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AIER American Institute for Economic Research

# BUSINESS CONDITIONS MONTHLY

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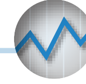


## Falling prices of energy and agricultural commodities depress capital spending.

In five of the past six quarters, consumer spending in the U.S. contributed at least 2 percentage points of the 2.9 percent average growth in real gross domestic product, or GDP, the main measure of economic output. At the same time, business investment contributed just 0.26 percentage point, including back-to-back declines in the fourth quarter of 2014 and first quarter of 2015. Many factors have contributed to the scant growth in business investment, but among the most important has been weak commodity prices, particularly in energy and agricultural products. We have noted the influence of a strong dollar on commodity prices and the secondary effects on consumers, employment, and inflation. This month we look at the impact on capital investment.

The dramatic plunge in energy prices, particularly crude oil, over the past 18 months has sharply depressed capital spending in mining industries. Investments in structures and machinery in mining and oil-field development have fallen by almost half since both peaked in 2014.

## Inside this issue

**Introducing our new Business-Cycle Conditions Model**
AIER is proud to introduce our updated Business-Cycle Conditions model (Economic Outlook, p. 3). We are confident that the enhancements will improve the accuracy and usefulness of the model while remaining true to our long history of business-cycle research. The December reading of the Leaders index from our new model came in at 54, close to the 56 generated by the old model in November. For more on the update, see the January 2016 Research Brief, "Revising AIER's Business-Cycle Conditions Model" (https://www.aier.org/revising).

**In this month's issue**
U.S. consumers are supporting growth, while credit tightening at the Federal Reserve and moderate economic expansion in the U.S. contrast with a sluggish global economy and generally stimulative central bank policies. Dollar strength and commodity weakness continue. Despite a roughly flat year for the broader market, commodity-related equities sharply underperformed the S&P 500 Index. Looking ahead, interest rates are likely to rise slowly, while the risk of recession remains relatively low.

**2 ECONOMY**
The effects of a strong dollar and weak commodity prices are seen in capital spending. The risk of recession remains relatively low.

**4 INFLATION**
Falling prices of food, energy, and core goods offset rising core-services prices.

**6 POLICY**
The pace and stopping point of Federal Reserve interest rate increases remain key. Tax cuts that had been renewed annually are now permanent.

**8 INVESTING**
The strong dollar is weighing on commodity prices. The impact is also reflected in stocks of food producers and grocery stores.

**When agriculture and energy industries are excluded, capital investment is robust.**

While less often noted, falling prices of agricultural commodities have had an equally negative effect on spending for farm structures and agricultural machinery. From the fourth quarter of 2013 through the first quarter of 2015, investment in farm structures fell by about a quarter while investment in farm equipment dropped by more than half.

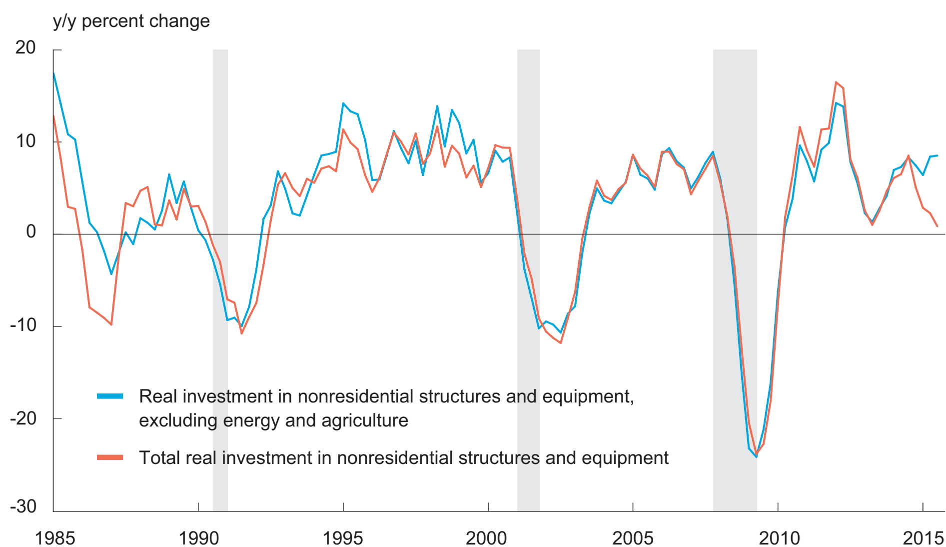
Overall business investment in structures and machinery fell to just a 0.9 percent growth rate for the year through the third quarter 2015. But when agriculture and energy industries are excluded, business spending on structures and machinery grew at a surprisingly robust annual rate of 8.5 percent over that period (Chart 1). Among industries still investing in structures at a healthy rate are: commercial office space, lodging, and amusements and recreation. Investment in high-technology equipment, some types of industrial machinery, and transportation equipment also remains strong.

## ECONOMIC OUTLOOK

To update our Business-Cycle Conditions model, we reviewed and enhanced three areas. First, we evaluated our 24 indicators for efficacy and replaced eight: five Leaders, one Coincider, and two Laggers. Next, we developed a quantitative algorithm to identify turning points in each indicator. Finally, we adjusted the calculation of the final index to better represent the indicators' overall performance. For a full description of the changes, see the January 2016 Research Brief, "Revising AIER's Business-Cycle Conditions Model" (https://www.aier.org/revising).

Our updated model indicates a relatively low risk of recession as consumers drive growth despite worries over things like share prices. In our latest evaluation, 54 percent of our leading indicators were on an upward trend, in the same ballpark as the 56 percent trending higher in November with our old model. December marked the 76th 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 contraction.

**Chart 1. Weak investment in energy and agricultural industries is pulling down overall capital investment.**




**Note:** Shaded areas denote recessions.
**Sources:** Bureau of Economic Analysis (Haver Analytics).

The proportion of expanding coincident indicators slipped to 75 percent in December, following two straight months at 80 percent using the old model. But all our lagging indicators were expanding (Chart 2).

