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Consumer Confidence: Serious hunkering down?

The headline Conference Board Consumer Confidence Index falls a more-than-expected 3.2 points (Consensus: +0.2 point; Decision Economics, -0.6 point) in June, from a prior-month level revised up by 0.9 point.

The new decline was weighted towards expectations, with that component index falling 4.3 points, while the present situation index fell 1.7 points.

The overall effect of the move was to solidly extend the confidence deterioration begun back in March (-8.2 points), and only briefly reversed in April, with the headline index now down 13.5 points from February.

The recession lows of the headline number are still a distant 33.2 points away, but the latest moves have quashed what had seemed to be a second leg of confidence recovery begun late in 2010.

All of the recent multi-month slide has been in expectations, where the index has dropped 25.1 points since February while the present-situation reading has actually gained 3.8 points. The expectations move, in turn has mainly reflected a shift from optimism ("better") to outright pessimism ("worse"), rather than to a neutral ("same").

To the degree that these numbers should be taken seriously (controversial), that shift would point to a hunkering-down consumer, likely to turn very cautious in spending. The Fed will not take that message too seriously--unless consumers begin to act accordingly.

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