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Consumer Confidence

The June Conference Board Consumer Confidence index falls a more-than-expected 2.4 points (Consensus: -1.4 points; Decision Economics: -0.8 point). This extends the 4.3-point drop suffered last month.

The new decline reflected the offset of a 5.0-point drop in the expectations index and a 1.7-point rise in the present situation index.

The drop in the expectations index mainly reflected a deterioration in expectations for business conditions--with the "worse" percentage jumping 3.3 points, at the expense of both the "better" and "worse" categories. The other two components in the expectations group were more mixed, seeing relatively big increases in the "same" percentage.

Presumably, consumers are evidencing in their expectations the effect of spiraling uncertainties in the financial markets, and reacting to the night and day character of the coming election (whatever they may see as day and night).

The now-extended decline in the headline Consumer Confidence index, now down 9.6 points since February, with 6.7 points in the last two months--with the recent drop in gasoline prices having no visible ameliorating effect--is lining up a bit uncomfortably with the recent easing in upward momentum in consumer spending.

Fed observers tend to prefer concrete consumer spending numbers to survey sentiment measures--but now there is some parallel movement. Doves will see another reason for concern, while hawks--looking at house prices, for one thing--will tend to stick to a longer-view perspective.

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