

# America Is Avoiding A Global Recession, So Far

On Thursday morning, Japan and the United Kingdom reported a negative GDP for the second consecutive quarter. A few weeks ago, Germany also reported consecutive quarterly declines in GDP. Accordingly, all three countries are now in a technical recession. To appreciate their role in the global economy, consider Germany is the world's third-largest economy, and Japan is right behind them in fourth. The United Kingdom is sixth behind India. China, the second largest economy, has seen sluggish economic activity, its property sectors are highly distressed, and its local governments are fiscally constrained. While China is not in a recession, growth is slowing rapidly. Simply, large swaths of the developed world are in a global recession despite a robust economy in America. Most often, economic activity among the most significant global economies and America tends to correlate well. Therefore, we must ask, is this time different? Conversely, are large amounts of U.S. fiscal stimulus and relatively strong credit-driven consumption keeping America afloat for the time being? Is America destined to join the other countries listed above in a recession? Recent data we have shared on the manufacturing sector and small businesses point to a recession, yet broad economic activity remains robust. As we have said, keep an eye on employment trends. America's recession warning will come when unemployment starts to rise.

	Country/Territory ↕	UN region ↕	IMF <sup>[1][13]</sup>	
			Forecast ↕	Year ↕
	World	—	104,476,432	2023
1	 United States	Americas	26,949,643	2023
2	 China	Asia	17,700,899	<sup>[n 1]</sup> 2023
3	 Germany	Europe	4,429,838	2023
4	 Japan	Asia	4,230,862	2023
5	 India	Asia	3,732,224	2023
6	 United Kingdom	Europe	3,332,059	2023

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## What To Watch Today

### Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
☀	TRP	TC Energy Corporation	\$38,928,980,000	Dec/2023	\$0.79	7	2/14/2023	\$0.82
☀	VMC	Vulcan Materials Company	\$32,035,773,605	Dec/2023	\$1.36	8	2/16/2023	\$1.08
☹	PKX	POSCO Holdings Inc.	\$24,890,665,924	Dec/2023		N/A	1/27/2023	\$1.79
☀	NWG	NatWest Group plc	\$23,483,910,122	Dec/2023	\$0.20	1	2/17/2023	\$0.32
☀	PPL	PPL Corporation	\$19,202,090,333	Dec/2023	\$0.38	2	2/17/2023	\$0.28
☀	LBRDA	Liberty Broadband Corporation	\$8,737,675,358	Dec/2023		N/A	2/17/2023	\$1.26
☀	LBRDK	Liberty Broadband Corporation	\$8,708,462,134	Dec/2023	\$2.62	1	2/17/2023	\$1.26
☀	HR	Healthcare Realty Trust Incorporated	\$5,747,389,837	Dec/2023	\$0.40	7	3/01/2023	\$0.42
☀	DTM	DT Midstream, Inc.	\$5,019,220,046	Dec/2023	\$0.90	5	2/16/2023	\$0.93
☀	BCPC	Balchem Corporation	\$4,601,765,922	Dec/2023	\$0.87	2	2/24/2023	\$0.66
☀	POR	Portland General Electric Company	\$4,047,989,837	Dec/2023	\$0.89	3	2/16/2023	\$0.70
☀	USM	United States Cellular Corporation	\$3,602,300,000	Dec/2023	\$0	3	2/16/2023	(\$0.33)
☹	LPL	LG Display Co., Ltd.	\$3,234,653,928	Dec/2023		N/A	2/17/2023	(\$1.92)
☀	ABR	Arbor Realty Trust	\$2,401,510,919	Dec/2023	\$0.46	4	2/17/2023	\$0.59
☀	THS	Treehouse Foods, Inc.	\$2,312,093,000	Dec/2023	\$0.71	4	2/13/2023	\$0.98
☀	TDS	Telephone and Data Systems, Inc.	\$2,121,010,000	Dec/2023	(\$0.17)	4	2/16/2023	(\$0.38)
☀	CNK	Cinemark Holdings Inc	\$1,921,959,973	Dec/2023	(\$0.15)	6	2/24/2023	(\$0.82)
☀	B	Barnes Group, Inc.	\$1,783,249,590	Dec/2023	\$0.35	4	2/17/2023	\$0.52
☀	MMI	Marcus & Millichap, Inc.	\$1,482,028,209	Dec/2023		4	N/A	\$0.20

