

Retail Sales, PPI and Equity Markets

14 April. Retail sales numbers in the US disappointed. Retail sales less autos shrank 0.9% against a forecast of 0.0% and a prior of +0.7%. Advance retail sales were -1.1% versus a forecast +0.3% and a prior -0.1%.

PPI numbers were also reported. PPI Ex Food and Energy rose 3.8% YOY versus a forecast 4.0%. The PPI Index fell 3.5% YOY against a forecast fall of 2.2%. Monthly numbers were negative. All in all the numbers were not indicative of inflation and if anything signalled deflation risk.

The reaction of the equity market was an immediate dip. European markets which were up about 1.5% at that point quickly fell to down 1.5%. They have since recovered.

The news is bad. Retail sales numbers missed by a mile. PPI numbers signalled deflation risk. How the markets finally close today will be interesting. If they shrug of the bad news, then sentiment remains buoyant and the rally may extend a bit further. Otherwise the downdraft is likely to be substantial as we move into 1Q results season and have nothing but bad news to look forward to.