

## 8:30 Numbers: Net neutral

Retail sales are broadly in line with expectations, and, on net, probably have little implications for Q1 GDP forecasts, other than the most extreme. The consumer spending track looks to be on the same moderate-growth track that it was before--though gasoline purchases are absorbing a bigger-and-bigger share of total spending. No broad assessments are likely to be readjusted.

Initial claims are also in line, and accordingly, still portray the trend into payroll May as significantly upward--to a degree that would require a strong acceleration in new hiring in order to prevent a slowdown in payroll employment growth month-to-month. That acceleration likely will not happen, at least this month, and questions will arise about upward momentum.

PPI core is on the firm side, reflecting some stiffening in capital goods and consumer nondurables price increases--with no inordinate role of special factors in either case.

State of play at the Fed is probably unchanged, but stakes are increasing. Doves will worry about faltering momentum, and not be concerned about the PPI--other than for the threat that price increases, which that group will see as cost-push, are acting as a tax on the consumer. Hawks will not worry greatly about momentum, and will regard the PPI firmness as reflecting strong enough demand to allow the price increases.