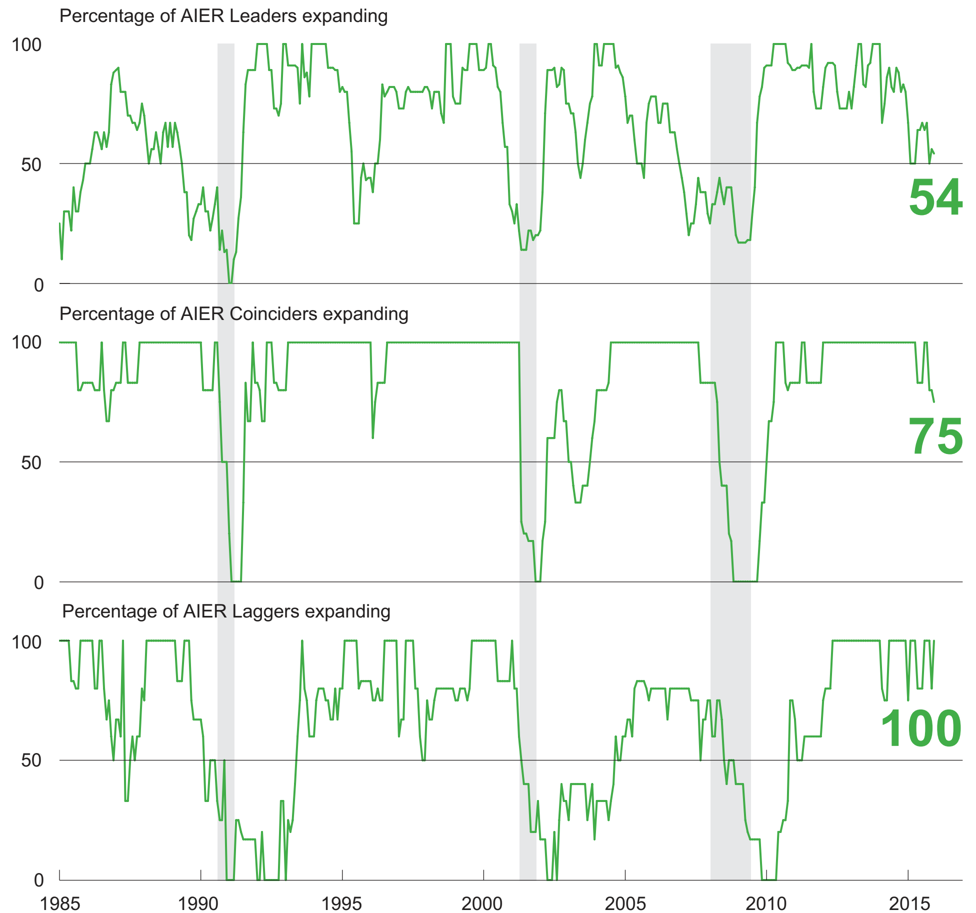
Among the individual Leaders indicators, several show strong favorable trends, including consumer goods new orders, housing permits, the yield curve, heavy truck unit sales, and retail sales. These trends support our analysis that the U.S. consumer is leading the economy forward.

On the negative side were weak trends in manufacturers' sales-to-inventory ratios, share prices, consumer sentiment, and debit balances in broker-dealer margin accounts. The poor performance by stocks and margin balances may reflect rising uncertainty amid recent volatility and unsettling geopolitical events.

Overall, with a reading closer to, but still above 50, the revised model confirms our view that the U.S. is on a sustainable, moderate growth path. However, the outlook is somewhat fragile as strong crosscurrents affect various parts of the economy.

**Chart 2. Indicators at a glance**

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




Source: AIER.

## SCORECARD

In 2015, our Inflationary Pressures Scorecard started the year tilted toward a benign price outlook. Pressures picked up in the third quarter only to retreat to a more even balance in the next quarter.

Looking at our current scorecard, price pressures have receded, with increases evident in six indicators, declines in 14, and three showing stable pressure – nearly the same results as January 2015. Combined with our Consumer Price Index analysis, a few key themes emerge. A strengthening dollar has helped keep food, energy, and core goods prices very weak. Price increases have been confined to core services, where, with the exception of housing services, rising labor costs represent a potential threat.

We expect the overall price environment to remain benign as the year begins, but careful attention should be given to labor costs. Additionally, the benefits from a strong dollar and falling commodity prices are likely to fade, if not reverse, at some future point. Even with these medium-term concerns, the likelihood of runaway inflation remains exceedingly low.

### 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.** **Price pressures recede, and the outlook remains benign.**

| | 3-MTH. AVERAGE CHANGE | | INFLATION PRESSURE |
|---|---|---|---|
| | Previous | Latest | |
| **DEMAND AND SUPPLY** | | | |
| *Demand* | | | |
| Average hourly earnings (Nov.) | 2.43% | 2.41% | Falling |
| Nonfarm payrolls, total mil. (Nov.) | 142.1 | 142.7 | Rising |
| Personal income (Nov.) | 5.2% | 3.7% | Falling |
| Retail sales (Nov.) | 2.9% | 0.9% | Falling |
| *Supply* | | | |
| Ind. prod. - consumer goods (Nov.) | 9.1% | -4.0% | Rising |
| Manufacturing utilization (Nov.) | 76.2% | 76.2% | Stable |
| Retail inventory/sales ratio (Oct.) | 1.46 | 1.48 | Falling |
| **MONEY, BANKING, AND CREDIT** | | | |
| Fed funds rate (Nov.) | 0.13% | 0.13% | Stable |
| Interest on excess reserves (Nov.) | 0.25% | 0.25% | Stable |
| Money supply (M2) (Nov.) | 6.5% | 5.7% | Falling |
| Money velocity (Oct.) | -1.0% | -2.2% | Falling |
| Revolving consumer credit (Oct.) | 6.0% | 4.4% | Falling |
| **COSTS AND PRODUCTIVITY** | | | |
| *Producer price index (Nov. 2015)* | | | |
| Final demand | 1.5% | -2.5% | Falling |
| - Food | 2.0% | -5.3% | Falling |
| - Energy | -7.5% | -23.6% | Falling |
| - Goods less food and energy | 0.4% | -1.4% | Falling |
| - Services | 3.3% | -0.7% | Falling |
| *Import price index (Nov. 2015)* | | | |
| Autos | -0.4% | -1.8% | Falling |
| Consumer goods ex. autos | -1.1% | 0.4% | Rising |
| *Commodity prices (Nov. 2015)* | | | |
| S&P GSCI Commodity Index | -43.4% | -39.3% | Rising |
| *Wages and productivity* | | | |
| Private compensation (Q3–2015) | 0.0% | 2.6% | Rising |
| Nonfarm business productivity (Q3–2015) | 3.5% | 2.2% | Rising |
| Nonfarm business unit labor costs (Q3–2015) | 2.0% | 1.8% | Falling |

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

## CONSUMER PRICE INDEX ANALYSIS

Key trends in the Consumer Price Index, or CPI, remain on track. Weakening food, energy, and core goods prices are offsetting rising core services prices.

