Capital Markets Strategy
Essential inCights for the C-Suite

Chart of the Day

An important question for markets in 2023 will be whether the stronger US economic numbers of recent weeks are merely a **"fluctuation" in the data, or the beginning of a sustainable economic acceleration**?

According to National Weather Service data available back to 1868, the 0.4 inches of cumulative snowfall in New York City this winter has been the lowest in more than 150 years (and 30 inches less than the annual average of the last 20 years). While snow in NYC is just one anecdotal example, **the 2022-23 winter has been unusually mild across the US and Europe, creating favorable tailwinds for economic activity** (i.e., lower energy prices, higher consumer activity).

More specifically, an unusually mild winter provided a temporary boost to US payrolls, consumption and manufacturing data in January, but we believe the underlying fundamentals are softer than recent data suggests. Weather effects rarely reverse immediately, however, and so the normalization of data may take time.

The two strongest of 14 sub-categories in the strong January US retail sales report (+3%) were **"food services" and "autos," both favorably impacted by an unusually mild mid-winter** (food services more so than autos). Similarly, given that January has historically been the weakest month for US jobs growth, **the +517k job US payroll gains in January (nearly 3x consensus expectations) reflected the impact of BOTH mild temperatures AND strong underlying labor market fundamentals.**

While an unusually mild winter may have provided the economy with a temporary boost, **we acknowledge that the resilience of the post-COVID US consumer has been notable. This, however, likely impacts the *timing* of US recession more so than the *likelihood*.** In our view, the preponderance of economic signals suggest slower growth, stickier inflation, tighter Fed policy and rising recession risk as the year progresses.

More "data fluctuation" than "resurgent growth."

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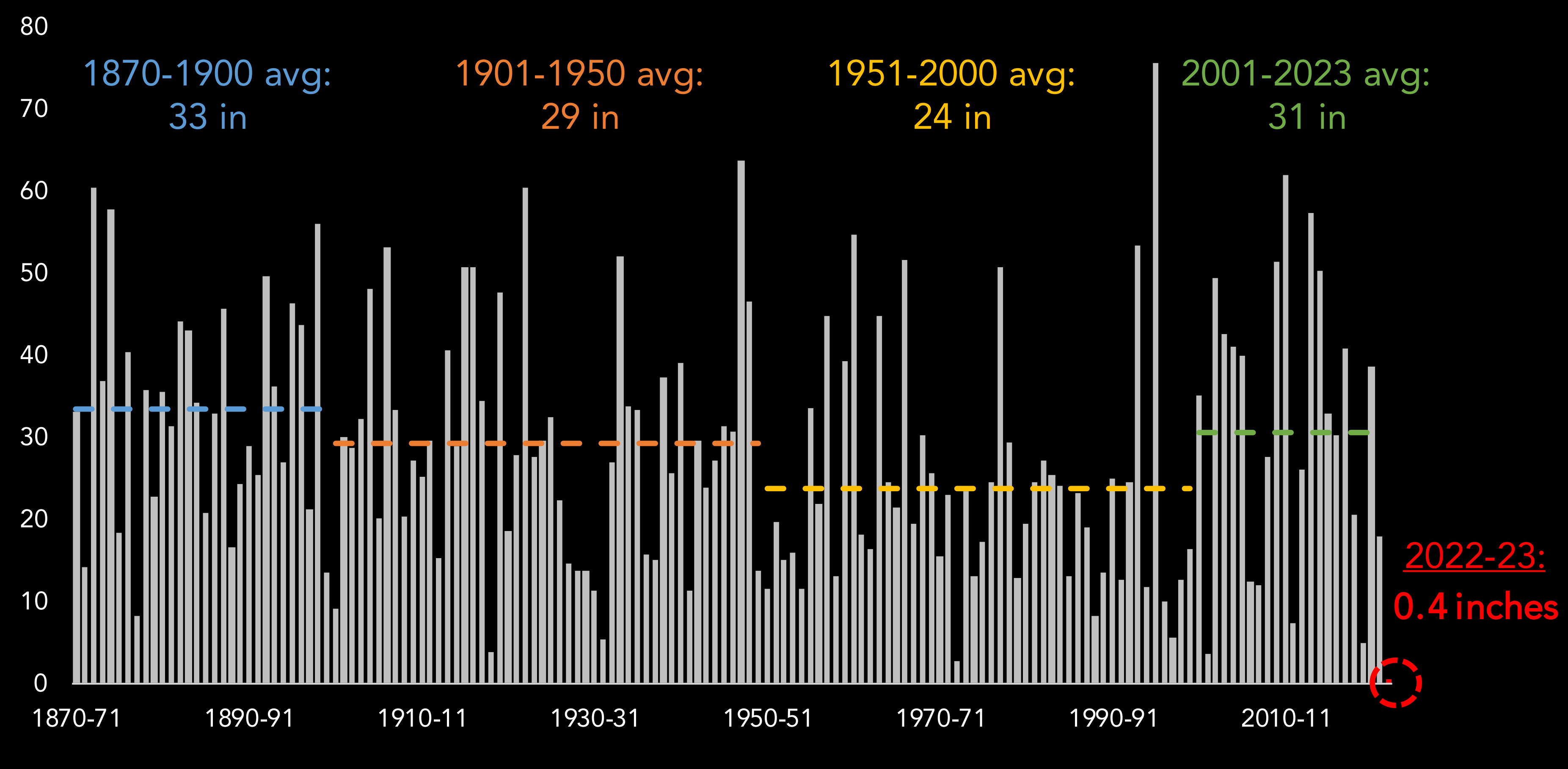
Annual snowfall in New York City by season, inches



Source: (1) National Weather Service. 2023 data through February 17, 2023. Snowfall recorded at Central Park.

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"Macro stability isn't everything, but without it, you have nothing."