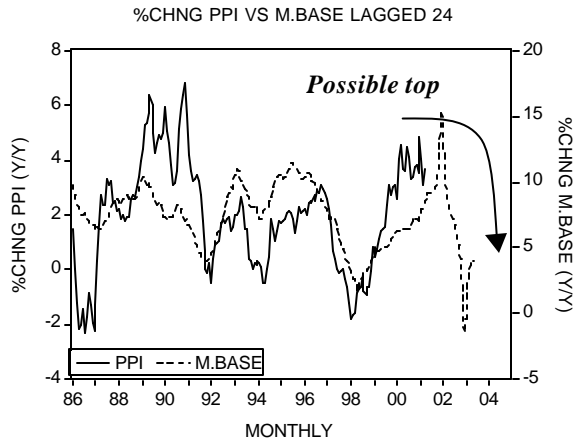
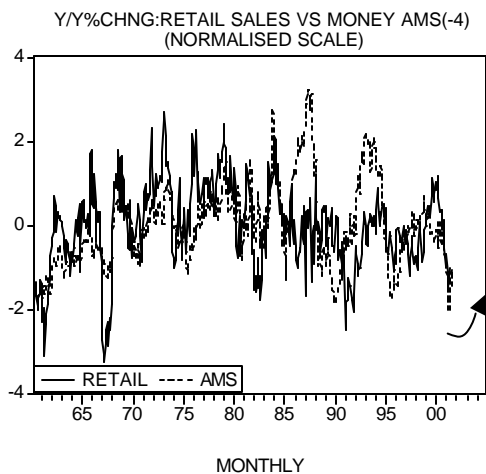


The US producer price index rises in April

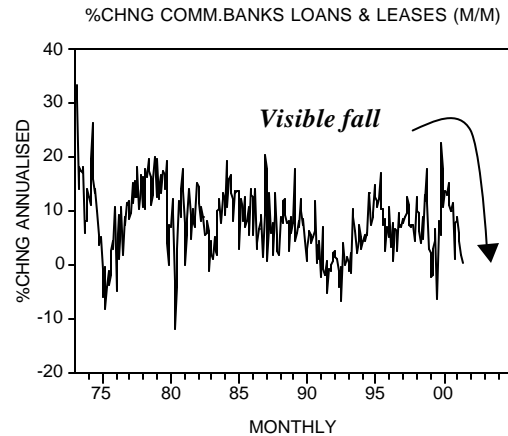
The producer price index (PPI) rose by **0.3%** in April after a fall of **0.1%** in the previous month. Year-on-year the rate of increase in the PPI stood at **3.6%** against **3.1%** in March. Despite this slight increase, the lagged rate of growth of the money base raises the likelihood that the momentum of growth of the PPI has peaked (see chart).



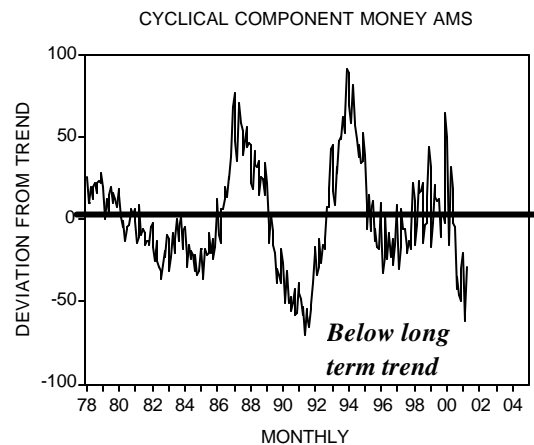
Meanwhile, retail sales increased by **0.8%** in April, higher than the **0.1%** expected by analysts, after a fall of **0.4%** in March. Year-on-year the rate of increase in sales jumped to **3.1%** from **1.3%** in March. The rebound in the growth momentum of retail sales is in line with the slight rebound of the lagged growth momentum of money AMS (see chart).



The rate of increase in commercial bank loans & leases fell to an annual **0.3%** in early May from **1.7%** in April and **4.5%** in March (see chart). It remains to be seen, whether the present loose stance by the Fed could reverse this softening in lending.



In the meantime, the yearly rate of growth of money AMS eased to **1%** in April from **2.4%** in March. Also, the cyclical component of money AMS remains strongly below its long-term trend (see chart). This in turn raises the likelihood that economic activity will remain subdued. Furthermore, a fall in personal savings by **\$74bln** in Q1 after a fall of **\$52bln** in the previous quarter precludes meaningful economic recovery in the months ahead (see chart).



Thought for today

The way to be safe is never to be secure.

Benjamin Franklin