## Economy

Time	Event	Impact	Actual	Dev	i	Consensus	Previous
FRIDAY, FEBRUARY 16							
13:30	USD Building Permits (MoM)(Jan)		-	-		1.509M 1.493M	
13:30	USD Building Permits Change(Jan)		-	-		- 1.8%	
13:30	USD Housing Starts (MoM)(Jan)		-	-		1.46M 1.46M	
13:30	USD Housing Starts Change(Jan)		-	-		- -4.3%	
13:30	USD Producer Price Index ex Food & Energy (YoY)(Jan)		-	-		1.6% 1.8%	
13:30	USD Producer Price Index ex Food & Energy (MoM)(Jan)		-	-		0.1% -0.1%	
13:30	USD Producer Price Index (MoM)(Jan)		-	-		0.1% -0.2%	
13:30	USD Producer Price Index (YoY)(Jan)		-	-		0.6% 1%	
14:10	USD Fed's Barr speech						
15:00	USD Michigan Consumer Sentiment Index(Feb) PREL		-	-		80 79	
15:00	USD UoM 5-year Consumer Inflation Expectation(Feb) PREL		-	-		- 2.9%	
17:10	USD Fed's Daly speech						
18:00	USD Baker Hughes US Oil Rig Count		-	-		- 499	
20:30	USD CFTC S&P 500 NC Net Positions		-	-		- \$-233K	
20:30	USD CFTC Gold NC Net Positions		-	-		- \$161.7K	
20:30	USD CFTC Oil NC Net Positions		-	-		- 161.8K	

## Market Trading Update

[Yesterday's commentary](#) noted that the bullish trend remains intact, with the market holding near-term support. To wit:

*"The market rebounded off the 20-DMA average yesterday, keeping the bull trend intact for now. The market bounced off the 20-DMA and slightly reduced the overbought condition. Such keeps the current trend positive, keeping equity allocations near full weight. However, the internals continue to weaken, and the market is close to registering a sell signal from an elevated level. Furthermore, the deviation from the 200-DMA remains quite large, likely limiting further upside until a more significant correction occurs to reduce the extension."*

Such remained the case yesterday, with the rally challenging recent highs. What was notable in that rally was that the *"Magnificent 7"* were NOT in charge. Instead, as shown in the heat map below, Financials, Energy, Healthcare, and Utilities were rising decently.







