early April is to be expected. Purchase apps were up by 0.5 percent in early April, posting their fifth consecutive weekly gain. On a four-week moving-average basis, refis are up 27.9 percent over the previous 12 months, while purchase apps are up 6.6 percent. According to the MBA, the rate for a 30-year fixed-rate mortgage firmed to 4.40 percent in early April.

According to the National Federation of Independent Business, small business optimism firmed slightly in March after falling for six consecutive months since last September.

The minutes from the FOMC meeting over March 19/20 contained no surprises. We expect the Federal Reserve to remain “patient” at the April 30/May 1 meeting and keep the fed funds rate unchanged from the current 2.25-2.50 percent.

Fed Funds Rate

Fed Funds Rate (Effective): After FOMC Meeting of 4/30-5/1

We expect the Fed to keep the fed funds rate range unchanged at 2.25-2.50 percent at the next Federal Open Market Committee meeting over April 30/May 1, and stay on hold for the remainder of this year.

The Week Ahead

March Industrial Production (4/16, Tuesday)

Industrial production increased 0.1 percent in February. Up by 0.3 percent in March. Better manufacturing output countered by normalizing utility output. Consensus: 0.3 percent

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The Week Ahead, Continued

March Capacity Utilization (4/16, Tuesday)

Capacity Utilization slowed to 78.2 percent in February. Up to 78.4 percent in March. Consensus: 79.2 percent

February International Trade Gap (4/17, Wednesday)

The U.S. trade balance narrowed in January to -\$51.1 billion. Widens to -\$52.1 billion in March, a small gain in exports fails to offset a larger gain in imports. Consensus: -\$53.5 billion

March Retail Sales (4/18, Thursday)

Retail sales declined 0.2 percent in February. Up by 1.0 percent in March. Higher gasoline prices, stronger auto sales and pent-up demand from weak winter sales. Downside risk from lower consumer confidence. Consensus: 0.8 percent

March Retail Sales Ex. Autos (4/18, Thursday)

Retail sales excluding autos declined 0.4 percent in February. Up by 0.8 percent in March, supported by higher gasoline prices and pent-up demand. Consensus: 0.7 percent

March Leading Indicators (4/18, Thursday)

The Conference Board Leading Index increased 0.2 percent in February. Up by 0.3 percent in March. Supported by the stock market and improved manufacturing conditions. Building permits are a negative. Consensus: 0.4 percent

March Housing Starts (4/19, Friday)

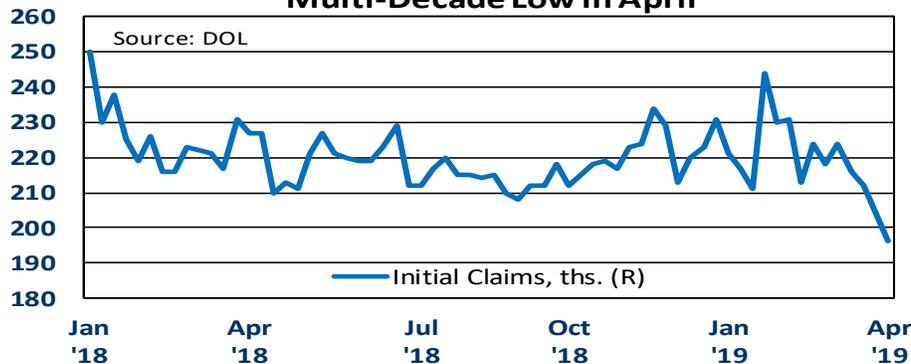
Housing starts declined to a 1,162k annual unit rate in February. Up to a 1,200k annual unit rate in March, with stronger single-family starts. Consensus: 1,230k annual unit rate

March Housing Permits (4/19, Friday)

Housing permits declined to a 1,296k annual unit rate in February. Up slightly in March to a 1,310k annual unit rate with stronger single-family permits. Consensus: 1,300k annual unit rate

Chart of the Week

Initial Claims for Unemployment Insurance Hit Multi-Decade Low in April



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