

## Consumer Sentiment Dives to Decade Low

The University of Michigan Consumer Sentiment Index dropped a stunning -13.5% in August to 71.2, well below the expected 81.2 median forecast. *What makes the August reading so surprising is that it's actually below the 10-year low recorded in April of last year, when virus fears dominated headlines.* According to the official release, on only six occasions over the last half century had the decline been larger. August losses were widespread amongst age, income and regions of the country, while the outlook for GDP, inflation and employment all faded.

The percentage of consumers expecting the U.S. economy to improve later this year sagged from 45% to 32%, while those expecting the jobless rate to decline slipped from 52% to 36%. The survey narrative pointed out that "the extraordinary surge in negative economic assessments also reflects an emotional response, mainly from dashed hopes that the pandemic would soon end."

The latest wave of covid infection has collided with the nationwide reopening of schools, which suggests the peak in this cycle may still be weeks away. The global surge in the more contagious Delta variant will also add pressure to stretched supply chains, promising further delays and continued lean inventories for months to come.

In all fairness, consumer confidence surveys make great headlines, but historically don't hold much correlation with actual spending, which drives GDP growth. For this reason, markets seldom react to the confidence surveys. However, it appears this morning's release may be contributing to a bond market rally nudging yields lower across the curve. All three equity indexes were up in early trading with the DOW and S&P 500 both reaching record intraday highs. This morning's rallies in both stocks and bonds indicate Fed tightening could be pushed back as Fed officials assess the possibility of near-term weakening and what's shaping up to be a particularly contentious debt ceiling battle this fall.

### Market Indications as of 12:03 P.M. Central Time

DOW	Up 29 to 35,529 (NEW HIGH)
NASDAQ	Up 8 to 14,825 (HIGH: 14,895)
S&P 500	Up 3 to 4,464 (NEW HIGH)
1-Yr T-bill	current yield 0.07%; opening yield 0.07%
2-Yr T-note	current yield 0.21%; opening yield 0.22%
3-Yr T-note	current yield 0.44%; opening yield 0.45%
5-Yr T-note	current yield 0.79%; opening yield 0.83%
10-Yr T-note	current yield 1.30%; opening yield 1.36%
30-Yr T-bond	current yield 1.96%; opening yield 2.01%

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