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Consumer Sentiment

The preliminary March reading of the University of Michigan Consumer Sentiment index shows an unexpected 1.0 point deterioration (Consensus: +0.3 point; Decision Economics: +1.2 points). The Current Conditions index actually strengthened by 1.2 points, while the Expectations index fell 2.3 points.

There was clearly an impact of rising gasoline prices on the consumer psyche, with the one-year inflation-expectations reading jumping 0.7 point to 4.0% and the five-year reading up 0.1%, to 3.0%.

If the behavior of sentiment is seen as currently reflecting an offset between the negative of rising gasoline prices and the positive of better economic conditions there is an effective standoff at the moment.

That is testimony either to the power of gasoline prices or to the mildness of perceptions about economic improvement. One would think that perceptions about the economy, unit for unit, should have greater influence on sense of well-being.

Fed officials are unlikely to micro-analyze these numbers--preferring to watch actual consumer spending, unless sentiment readings give a much more dramatic signal (some instances of which have occurred lately, with no evident effect on spending).

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