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Sales and Claims

December retail sales and initial claims both come in on the weak side of expectations, raising some doubt about the momentum of the accelerated GDP growth which will still very likely appear, mathematically, in Q4.

Sales fell 0.2% ex-autos (Consensus and Decision Economics: +0.3%), with activity by category mixed enough to remove any hint of broad consumer enthusiasm--much as the very uneven monthly chain store results had suggested. This does not suggest that the underlying trend is turning weaker, or that new retrenchment is underway--but does remove any hint of new percolation.

Claims, covering the third of four payroll-January weeks unexpectedly jump by 24,000 (Consensus: +3,000; Decision Economics: -2,000), with no special factors cited other than normal turn-of-year difficulties in seasonal adjustment. Hopes for ongoing improvement are cooled--but not decisively reversed. Still, chances for further quick payroll improvement are lessened--with both intial claims and continuing claims turning in the weaker direction.

Q4 GDP numbers will likely be marked down--or, at a minimum made a bit less healthy in composition. Perceptions that a cumulating employment/income/spending process is developing are damped--though not yet irreversibly. Fed doves gain traction, this week anyway.

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