



TUESDAY NOVEMBER 17, 2015

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,489.50	+6.49	4.45	57	43
Nasdaq:	4,986.01	+1.40	1.87	86	93
S&P 500:	2,050.44	-2.75			
10 yr note:	2.26%	-1bps			
Volatility:	18.84	+0.68			
EUR-USD:	1.064	-0.004	Crude Oil:	40.67	-1.07
USD-JPY:	123.45	+0.26	CRB-Com:	183.71	-1.70



Market close mixed on higher volume. The S&P 500 (-0.1%) outpaced declines in the Nasdaq (-0.05%) and the Dow (+0.1%). Positive earnings from WMT (+3.5%) and HD (+4.4%) added a combined 49 points to the Dow (WSJ). Nevertheless strong CPI data strengthened rate hike expectations, pushing utilities (-1.9%) lower on the day.

European markets rallied on the hope of further stimulus, particularly following Friday's Paris attacks. Similarly a ZEW survey of financial analysts for November showed the first increase in economic expectations in 8 months. The Stoxx Euro 600 (+2.5%) and CAC-40 (+2.8%) gained the most since October 5. Stimulus expectations helped the euro (-0.4%) fall to its lowest level since April 13.

The dollar rallied to a 7-month high against the Euro (-0.4%) and 3-month high against the Yen (-0.2%) today. Furthermore the dollar is 5% higher against the euro and 2% higher against the Yen since the start of October as rate hike expectations fuel buying. This has motivated dollar bets to more than double to \$33.3 billion between mid-October and November 10 (CTFC). Consequently dollar strength has pummeled commodity prices, as oil (-2.6%) fell heavily today and 9.1% lower since October. Similarly copper has fallen 8.7% and gold 4.1% over the same period. Oil prices are now 13% lower over just November as oil stockpiles have continually disappointed.

Dollar Forecasts for end of 2016:	euro	yen
Morgan Stanley:	parity	125
Goldman Sachs:	0.85	135

ECONOMIC REPORTS:

October CPI: +0.2%, core: +0.2%. Consumer inflation gained in line with expectations, breaking 2 months of declines. Core prices have gained 1.9% annually while headline prices are only 0.2% higher over the

same time, hindered by a 17.1% decline in energy prices. Price gains were more broad based, as “increases in the price index for a variety of services ranging from medical care to lodging to airline fares drive up core inflation, offsetting declining prices of goods like apparel. (WSJ)” Independent of a stronger dollar which has hit producer prices (see 11/15/15), the US’s insulated service industry -3/4th of the core measure including rents- will continue to gain.

October Industrial Production: -0.2%. Industrial production declines, pulled lower by weakness in mining (-1.5%) and utility output (-2.5%) despite a manufacturing (+0.4%), which makes up a majority of industrial production, showing its best reading since July. An unseasonably warm fall hit electricity utility output. Capacity utilization dropped 20bps to 77.5%. Annually industrial production is 0.3% higher.

November Housing Market Index: -3 to 62. Pulling back from last month’s 10-year high however this gauge remains well above the 50-level that signals optimism. A supply shortfall will ensure continue construction activity despite mixed sales readings and higher mortgage rates so far this fall. “The number of housing starts has more than doubled since the depths of the recession but remains roughly half of its 2006 peak” (WSJ).

	Change:	August
Current Sales:	-3	67
Future Sales:	-5	70
Traffic:	+1	48

September TIC Flows: \$33.6 billion. Foreign investors continued to buy US long term securities, buying treasuries, corporate bonds, agency securities while selling off equities for the 4th month. China (-\$12.5 billion to \$1.25 trillion) and Japan (\$1.17 trillion both cut their holding of US treasuries securities to the lowest in 2 years. Nevertheless increased buying by Belgium and Singapore kept total foreign holding of treasuries at \$6.1 trillion.

Weekly Redbook Retail Sales: +10bps to +1.2% annually. Store sales rise marginally but remain near their lowest levels so far this year. This report has been mired in sub-2% levels for 7 months; its longest and weakest stretch so far this recovery. Nevertheless the crucial holiday shopping period begins next week, and retailers are very optimistic going into Black Friday. Retail strength will be back-loaded in November if trends persist.

3RD Quarter E-Commerce Retail Sales: +4.2%. Online sales gained strongly in the third quarter, following a 4.4% gain in the second quarter. Year over year e-commerce retail sales are 15.1% higher. Online sales continue to gain in historic proportions, now 7.4% (+20bps) of total retail sales.