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Consumer Sentiment: Popping Again

The first September reading of the University of Michigan Consumer Sentiment Survey is unexpectedly strong, with the headline index jumping 4.9 points (Consensus: -0.3 point; Decision Economics: +0.3 point), on an 8.3-point leap in the expectations component, and a 0.4-point decline in the current conditions component.

As always, however, the great volatility in the numbers raises questions about their significance as indicators of what consumers will actually do. Too many turning-point signals are given.

The latest moves almost totally reverse the sag in sentiment since May, with the new level of the headline index, at 79.2, now down just 0.1 point from the figure back then, the current conditions index, at 88.3, up 0.5 point, and the expectations index, at 73.4, down only 0.9 point.

At their worst intervening levels, the headline number was down 7 points from May (in July), the current conditions index was down 5.7 points (in June), and the expectations index was off 9.2 points (just last month).

While the latter move cannot be construed as bad news--there is no new news about any sudden flightiness, since flakiness is routine in these data--whether it means anything is questionable.

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