Over the past 18 months, the strengthening dollar has helped restrain goods prices. For goods produced domestically, falling commodity prices reduce input costs, resulting in lower prices for finished consumer products. A strong dollar also cuts the cost of imports. These benefits come on top of a longer-term trend of increasing imports of goods from countries with lower production costs.

The main sources of price increases in the CPI are core services: housing, medical care, transportation, and education, and all are rising faster than goods prices. Each one has unique circumstances that may continue the trend.

The price of housing services consists of rent, both that paid by renters and owners' equivalent rent, which is analogous to what owners would pay to rent their own property. Since the housing boom and bust, there has been a significant shift toward renting, driving up rents at an above-average pace.

Medical care has been another persistent source of CPI gains. Medical care is more heavily regulated than most industries. It is susceptible to litigation costs, tends to have high costs for new product development, and is in the midst of a demand surge from aging baby boomers.

Finally, education has for years posted sustained, large price increases, and higher-education costs have been a significant contributor to overall CPI gains.

We expect prices in aggregate to continue to reflect offsetting trends in the short term (dollar strength) and longer term (demographics, increased imports from low-cost countries). But we see little chance of runaway inflation stemming from inappropriate monetary policy.

**Table 2. Core services rise but are offset by falling prices for food, energy, and core goods.**

| Data for November 2015 | Share | m/m% | 3-mth.* | 12-mth.* | 5-yr.* | 20-yr.* |
|---|---|---|---|---|---|---|
| **Consumer Price Index** | **100.0** | **0.0** | **0.3** | **0.5** | **1.6** | **2.2** |
| Food | 14.2 | -0.1 | 1.6 | 1.3 | 2.4 | 2.6 |
| Energy | 7.2 | -1.3 | -20.8 | -14.7 | -2.2 | 3.3 |
| CPI excl. food and energy | 78.6 | 0.2 | 2.4 | 2.0 | 1.9 | 2.0 |
| **Goods excl. food and energy** | **19.3** | **-0.2** | **-1.1** | **-0.6** | **0.3** | **0.2** |
| Apparel | 3.4 | -0.3 | -5.5 | -1.5 | 0.9 | -0.3 |
| New vehicles | 3.5 | 0.1 | -0.8 | 0.2 | 1.2 | 0.2 |
| Medical-care commodities | 1.8 | 0.3 | 1.4 | 2.5 | 2.4 | 2.8 |
| **Services excl. energy** | **59.3** | **0.3** | **3.6** | **2.9** | **2.5** | **2.8** |
| Shelter | 33.3 | 0.2 | 3.3 | 3.2 | 2.5 | 2.6 |
| Medical-care services | 6.1 | 0.4 | 6.2 | 3.1 | 3.0 | 3.8 |
| Transportation services | 3.8 | 0.6 | 4.0 | 2.3 | 2.2 | 2.5 |
| Education | 3.2 | 0.3 | 3.9 | 3.7 | 3.7 | 5.1 |
| **AIER'S EPI** | **35.8** | **-0.6** | **-8.5** | **-2.3** | **1.0** | **2.7** |

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

## Everyday Price Index

AIER's Everyday Price Index, or EPI, slid 0.6 percent in November, matching October's decline.

Over the past 12 months, the EPI has fallen 2.3 percent while the broader CPI has risen 0.5 percent. The CPI fell 0.2 percent in November. Because the EPI assigns a greater weight to energy, the difference between the two stems largely from falling energy prices.

Elevated crude-oil inventories and weak prices drove the decline in energy. Crude inventories climbed 19.8 percent over the past 12 months, helping to drive prices down 38.7 percent over the same period. Hefty inventories and depressed crude prices add up to lower consumer costs at the pump. Gasoline prices have dropped 24 percent over the past year.

Food prices at grocery stores have risen just 0.3 percent over the past 12 months, well below the historical average. The slow pace likely reflects reduced demand. As consumers prepare fewer meals at home, they purchase more at restaurants. That has meant strong demand and a 2.7 percent gain in food prices at restaurants over the past year.

https://www.aier.org/epi

## MONETARY POLICY
### Growth expectations shift downward.

On Dec. 16, 2015, the Federal Open Market Committee raised its target for the federal funds rate to a range of 0.25 percent to 0.5 percent, an increase of 25 basis points. It was the first step since June 2006 to move the target rate higher and was widely anticipated.

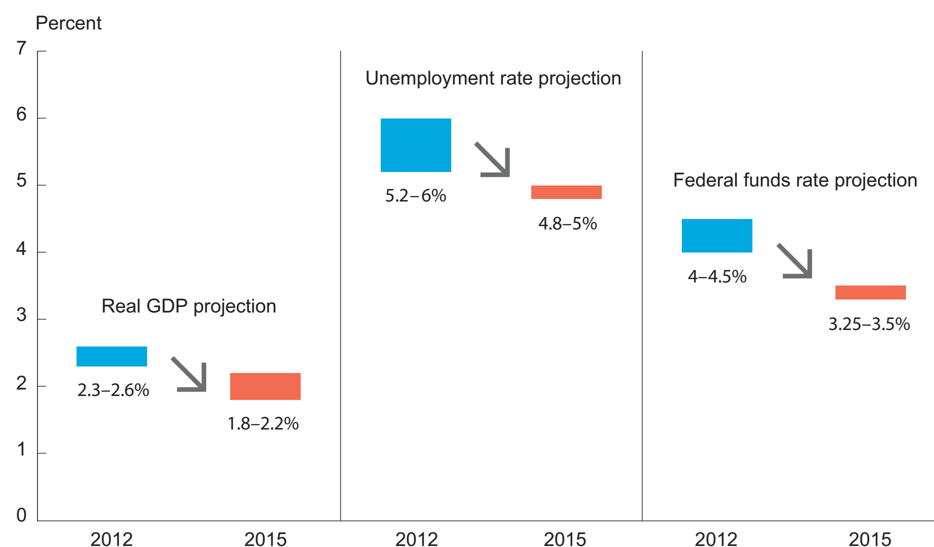
Along with the rate increase, Federal Reserve policy makers also updated the central bank's economic forecast. The latest projected range for longer-run real GDP growth was substantially lower, at 1.8 percent to 2.2 percent, than the 2.3 percent to 2.6 percent expectation in 2012. That drop of about 0.5 percent points is a major shift down in growth expectations.

