Rodney's Weekly Wrap

September 15, 2023

The Consumer Price Index Popped Up From 3.2% to 3.7%, Led Mostly by Energy… Investors took the increase in a non-core category as a good sign.

What it means— I'm not sold. Over the past 15 months, we gave OPEC+ the hand (in a bad way), so our previous trading partners took it as a sign to make deals wherever they want and at whatever level they want. They did, at about $85 per barrel. Meanwhile, we drained our SPR by 180 million barrels and now have bupkis to show for it. The Fed and Uncle Sam don't control oil prices. There's no economic law that says oil prices cannot climb further due to supply cuts.

And then there are government programs. The federal government starts slowly (there's no such thing as shovel-ready), but it gets there. We talk about the Inflation Reduction Act, but don't forget the Infrastructure Act from 2021 that's just getting going. We're going to spend a lot of money over the next seven years.

The Producer Price Index Increased 0.7% in August… This is the largest increase in 14 months. Wholesale prices have risen 1.6% over the past year.

What it means— Higher energy costs (an increase of 11% in August) led the jump in wholesale prices. Core wholesale prices, less energy, food, and trade margins, rose 0.3% in August and are now up to 3%. While food costs dropped slightly and service costs barely rose, the costs of partly finished goods and raw materials rose. The Dow and S&P 500 rose after release of the reports, but the data so far seem unlikely to convince the Fed that inflation is over. It's amazing how energy seeps into everything.

U.S. Retail Sales Rose 0.6% in August… After a 1.5% jump in July, Internet retail sales were flat for August. Increases in overall retail sales were linked to gas sales, which rose 5.2%.

What it means— People forget that retail sales aren't adjusted for inflation. When gas, food, insurance, school supplies, and restaurants cost more, you will spend more. It's that simple.

Home Mortgage Rates Remain Over 7%… According to Freddie Mac, the 30-year fixed mortgage averaged 7.18% in on September 14, up from 6.02% a year ago.

What it means— While some say the rise in rates signals a strong economy, I say "meh." The rates and increased home prices still are keeping potential buyers hesitant, which keeps potential sellers off the market. However, the Mortgage Bankers Association expects the rate for the 30-year mortgage to fall to around 6% by 2024. On the plus side, the *Wall Street Journal* reports that assumable mortgages are getting a second look. They are a speck in the industry right now, but that could change.

Four-Week Jobless Claims Drop to Lowest Level in Seven Months… The four-week average of initial jobless claims is at its lowest level since February. As of September 2, the number of workers claiming continuing jobless benefits was 1.69 million, an increase of 4,000, near a record.

What it means— We might get a weaker economy, but it's not here yet. What we have are lower living standards, and we're unhappy about it.

Hippies, Hipsters and the (Re)Rise of Birks: Shoemaker Birkenstock Plans To Join the New York Stock Exchange Under the Ticker 'BIRK'… Nineteen banks, led by Goldman Sachs, JPMorgan, and Morgan Stanley, are underwriting the deal for the iconic shoe brand. The brand is profitable, with revenues of $1.3B for 2022. While Birkenstocks have been around for 250 years, "hippies" in the U.S. popularized the shoes in the 1960s and 1970s as part of the countercultural revolution. Those who own the shoes tend to be big fans: Birkenstock customers in the U.S. have on average 3.6 pairs each. And now the brand is again "a thing"… after being featured on the feet of a character in the recent Barbie movie. As the old maxim goes, everyone has his (or her) price.

Next Week— The week includes reports on housing starts and home sales, along with a Fed interest-rate decision on Wednesday.

Note: the Rodney Johnson Report will come out late next week.

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Got a question or comment? You can contact us at info@hsdent.com.