John Williams'
Shadow Government Statistics
Analysis Behind and Beyond Government Economic Reporting

COMMENTARY NUMBER 827
July New Orders for Durable Goods, New- and Existing-Home Sales, FOMC

August 25, 2016

**Federal Reserve Spokespeople Renew Their Rate-Hike Hype,
Yet Economic Activity Remains far from Recovery**

**Durable Goods Orders Turned Negative Year-to-Year, Both
Before and After Adjustment for Inflation and Commercial Aircraft**

**Mixed Signals from Headline Home-Sales Activity, with
Existing-Homes in Faltering Monthly and Annual Contractions and
Unstable New-Homes Gaining Beyond Credibility**

**However Measured, Both New- and Existing-Home Sales Activity
Remained in Broad, Non-Recovering Stagnation**

PLEASE NOTE: The next regular Commentary, *scheduled for tomorrow, Friday, August 26th, will cover the first revision, second estimate of second-quarter 2016 GDP, and initial estimates of second-quarter Gross National Product (GNP) and Gross Domestic Income (GDI).*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Shame on You Fed Spokespeople for Mercilessly Playing with the Markets! The Federal Reserve's Federal Open Market Committee (FOMC) can and will raise interest rates whenever it wishes to do so; it does not have to pre-announce any action or even hint at it. Accordingly, all the current prattle is just hype and deliberate jawboning aimed at influencing the financial markets.

Will the FOMC raise rates in the future? Assuming the Federal Reserve Board survives likely near-term political, economic and systemic turmoil, most assuredly it will. My betting, though, is that in tomorrow's (August 26th) speech, Fed Chair Janet Yellen will not sign on to current market hype for an imminent rate increase, although anything is possible. Even with a shift in her language, no near-term rate hike would be assured. Again, what is afoot is another round of games-playing with the markets.

Immediate rate action coming out of either of the FOMC-meetings ending on September 21st or November 2nd remains highly unlikely. It would be neither politic nor traditional to raise interest rates less than two months ahead of the November 8th presidential election. That leaves the December 14th FOMC press-release date for a more-likely near-term rate hike, if there were to be one. As usual, though, intervening economic data are highly likely to show deteriorating, not recovering conditions.

Despite the rhetoric, faux claims of accelerating U.S. economic recovery have nothing to do with raising rates, other than providing some political cover. Driving the Fed's quantitative easing programs was not the downturn in U.S. economic activity. Yet, the Fed's "addressing" that collapsing economy became the primary political cover for the extraordinary liquidity provided to the banking system, the U.S. Treasury and to the financial markets (see basic background discussion in *No. 777 Year-End Special Commentary*).

Having tied their monetary easings to the weak economy and lack of inflation, Fed officials mercilessly have jawboned faux "pending" rate hikes in recent years as a way of manipulating markets and propping the dollar. Promised rate hikes usually evaporated, as the still-faltering economy never recovered. The number of false official signals has become almost countless. In fairness to the peasants—in the *Little Boy Who Cried Wolf*—they did give the boy one more chance after his first false cry for help, but not another one, not once he cried "wolf" again. The markets have been suffering this nonsense from various Fed officials in regularly-repeating cycles.

As to the "recovered" economy, consider that the U.S. "unemployment rate has hovered near 5 percent since August of last year, close to most estimates of the full-employment rate of unemployment." That assessment came from Federal Reserve Vice Chairman Stanley Fisher in *Remarks* of August 21st. Generally, he touted a near-term hike in rates, and the markets are waiting for the Fed Chair's comments on August 26th, to see if she concurs.

The U.S. Economy Is Far from Full Employment. If the Fed Chair remains consistent with her previously-expressed views on the economy and that the rate-change outlook depends on that economy, most likely she will continue to stall on a pending rate hike. Contrary to the consensus outlook of a full-employment rate of 5.0% unemployment, as hyped by the Fed's Vice Chair, Ms. Yellen's expressed concerns for factors such as the labor-force participation rate have indicated a more-realistic view of current economic activity.