A similar drop occurred in the outlook for the longer-run unemployment rate. In the earlier projections, the rate was 5.2 percent to 6 percent. In the latest projections, it was 4.8 percent to 5 percent. The outlook for longer-run inflation remained at 2 percent.

Finally, and most important in our view, was the drop in the longer-run fed funds target rate. In the earlier projections, the consensus range was 4 percent to 4.5 percent. In the latest update, the range stood at 3.25 percent to 3.5 percent, a drop of 75 to 100 basis points. A basis point is one one-hundredth of a percentage point.

This long-run target is important because it is the one element in the projections the Fed has control over. Aiming too low could eventually lead to higher inflation. Aiming too high could trigger a new recession. Looking at the past, some suggest that Fed policy makers were at least partly responsible for triggering some recessions by raising the fed funds rate too high. The good news is that the current rate-setting committee has repeatedly indicated that it will be deliberate in its decision making – balancing an emphasis on incoming data with the need to act preemptively and balancing the dual mandates of maximum employment with stable prices.

**Chart 3. The Fed lowers its longer-run expectations.**




**Notes**: Projections were made in January 2012 and December 2015. Real GDP: fourth quarter to fourth quarter. Unemployment rate: Average civilian unemployment rate, fourth quarter. Federal funds rate: Target range or level over the longer run.

**Source**: Federal Reserve Board, AIER.

**TAX POLICY**
**Making tax breaks permanent could cost $680 billion over 10 years.**

In December, Congress passed (and President Barack Obama signed) the Protecting Americans from Tax Hikes, or PATH, act. The law clarifies several important provisions of the federal tax code and is expected to reduce revenue by about $680 billion over 10 years ($830 billion when interest is included) by making several "tax extenders" permanent or extending them for several years. Tax extenders are special credits or deductions added over the years that are subject to annual renewal.

There is something for everyone in the measure. Several provisions help low- and middle-income families pay for college. Businesses get tax breaks, and the act includes special rules that help nonprofit organizations. However, notably missing from the law are any offsetting spending cuts or revenue raisers, so while helping many families, it will widen the U.S. budget deficit.

We look here at the tax extenders most likely to affect you. Estimates for the 10-year cost are from the Committee for a Responsible Federal Budget (crfb.org), a bipartisan, nonprofit watchdog group in Washington.

**Charitable distributions from individual retirement accounts, or IRAs**: PATH makes permanent a rule that lets people who are at least 70½ years old donate up to $100,000 a year from an IRA without being taxed on the distribution. Estimated 10-year cost: $9 billion.

**State and local sales tax deductions**: PATH makes permanent a rule that lets taxpayers deduct either state income taxes or total sales taxes paid. This can be particularly important for people who itemize deductions in states with no income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) or that only tax income from interest and dividends (New Hampshire and Tennessee). Estimated cost: $42 billion.

**American opportunity tax credit**: This gives qualified taxpayers a credit of up to $2,500 a year for certain higher education expenses. PATH has made this credit permanent, a big help for low- and middle-income families with children attending college. Estimated cost: $80 billion.

**Child tax credit**: Another bonus for low- and middle-income families, this provides a $1,000 tax credit for each qualifying dependent child in a household. The law also modifies the earnings threshold for low-income households, making it more generous to those families. Estimated cost: $88 billion.

**Mortgage insurance premiums**: PATH extends for 2015 and 2016 the tax deduction for homeowners who pay for private mortgage insurance. Estimated cost: $2.3 billion.

**529 plans**: A notable change for 529 plans, the most common college savings plans, is the ability to use proceeds for computers and related college expenses. Estimated cost: $53 million.

**Research and experimentation tax credit**: Although it's not likely to affect your personal finances, one of the largest provisions made permanent is a credit for business spending on research and development. Estimated cost: $113 billion.

The majority of the provisions were made permanent, with a 10-year revenue loss of $562 billion. The bulk of the remainder, $74 billion, were extended until 2019. Only $49 billion of the revenue loss will come from changes that are effective for two years.

## FIXED INCOME

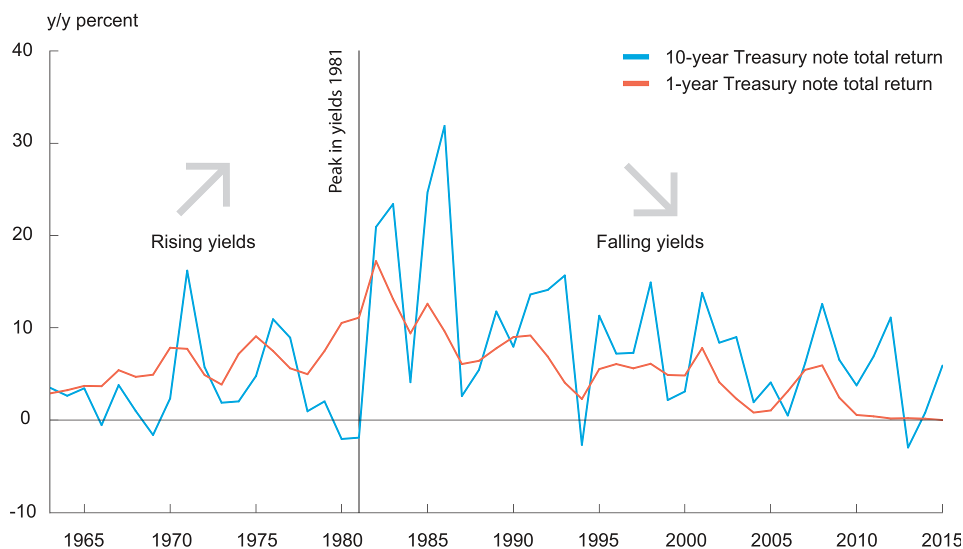
Over the course of 2015 we recommended that investors carefully evaluate bond return expectations and bond holdings in their portfolios in light of the increasing likelihood that interest rates were bound to start drifting higher. Last month we highlighted the risk to bond returns in a rising interest rate environment.

Now, with the Fed having begun a new credit-tightening cycle, it is even more important that investors review the role of bonds in their portfolios. While we expect that throughout 2016 the Fed likely will maintain a very slow pace when it comes to raising interest rates, upward pressure remains probable on market yields across the fixed-income spectrum.

