

# Weekly Economic Commentary



April 15, 2013

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### Highlights

The weaker-than-expected reading on Chinese gross domestic product (GDP) in the first quarter will rekindle China hard landing fears.

U.S. housing starts and homebuilder sentiment are likely still in early stages of a long recovery.

There are more factors pushing inflation lower than pushing inflation higher.

The sequester, cold weather, and soft economic data may lead to a tick down in our Beige Book Barometer.

Please see the LPL Financial Research Weekly Calendar on page 3



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## #TheWeekInTweets

Each time we publish the *Weekly Economic Commentary*, we include our calendar on page 3 that details all the key economic and policy events for the week. While we try to keep the *Weekly Economic Commentary* “relevant” by tying our commentary to one of the events of the week, many times we don’t refer to the calendar at all. This week, we thought we would try something a little different and incorporate the event calendar into the publication by providing a 140-character Tweet about each of the key calendar entries of the coming week. We’ll also sprinkle in a few charts—something we do often on our Twitter feeds—@LPLResearch, @\_BurtWhite, @JeffreyKleintop, @Anthony\_Valeri and @JohnCanally. Think of this week’s commentary as “pre-tweeting” the week’s economic and policy event calendar. Each of the lines below is a tweet-sized (140 characters, including spaces) preview of a key economic or policy event on this week’s calendar.



**JohnCanally** @JohnCanally

14 Apr

[#IShouldBeAsleep](#) China’s March industrial production & retail sales data likely to confirm that China’s economy was reaccelerating in Q1 ‘13.



**JohnCanally** @JohnCanally

14 Apr

[#IWasAwakeAnyway](#) China’s GDP may be more reliable than we think it is. Y-o-Y GDP growth in Q1 should be near 8% vs. 7.5% in mid 2012.



**JohnCanally** @JohnCanally

15 Apr

[#EmpireStateofMind](#) Manufacturing in the NY area has been struggling since before Sandy, but improved in early ‘13. Will it continue in Apr?



**JohnCanally** @JohnCanally

15 Apr

[#HousingRecovery](#) Homebuilder sentiment improved dramatically in ‘12, but stopped improving in early ‘13. March reading impacted by weather.

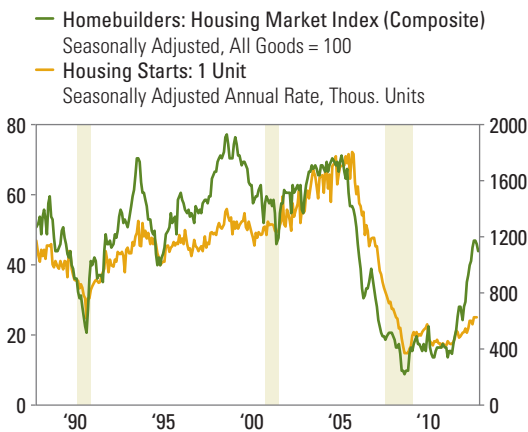


**1 The Weaker-Than-Expected Reading on Chinese GDP in the First Quarter Likely to Rekindle Hard Landing Fears**



Source: China National Bureau of Statistics, Haver Analytics 04/15/13  
Shaded areas indicate recession.

**2 Housing Starts and Homebuilder Sentiment Likely Still in Early Stages of Long Recovery**



Source: NAHB, Haver Analytics 04/15/13  
Shaded areas indicate recession.



**JohnCanally** @JohnCanally 16 Apr

[#CenterofGravity](#) NY Fed President Dudley has been a strong advocate of quantitative easing (QE). If he wavers, it would be a strong signal.



**JohnCanally** @JohnCanally 16 Apr

[#InflationRemainsTame](#) There are more factors pushing down on inflation than pushing up on inflation. Gasoline pushing down CPI in March.



**JohnCanally** @JohnCanally 16 Apr

[#HousingRecovery](#) The coldest March in seven years and a blizzard in the Northeast may have hurt housing in March, but trend is clearly up.



**JohnCanally** @JohnCanally 16 Apr

[#CenterofGravity](#) Like Dudley, Fed Vice Chair Yellen is pro QE. If she changes her tune on the pace of purchases, markets would likely react.



**JohnCanally** @JohnCanally 16 Apr

[#FOMCDoves](#) Chicago Fed President Evans—a voting member of the FOMC—has already outlined his thresholds for tapering QE.



**JohnCanally** @JohnCanally 16 Apr

[#GermanyinRecession?](#) The closely watched German ZEW Current Situation Index for April due out today. It's been moving lower for 2 years.



**JohnCanally** @JohnCanally 17 Apr

[#FOMCHawks](#) St. Louis Fed President Bullard has favored slowing the pace of QE. We expect him to reiterate those views this week.



**JohnCanally** @JohnCanally 17 Apr

[#FOMCDoves](#) Boston Fed President Rosengren is dovish, and is likely to remain so in this week's appearance.



