

News on the economy was mixed in a light data week last week. International trade improved further in September. Consumer attitudes backtracked a bit in the latest survey even as initial jobless claims made progress. The weekly leading index faltered again.

U.S. exports increased 4.0% in September – the fourth increase in the last five months – in response to economic growth overseas. Exports are up 12.8% from the low for the cycle reached in April. Imports increased 7.1% – the third gain in four months – indicating improving demand in the U.S. Imports are up 15.6% from the low in May. Reflecting the recovery in the U.S. economy, the trade deficit widened to the largest gap since December.

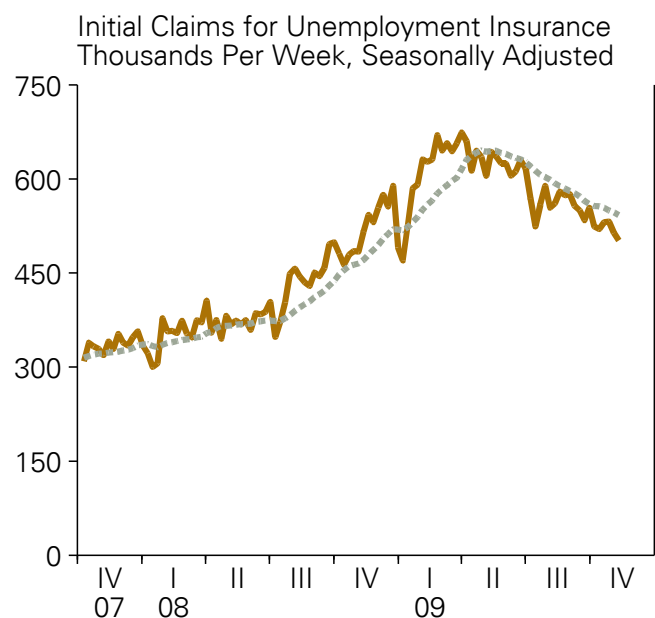
Consumer sentiment is deteriorating for the second straight month in November, according to the Reuters/University of Michigan survey. Sentiment improved sharply from the low in November through September, reflecting better assessments of both the future and current conditions. A worsening in expectations since September has been the primary factor pulling down overall sentiment.

Initial jobless claims decreased to 502,000 in the latest week, pulling the 4-week moving average down to 520,000 – the lowest level since mid-January. The average is down by more than one-fifth from the high of 659,000 reached in early April. Initial claims generally run about 350,000 per week from the heart of an economic expansion to the peak. The increase in the unemployment rate in October despite the downtrend in claims indicates that hiring has yet to turn up.

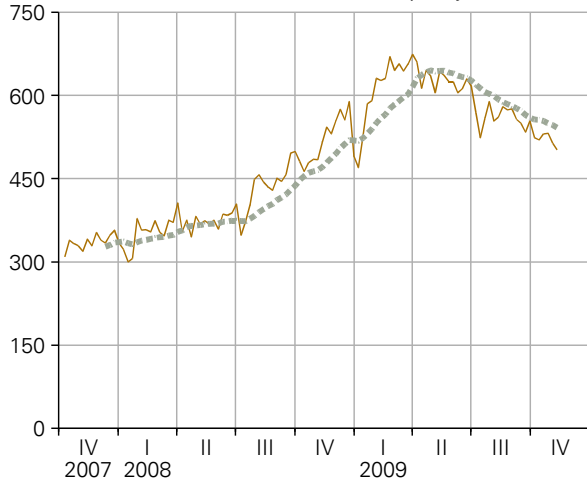
The ECRI Weekly Leading Index decreased on a 4-week moving average basis during the week ending November 6. The decline was the third in the last four weeks. The recent pattern in the WLI suggests that the momentum of the economic recovery is waning. The 26-week smoothed rate of change decreased to 25.3% from the all-time high of 27.8% reached on October 9. ECRI says that the recent pattern in the index is consistent with the strongest economic recovery since the early 1980s, despite the weakness in recent weeks.

Jim Coons

**Mixed economic reports this week point to an economy that is recovering but remains well below capacity.**



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