In an environment of rising interest rates (market yields), investors should consider moving to shorter-term, fixed-income investments for their bond allocations. As market yields rise, bond prices tend to decline, reducing total returns. In general, the shorter the time to maturity of a bond or note, the less sensitive the price will be to changes in market yields. So, if market yields are expected to rise, shorter-term maturity bonds will decline less in price relative to similar longer-term bonds.

As an example, Chart 4 shows the total annual returns for 10-year and 1-year Treasury securities. On the left side of the chart, prior to a 1981 peak in yields, the shorter-term 1-year bills tended to provide higher total returns, as indicated by the red line. On the right side of the chart, when yields were generally falling (and bond prices were trending higher), the longer-term 10-year Treasury notes tended to outperform.

**Chart 4. Shorter-term fixed income securities tend to outperform when interest rates are rising.**




**Sources:** U.S. Treasury (Haver Analytics).

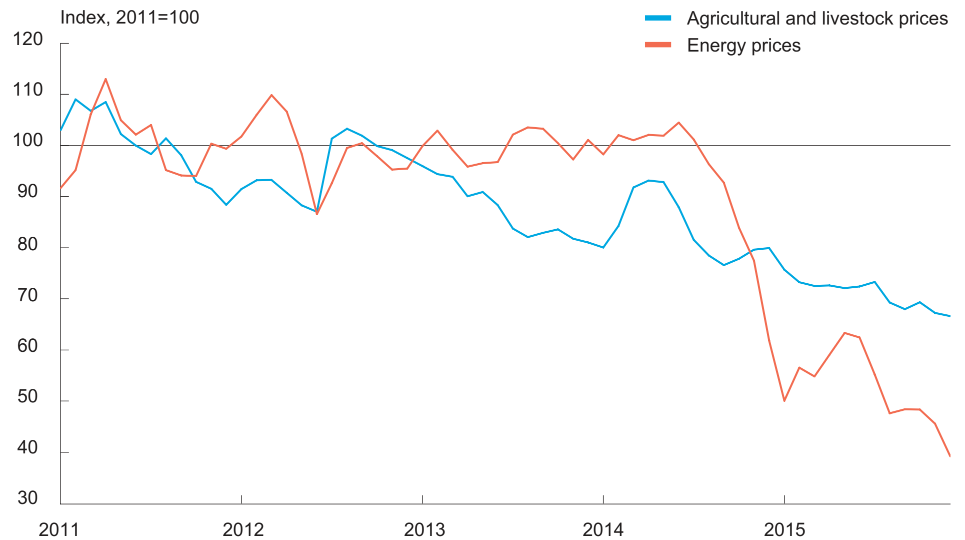
## COMMODITIES

One of our major themes in 2015 was the strong dollar and its impact on commodity prices. That theme continues as we enter 2016, especially in light of the Fed's decision in December to raise interest rates. Relatively strong economic growth expectations in the U.S. compared with the rest of the world, combined with a central bank that has begun even a modest tightening cycle while many others remain extremely accommodative, is likely to drive the dollar even higher. A stronger dollar and weak global economic growth should continue to put downward pressure on most commodity prices.

The sharp drop in the price of crude oil has garnered plenty of attention and analysis over the past 18 months. We continue to highlight it because of its importance to the U.S. and global economies. This month we also focus on agricultural commodities because of their impact in specific areas of the U.S. economy. As already discussed, lower crude prices as well as declines in farm products such as corn, soybeans, and cattle are playing an important role in the performance of inflation gauges such as the CPI, and both have influenced capital investments for such things as buildings and machinery.

Our expectation is that these two trends (the rising dollar and generally lower commodity prices) are likely to be sustained for the next several months and possibly for several quarters (Chart 5).

**Chart 5. Commodity price weakness is likely to continue for the next several months.**




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

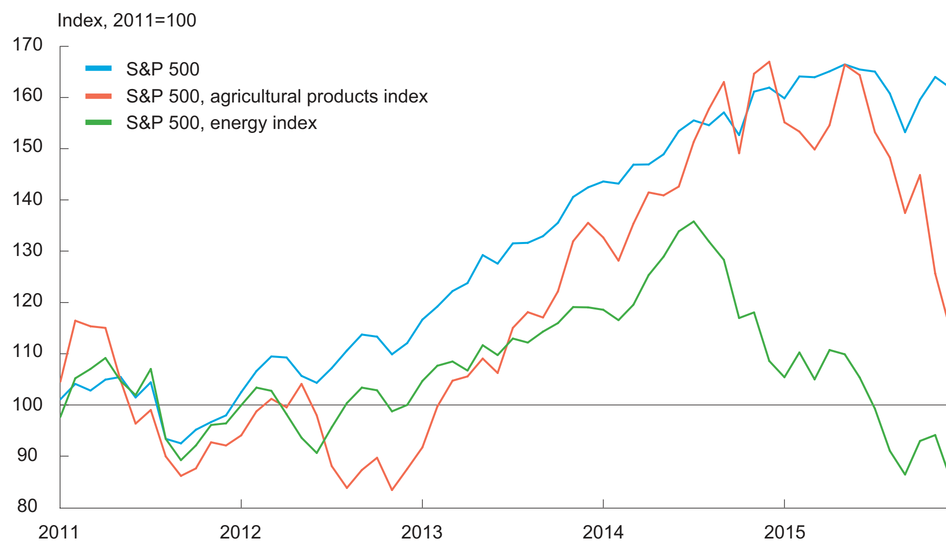
## U.S. EQUITIES

One critical aspect of the research at AIER is the effort and determination to dig into the underlying forces driving the economy and capital markets. Real GDP, the CPI, and the Standard & Poor's 500 Index of U.S. equities can all convey certain information: a summary, an overview, and aggregate perspective. But to truly understand the dynamics that are interacting—to identify the economic principles and theories at work—a good analysis will dig deeper. In the case of investing in equities, one way to do this is to look at the different sectors and industries within the broader market. This month we relate the macro forces of monetary policy (higher rates), global demand, and commodity prices to the performance of the industries affected.

The S&P 500 hit an all-time high in May 2015. For the year as a whole, the index finished about where it started, 2,043.94 on Dec. 31 compared with 2,058.90 as last year began, a decline of a little less than 1 percent. That was no doubt disappointing to many investors, but the weak performance masks widely divergent returns among the various sectors and industries. Shares of energy companies included in the S&P 500 fell by more than 23 percent last year. Agricultural products companies fared even worse, as their share prices dropped nearly 30 percent (Chart 6).