LPL Financial Research Weekly Calendar

	<b>U.S. Data</b> 	<b>Fed</b> 	<b>Global Notables</b> 
2013			
15 Apr	<ul style="list-style-type: none"> <li>Empire State Manufacturing Index (Apr)</li> <li><b>NAHB Homebuilder Sentiment Index (Apr)</b></li> </ul>		<ul style="list-style-type: none"> <li><b>China: Industrial Production (Mar)</b></li> <li>China: Retail Sales (Mar)</li> <li><b>China: GDP (Q1)</b></li> <li>China: Fixed Asset Investment (Mar)</li> <li>Eurozone: Trade Balance (Feb)</li> </ul>
16 Apr	<ul style="list-style-type: none"> <li>CPI (Mar.)</li> <li><b>Housing Starts (Mar)</b></li> <li>Industrial Production (Mar)</li> <li>Capacity Utilization (Mar)</li> </ul>	<ul style="list-style-type: none"> <li> <b>Dudley*</b></li> <li> Evans*</li> <li> <b>Yellen*</b></li> <li> <b>Kocherlakota</b></li> </ul>	<ul style="list-style-type: none"> <li><b>IMF Releases World Economic Outlook</b></li> <li><b>Germany: ZEW (Apr)</b></li> </ul>
17 Apr		<ul style="list-style-type: none"> <li> Bullard*</li> <li> Rosengren*</li> <li><b>Beige Book</b></li> </ul>	<ul style="list-style-type: none"> <li><b>China: Property Prices (Feb)</b></li> <li>Canada: Central Bank Meeting</li> <li>Brazil: Central Bank Meeting</li> </ul>
18 Apr	<ul style="list-style-type: none"> <li><b>Initial Claims (4/13)</b></li> <li>Philadelphia Fed (Apr)</li> <li>Leading Indicators (Mar)</li> </ul>	<ul style="list-style-type: none"> <li> <b>Kocherlakota</b></li> <li> Lacker</li> </ul>	<ul style="list-style-type: none"> <li><b>Spain: Bond Auction</b></li> <li>France: Bond Auction</li> </ul>
19 Apr			

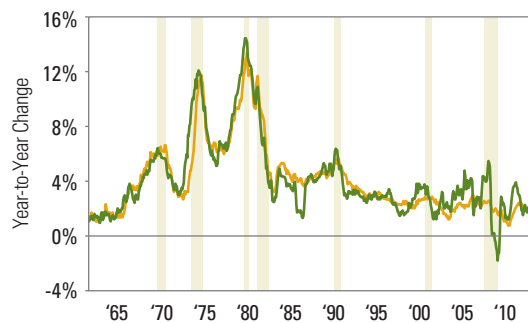
Hawks: Fed officials who favor the low inflation side of the Fed's dual mandate of low inflation and full employment

Doves: Fed officials who favor the full employment side of the Fed's dual mandate

\* Voting members of the Federal Open Market Committee (FOMC)

3 There Are More Factors Pushing Inflation Lower Than Pushing Inflation Higher

- CPI-U: All Items**  
Seasonally Adjusted, 1982-84 = 100
- CPI-U: All Items Less Food and Energy**  
Seasonally Adjusted, 1982-84 = 100



Source: Bureau of Labor Statistics, Haver Analytics 04/15/13

Shaded areas indicate recession.



**JohnCanally** @JohnCanally

17 Apr

[#BeigeBook](#) We'll update the LPL Financial Research Beige Book Barometer this week. Cold weather, the sequester, soft economic data at play.



**JohnCanally** @JohnCanally

17 Apr

[#AreYouWatching, 60 Minutes?](#) China will release property price data for February for 70 cities this week. Is it too frothy or cooling down?



**JohnCanally** @JohnCanally

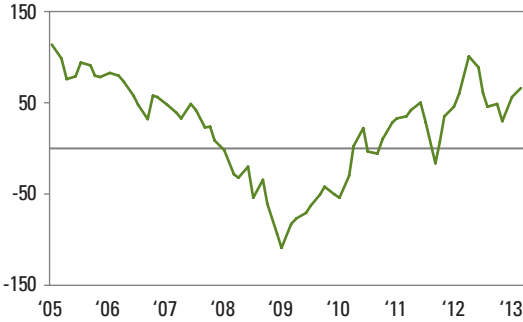
18 Apr

[#EarlyEaster](#) We expect another dip in claims this week, after an Easter week spike. They dropped last week, and should drop again this week.



**4** The Sequester, Cold Weather and Soft Economic Data May Lead to a Tick Down in the Beige Book Barometer

— Number of Times “Strong” (and Variations of This Word) Is Mentioned Minus Number of Times “Weak” (and Variations) Is Mentioned



Source: Federal Reserve, LPL Financial Research 03/06/13



**JohnCanally** @JohnCanally

18 Apr

[#ChangedHisMind](#) Minneapolis Fed President Kocherlakota was a hawk, & is now a dove—a rare public official who changed his mind in public.



**JohnCanally** @JohnCanally

18 Apr

[#FirmlyInMidCycle](#) Leading indicators should tick up again in March, suggesting that odds of a recession anytime soon are still low.



**JohnCanally** @JohnCanally

19 Apr

[#QuietDayToday](#) Markets get a breather after a busy week of corporate earnings, economic data and policy events. Bring on the weekend!!



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#### IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Quantitative easing is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

The Beige Book is a commonly used name for the Fed report called the Summary of Commentary on Current Economic Conditions by Federal Reserve District. It is published just before the FOMC meeting on interest rates and is used to inform the members on changes in the economy since the last meeting.

The Federal Open Market Committee (FOMC), a committee within the Federal Reserve System, is charged under the United States law with overseeing the nation's open market operations (i.e., the Fed's buying and selling of U.S. Treasury securities).

Stock investing involves risk including loss of principal.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

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#### INDEX DESCRIPTIONS

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The NAHB/Wells Fargo Housing Market Index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." The survey also asks builders to rate traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores from each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

ZEW Survey is a main indicator of investors' confidence. It is calculated on basis of 350 analysts' and institutional investors' polling. The indicator reflects the difference between analysts who are optimistic about forthcoming economic development of Germany within six months and those who are pessimistic. The Survey is used for German economic prospects estimation. ZEW Survey growth causes the euro growth.

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