Stock Market levels:

Manufacturing activity: Increase means that there is a higher demand for consumer goods, which is a positive and also since there are more workers (or higher productivity levels) required to generate higher levels, this can lead to wage growth which drives inflation

Need to look at retail sales data though to make sure that these goods aren’t just sitting around in the warehouse and not being used. Want both to be on the rise

Inventory levels: Either demand is expected to increase or that there is slack in demand. Consumer confidence is going up and businesses should be stocking up on product, especially for the 4th quarter.

Retail sales: if retail sales are up then there is a kickback to the company’s manufacturing the goods being sold, which will increase business investment spending. Need to look at how these consumers are purchasing these goods to make sure that they are not taking on too much debt

Corporate profits: this is a lagging indicator. Like to see that corporations are doing well

* GDP Gap: this is the difference in the potential GDP and the real GDP, you can see in the charts that we are coming close to narrowing the gap don to 0, and also in the highlighted areas you can see that there is almost an overheating or overproduction in GDP. These periods are times are followed by recessions or dips in GDP
* Issues calculating this can be because og inaccurate measure of the labor force, which will lead to an inaccurate measure of potential GDP
* PCE Breakdown: The sum of parts of services, durable and non-durable goods being produced in the economy
* We had increases in the PCE as of recently in the Income and Outlays report for September
* Disposable income increased, and PCE increased by $18Bn
* The YoY PCE breakdown change shows that the PCE yearly growth is back to pre-crisis levels, which sound indicate that consumers are spending/purchasing more and at a faster rate
* Personal income and outlays: Personal income has been increasing significantly over the last several years, while the savings rate has started to decline. This means that consumers are starting to spend more, and save less which is not necessarily a bad thing as long as they are not taking on too much debt
* A theory that consumers are saving less and spending more is that prices have increased enough while wages have not followed, therefore they have to use more money to purchase items than previous years
* When looking at the debt servicing to income ratio, we can see that consumers have become delivered after the financial crisis, with a slight uptick in borrowing in the last 2 years
* The Housing Market: The housing Market is in a little rough shape. There has been a supply shortage in new homes, while there has been sufficient demand. This has lead to an increase in the price for homes recently, making it difficult for consumers. Not to mention the rising interest rates as another headwind.
* Business Investment: Inventories are up, business sentiment is going up and is at a high. Following the increase in inventory levels, have been the retail sales needed to soak up the excess inventory which is great for businesses who will take that cash and put it towards capital investment.
* E-Commerce has been increasingly taking a larger portion in total retail sales numbers. E-commerce has lead to increased price discovery for durable goods as of lately

August 2017 Personal Income and outlays report

* Personal income increased 28.6 BN .2%
* Disposable income increased 14.9 Bn .1%
* Increased from government spending on social benefits and compensation of employees
* Real DPI decreased 1%
* Personal Consumption expenditure increased 18 Bn .1%
* Real PCE decreased 1%
* Disposable: is the amount net after taxes
* Discretionary: takes out necessary living expenses (not mandatory)
* Real PCE is down 8.4 Bn from a decrease I spending for goods, but an increase in spending for services

GDP Analysis 2nd Quarter:

* Real GDP increased 3.1% (annually) in the second quarter compared to a 1.2% point increase in the first quarter
* Reflects increases in consumer spending on goods and services as increases in business investment, exports and federal gov spending
* Consumer spening increase: lead by housing and utilities
* Communications, nondurable goods in prescription drugs
* Increase in business investment includes all three components, equipment, structres and intellectual property products
* Offsetting declines include decreases in housing investment
* Corporate profits increased .7% at a quarterly rate, after decreasing 2.1% in the first quarter

Corporate Profits:

* Have increased by 1.9% on average YoY for the last 5 years
* In the last few years they have flattened out a little though
* CAPE index: Companies are becoming more expensive relative to earnings, possibly fueled by the low interest rate environment
* Inventory to sales has risen, which means that companies are producing more and since Personal income has risen, and consumer confidence is high, this is a great combination that signals a healthy economy

Retail:

* Year over year growth in retail sales has declined in the last 5 years after the great recession. This is not necessarily a bad thing because they are back to normal levels where we wont experience much more significant growth in sales
* Ecommerce has been a big driver for retail sales in the last 5 years. E-Commerce currently accounts for close to 10% of all retail sales, while only 5 years ago E-Commerce accounted for less than 2%

Industrial Production:

* Has remained relatively modest

Hurricane and Fire Damage:

* Estimated that hurricane Harvey destroyed 300-500k vehicles in Huston alone
* Estimates for the cost of licensed cars lost in the storm is between 2.7 and 4.9 bn
* Estimated total damage for Harvey is 180 bn
* Huston is a driving centric city and with record flooding an estimated number of 500k cars were totaled
* Florida also a driving centric state had up to 400K cars damaged that will need to be replaced
* All of these numbers do not include vehicles waiting to be sold
* Hurricane Irma 150-200 BN in damage based on moodys analysis
* Hurricane Harvey caused 180 BN dollars in damage
* Damaged 203k homes, with 12.7k homes destroyed
* California wildfires 6,700 homes destroyed
* 3-6bn in total damages

Fed balance Sheet

* 4.5 trillion dollars
* 2.46 trillion in treasuries
* 1.78 trillion in mortgage backed securities
* GS estimates that the unwinding will add 65 bps to the 10 year treasury yield from the beginning until 2021