TradingView

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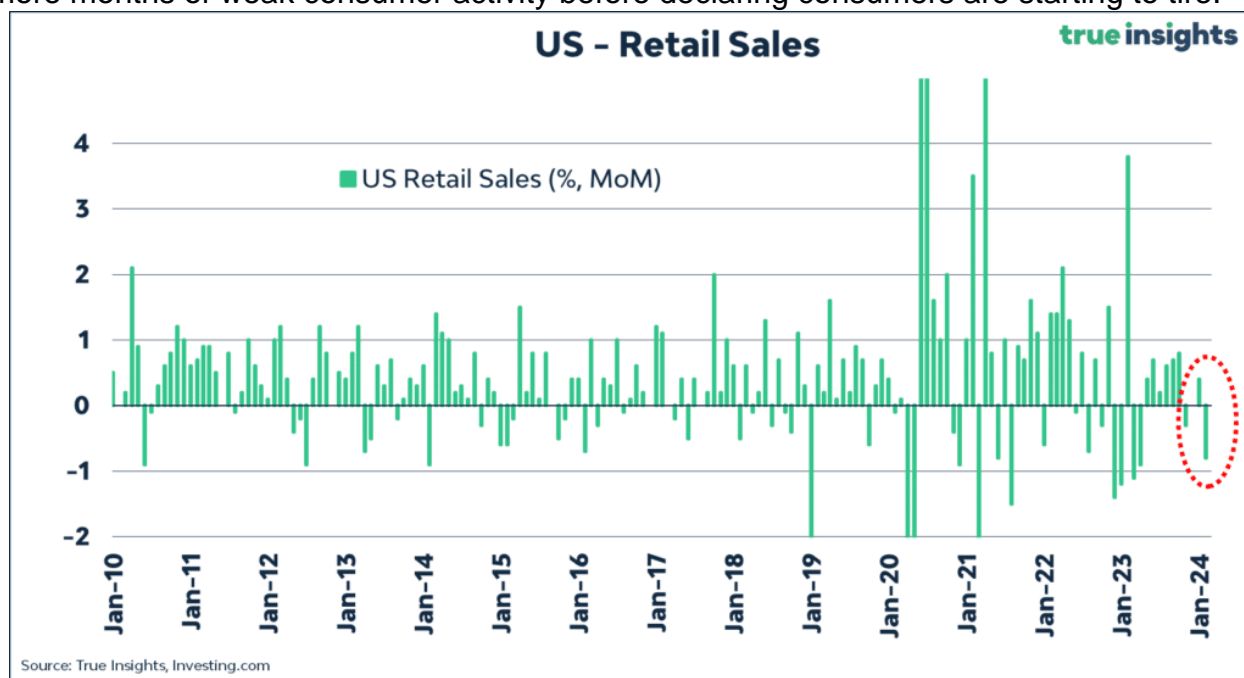
## Retail Sales

January retail sales fell 0.8%, worse than the consensus estimate of a 0.1% decline. Last month's red hot gain of +0.8% was revised lower to +0.4%. Retail Sales, excluding automobile sales, were -0.6% versus estimates of an increase of +0.3%. The control number, which feeds GDP, was -0.4%. The following summary is courtesy of Pantheon Macro:

*This report is remarkably downbeat, with an unexpectedly sharp plunge in total sales, significant downward revisions .. and only a few signs of light in the details. .. Are*

*consumers starting to tire??*

While drawing assumptions from the report is easy, we offer caution. December and January data are skewed due to the holidays and the seasonal adjustments made to the data. We want to see a few more months of weak consumer activity before declaring consumers are starting to tire.



## Answering A Reader Question On Rent Inflation

A reader asked if we could further detail why CPI rent prices are flawed and why that is an important reason that we (RIA) are not worrying about Tuesday's CPI data. Shelter costs (OER and actual Rent) are the most crucial variable in the CPI's largest category. Therefore it is the most significant driver of inflation. CPI shelter prices are well above market prices. The reason is the lag embedded in the BLS calculations. Further, the BLS imputes rents in its owner's equivalent rent (OER), which can be faulty due to seasonal effects. CPI Rent lags market rents because it doesn't fully factor in today's actual rents for new lease signings. Instead, it measures the change in rent among all renters. Given most rents expire annually, over 90% of renters in any month are un-expiring leases. Accordingly, their rent doesn't change. Also consider the CPI surveys the same renters once every six months. Therefore, if your rent changes a month after the last survey, the new rent is not captured for five months. The first graph below shows the BLS measurement of new tenant rental inflation, which is down over 4% from a year ago. Unfortunately, the BLS only publishes this data every six months. The next report will be in April. The second graph shows the downward trend in the CPI's measure of rent inflation. The third graph is from Ian Shepherdson. Clearly, OER (imputed rent) is askew from actual rental prices and the BLS rent measure. The bottom line is that we think the lag effect and the odd OER data account for the increase. When they correct, CPI will fall accordingly.