Eventually, fundamentals (sales, profit margins, and earnings) may stabilize and begin to grow at more desirable rates, and agricultural products and energy stock prices would anticipate and reflect the improving outlook. But for now, the combination of Fed tightening, the rising dollar, and weak global demand suggests these stocks may continue to struggle.

**Chart 6. Energy and agricultural companies have underperformed the broader market.**




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

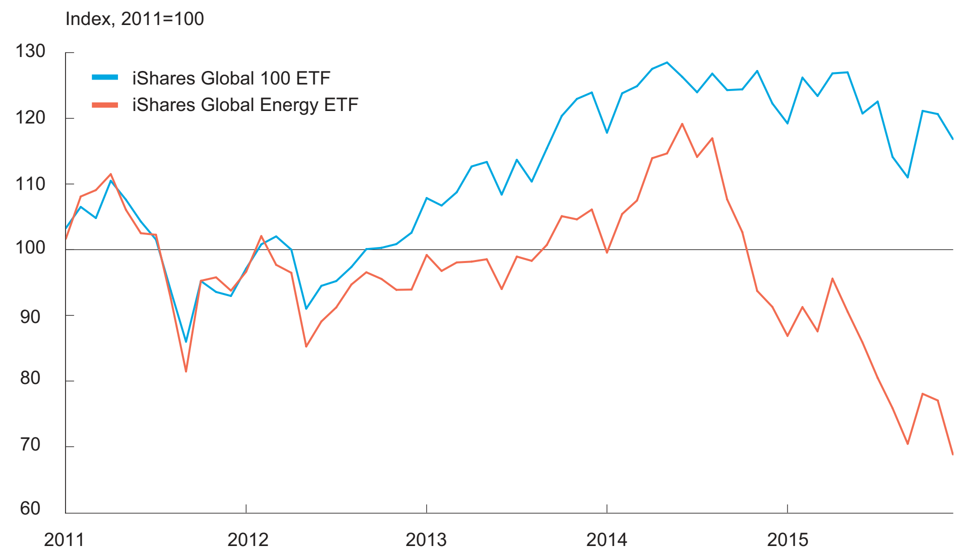
## GLOBAL EQUITIES

In the same way that sectors and industries in the U.S. perform very differently from the overall market, global equity sectors and industries can perform very differently from aggregate global markets.

We have already reviewed the forces depressing commodity prices in general and crude oil specifically. These forces are affecting energy companies around the globe. For global equities in aggregate, the economic forces driving prices are even more complex and diverse than the forces driving U.S. shares: economic weakness in Europe and Japan, a cooling expansion in China as the government tries to reconstitute the composition of economic growth, widely divergent central bank and fiscal policies, and heightened political tensions across the world.

Yet with all the greater complexity, the story for energy companies relative to the broader global equity market is similar: sharp underperformance (Chart 7). Economic trends typically don't turn on a dime. Many of the forces suppressing energy prices are likely to continue for some time. At some point, these trends should reverse and energy prices should stabilize, but without a rebound in demand or some type of supply shock, it seems unlikely that energy prices will recapture the peaks of a few years ago for quite some time.

**Chart 7. Global energy companies have underperformed the broader global equity market.**




**Sources:** Markit (Factset).

# PULLING IT ALL TOGETHER



## THE ECONOMY…

AIER is proud to introduce our updated Business-Cycle Conditions model. We are confident that the enhancements we have made will improve the accuracy and usefulness of the model while remaining true to the long history of business-cycle research at AIER.

The latest reading from our new model is little changed from the previous reading using the old model. The new model suggests a moderate growth outlook and relatively low risk of recession in the months ahead, as did the old model.

Capital spending appears weak in aggregate, but much of the weakness comes from energy and agricultural industries, reflecting lower commodity prices. Excluding these areas, business investment remains healthy.

## …INFLATION…

Our Inflationary Pressures Scorecard points to receding pressures and a benign inflation outlook. Recent trends remain in place: food, energy, and core-goods prices remain very weak while price increases continue in core services, primarily housing, medical care, and education.

## …POLICY…

The Fed began a new credit-tightening cycle in December, lifting the federal funds target rate by 25 basis points in its first increase since June 2006. We maintain our view that the more important aspects of monetary policy will be the pace of subsequent increases and the eventual stopping point. The updated longer-run projections by members of the Fed's policy-making committee are little changed from the previous quarter but show a significant downward trend since 2012.

A year-end tax bill passed by Congress and signed into law by President Obama will make permanent a series of tax cuts that had been subject to annual extensions. The most notable piece missing from the legislation was any offsetting spending cuts or revenue raisers, meaning that the law—while helping many families—will continue to expand the federal budget deficit.

## …INVESTING

Fed tightening, a strong dollar, and slackening global demand are contributing to continued weakness in commodity prices. That weakness is reflected in the performance of energy and agricultural-products companies, in the U.S. and globally.

In an environment of rising interest rates, shorter-term fixed income investments are likely to outperform longer-term bonds.

## CAPITAL MARKET PERFORMANCE

(Percent change)

| | Dec. 2015 | Latest 3M | Latest 12M | Calendar Year 2015 | 2014 | 2013 | Annualized 3-year | 5-year | 10-year |
|---|---|---|---|---|---|---|---|---|---|
| **Equity Markets** | | | | | | | | | |
| S&P 1500 | -2.1 | 6.0 | -1.0 | -1.0 | 10.9 | 30.1 | 12.6 | 10.1 | 5.2 |
| S&P 500 - total return | -1.6 | 7.0 | 1.4 | 1.4 | 13.7 | 32.4 | 15.1 | 12.6 | 7.3 |
| S&P 500 - price only | -1.8 | 6.5 | -0.7 | -0.7 | 11.4 | 29.6 | 12.7 | 10.2 | 5.1 |
| S&P 400 | -4.3 | 2.2 | -3.7 | -3.7 | 8.2 | 31.6 | 11.1 | 9.0 | 6.6 |
| Russell 2000 | -5.2 | 3.2 | -5.7 | -5.7 | 3.5 | 37.0 | 10.2 | 7.7 | 5.4 |
| Dow Jones Global Index | -1.8 | 3.1 | -3.9 | 0.4 | 11.9 | 16.1 | 6.1 | 4.4 | 2.8 |
| Dow Jones Global ex. U.S. Index | -2.2 | 1.4 | -7.1 | -5.1 | 7.1 | 13.0 | 0.3 | -0.6 | 0.7 |
| STOXX Europe 600 Index | -5.1 | 5.2 | 6.8 | 6.8 | 4.4 | 17.4 | 9.4 | 5.8 | 1.7 |
| **Bond Markets** | | | | | | | | | |
| Ryan Labs Treasury index total return | 0.1 | -0.8 | 0.5 | 0.5 | 9.6 | -6.6 | 1.0 | 4.2 | 5.0 |
| Dow Jones corporate bond index total return | -0.2 | 0.1 | 0.6 | 0.6 | 7.2 | -1.9 | 1.9 | 5.0 | 6.1 |
| **Commodity Markets** | | | | | | | | | |
| Gold | -2.1 | -5.0 | -11.0 | -8.3 | -10.3 | -15.5 | -14.1 | -5.2 | 7.7 |
| Silver | -0.6 | -3.2 | -8.8 | -8.8 | -13.3 | -36.3 | -20.4 | -13.9 | 6.2 |
| CRB all commodities | -1.7 | -6.5 | -14.9 | -14.0 | 1.1 | -3.1 | -7.9 | -5.7 | 2.3 |