## Different measures of rental inflation

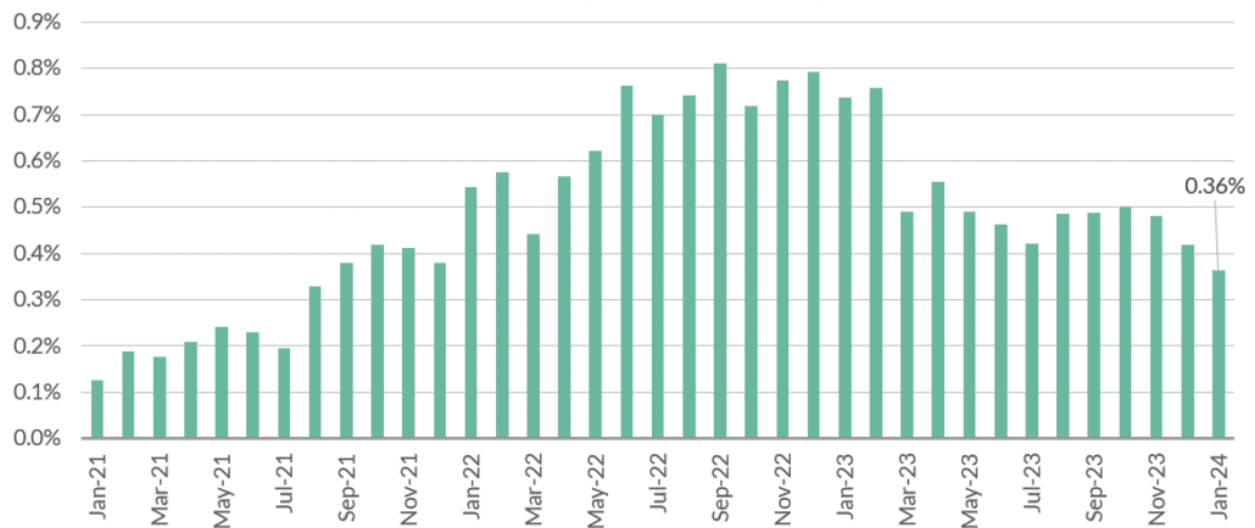
Change from a year earlier



Note: 'New tenant index' is New Tenant Rent Index; 'all tenant index' is All Tenant Regressed Rent Index; 'CPI rent' is 'rent of primary residence.'  
Source: Bureau of Labor Statistics

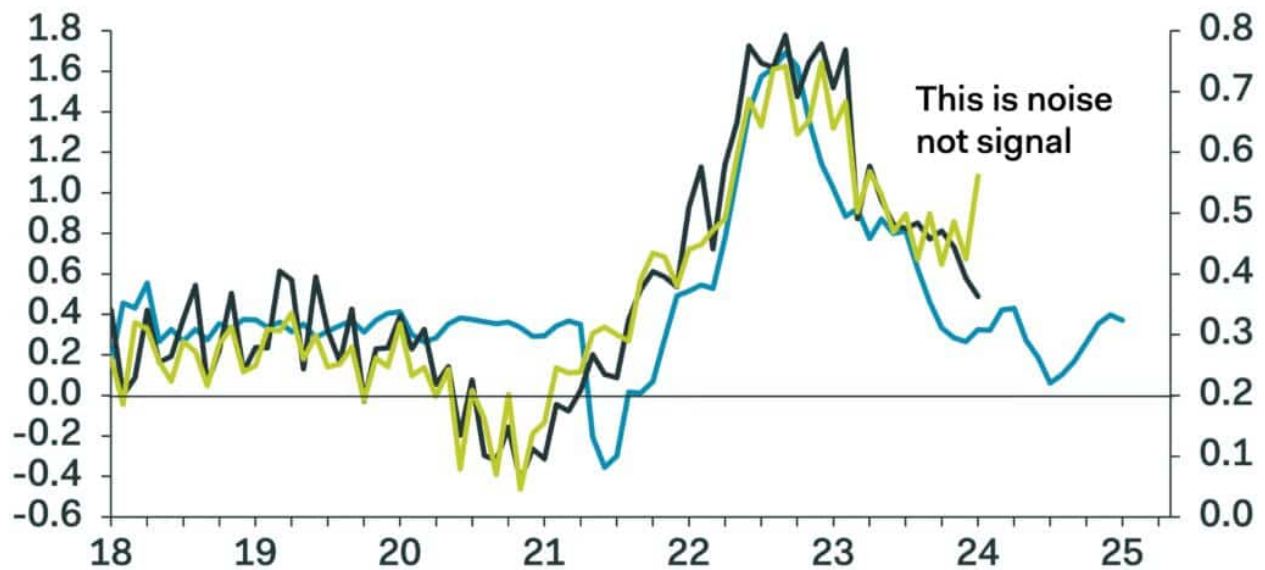
## Month-over-month CPI Rent inflation drops to lowest level since summer 2021

Month-Over-Month Change in CPI Rent of Primary Residence



Sources: Federal Reserve Economic Data (FRED) & BLS

- Zillow observed rent index, m/m%, advanced 13 months (Left)
- CPI primary rent, m/m% (Right)
- CPI owners' equivalent rent, m/m% (Right)



## Tweet of the Day



**Lance Roberts** ✓  
@LanceRoberts

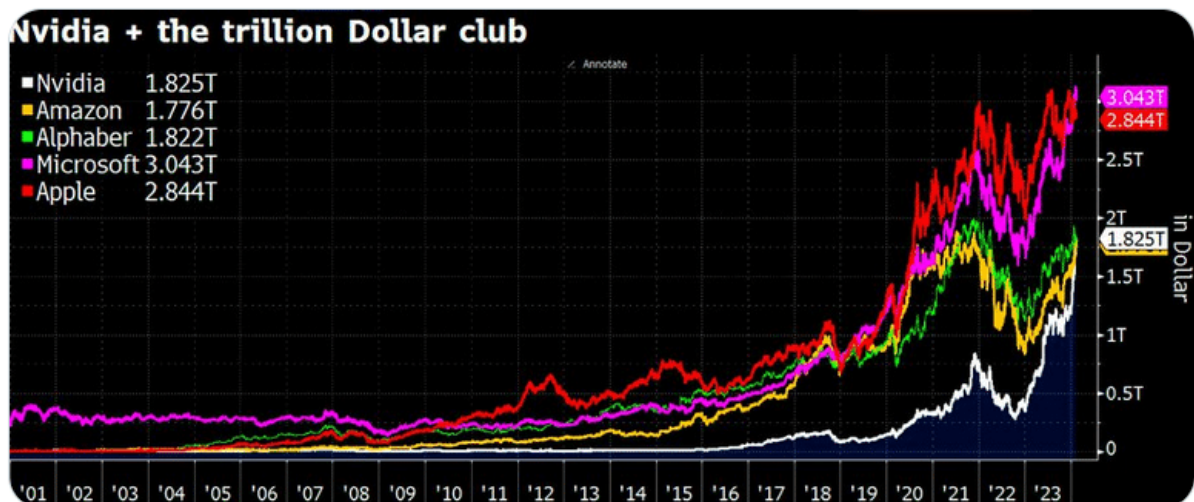
...

[\\$NVDA](#) going for the #1 spot.

NVDA would need to hit ~\$1,150 to surpass [\\$AAPL](#) in market cap. \$1230 to surpass [\\$MSFT](#) and take over as the largest stock in the world.

NVDA is currently 60% above its 200-day moving average. If it would reach the same level of overbought that TSLA reached in end 2020/early 2021 of 120% above it would be the largest company in the world.

h/t [@themarketear](#)





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