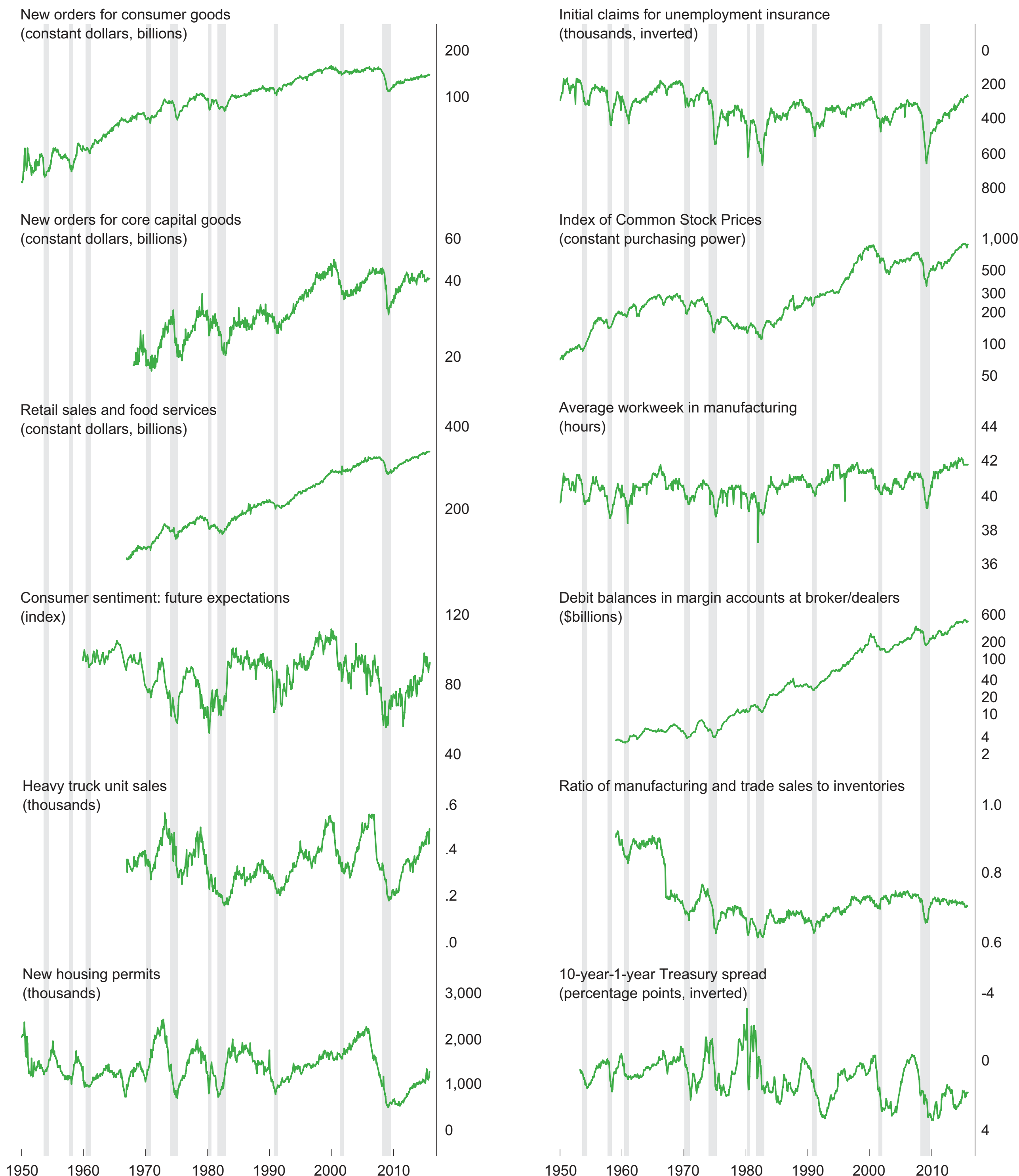
## CONSUMER FINANCE RATES

(Percent)

| | Dec. 2015 | Latest 3M | Latest 12M | Average For Year 2015 | 2014 | 2013 | Average Over Period 3-year | 5-year | 10-year |
|---|---|---|---|---|---|---|---|---|---|
| 30-yr. fixed mortgage | 4.0 | 3.9 | 3.9 | 3.9 | 4.3 | 4.2 | 4.1 | 4.2 | 4.9 |
| 15-yr. fixed mortgage | 3.2 | 3.1 | 3.2 | 3.2 | 3.4 | 3.3 | 3.3 | 3.4 | 4.3 |
| 5-yr. adjustable mortgage | 3.6 | 3.5 | 3.4 | 3.4 | 3.6 | 3.4 | 3.5 | 3.4 | #N/A |
| Home-equity loan | 4.6 | 4.6 | 4.4 | 4.4 | 4.7 | 5.1 | 4.7 | 4.8 | 5.5 |
| 48-month new car loan | 3.2 | 3.2 | 3.0 | 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).

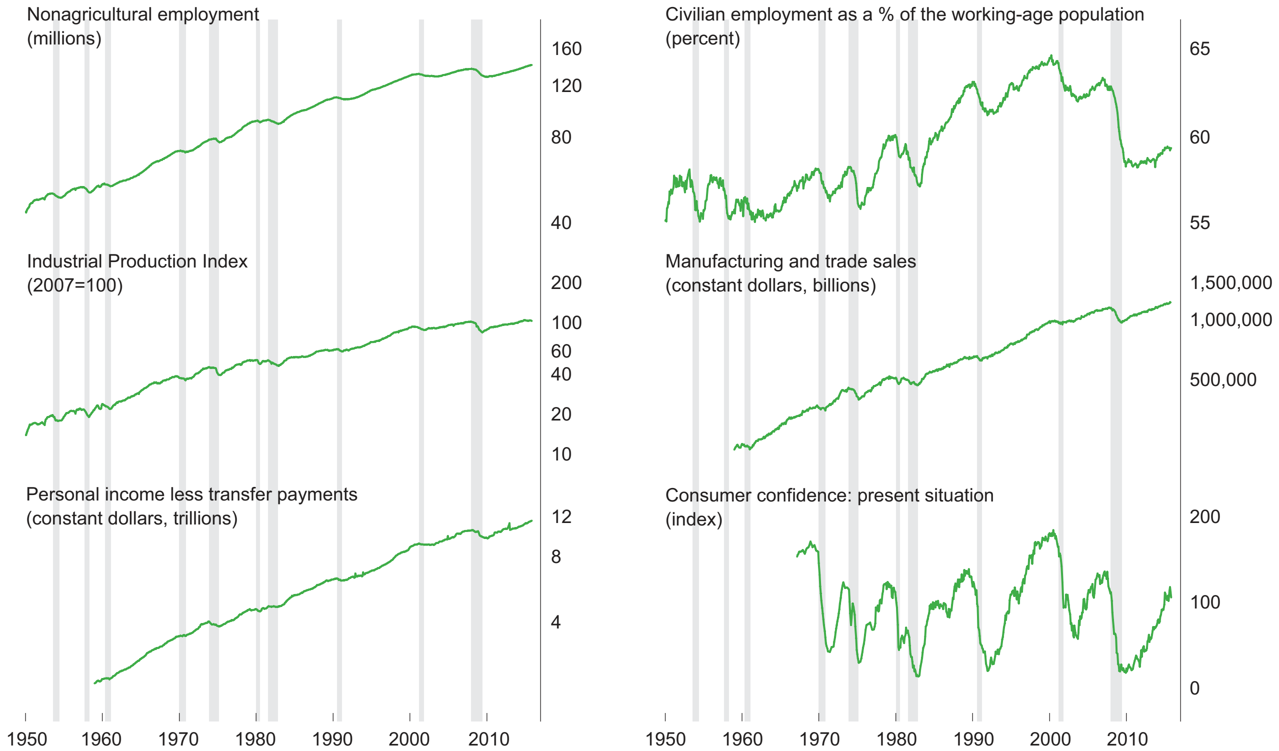
## LEADERS (1950–2016)



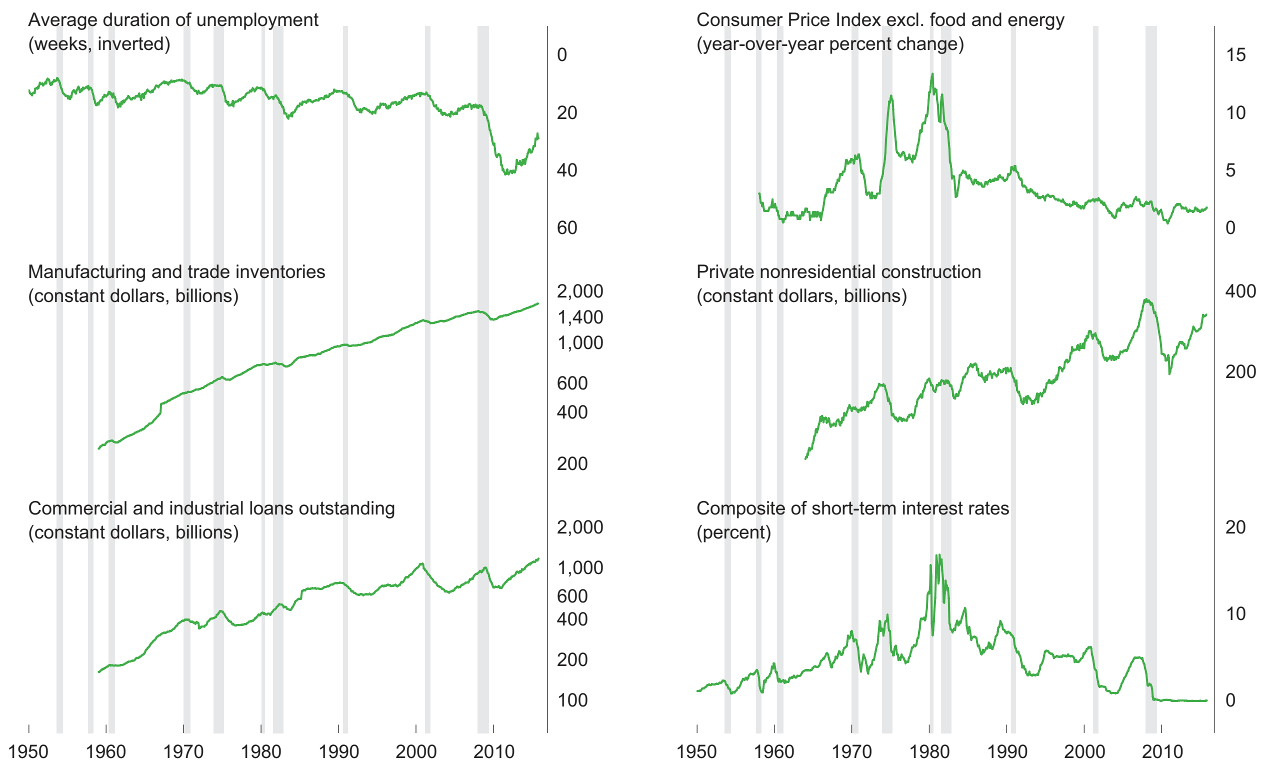

Bureau of Economic Analysis, Bureau of Labor Statistics, Department of Labor, Federal Reserve Board, New York Stock Exchange, Standard & Poor's, The Conference Board, University of Michigan, U.S. Census Bureau.

Note: Shaded areas denote recessions.

## COINCIDERS (1950–2016)




## LAGGERS (1950–2016)



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