At the formal onset of the recession in December 2007, the headline unemployment rate was 5.0%, with the participation rate at 66.0%. The July 2016 headline unemployment rate of 4.9% was in the context of a 62.8% participation rate. That current participation rate, however, is more consistent with a headline 9.5% instead of 4.9% unemployment rate (the employment-to-population ratio currently is consistent with a headline 9.2% unemployment rate). Details and related calculations will follow in in next Friday's (September 2nd) *Commentary No. 829* covering the August employment and unemployment detail.

The reason for the heavily distorted current unemployment detail is that the numbers reflect the unusual nature of the post-recession drop in headline unemployment. The declining unemployment rate heavily has reflected unemployed persons being defined out of the labor force, instead of the more-traditional and positive circumstance of the unemployed being reemployed (see *Commentary No. 824*).

The ShadowStats outlook for FOMC activity has not changed. Reversing the current speculative pressures, renewed quantitative easing should become the target of intensified market speculation, as the deepening recession unfolds and becomes increasingly obvious in the months ahead. Such was discussed in the *Hyperinflation Watch* of prior *Commentary No. 826*. Separately, a general review of consensus-outlook misperceptions will follow in the respective, related *Commentaries* of the month ahead, along with a summary review of same in the pending *Special Report*.

Today's *Commentary* (August 25th). The balance of these *Opening Comments* provides summary detail of the July New Orders for Durable Goods and New- and Existing-Home Sales.

The *Week and Month Ahead* section previews tomorrow's releases of the first-revision, second estimate of second-quarter 2016 GDP. Details also are provided on the pending *Special Report* and pending updates to the ShadowStats website.

New Orders for Durable Goods—July 2016—Orders Declined Year-to-Year for a Second Straight Month, with the Second-Quarter Contraction Deepening in Revision. In the context of strong gains in commercial aircraft orders and downside prior-period revisions, July new orders for durable goods declined year-to-year, for the second straight month, irrespective of inflation-adjustment or exclusion of commercial aircraft orders. Second-quarter activity also showed a deeper quarterly contraction in revision, irrespective of inflation or commercial aircraft considerations. Such remained a solid, negative leading indicator for third-quarter 2016 industrial production, a series that has remained in definitive recession since December 2014 (see *Commentary No. 826*).

Headline July 2016 New Orders for Durable Goods rose month-to-month by a nominal 4.4% in aggregate, up by 1.8% ex-commercial aircraft, in the context of negative prior-period revisions. Net of headline monthly inflation of 0.18%, respective monthly July real changes were gains of 4.2% and 1.6%. Smoothed with six-month moving averages, both of these highly-volatile inflation-adjusted real series remained in non-recovering, low-level and down-trending stagnation. Those patterns remained consistent in signaling an ongoing and deepening broad "new" recession in the national economy.

Headline Nominal Detail. The regularly-volatile, seasonally-adjusted, nominal level of July 2016 new orders for durable goods gained 4.41%, month-to-month, following revised deeper declines in June and May of 4.19% (-4.19%) and 2.93% (-2.93%), respectively. Net of prior-period revisions, July 2016 orders rose by 4.16%, instead of the headline gain of 4.41%.

Year-to-year, July 2016 durable goods declined by 3.27% (-3.27%), having fallen by a revised, deeper annual declines of 6.59% (-6.59%) in June 2016, and a downwardly revised 2.36% gain in May 2016. That headline July 2016 detail was before consideration of the volatility in commercial-aircraft orders.

Detail Net of Volatility in Commercial-Aircraft Orders. The reporting of extreme contractions and surges in commercial-aircraft orders is seen in an irregularly-repeating process throughout the year, and that often dominates the changes in headline monthly durable goods orders. These extremely volatile aircraft orders are booked years into the future and are indicative more of longer-term, rather than shorter-term prospects for manufacturing activity. In the current circumstance, a sharp monthly increase in July commercial aircraft orders pushed the aggregate series into a monthly gain of 4.4%, from what otherwise was a gain of 1.8%.

Net of a headline monthly gain of 89.85% in July 2016 commercial aircraft orders, and revised declines of 59.71% (-59.71%) in June and 5.59% (-5.59%) in May, new orders gained 1.76% in July 2016 and 0.08% in June, following a revised decline of 2.72% (-2.72%) in May.

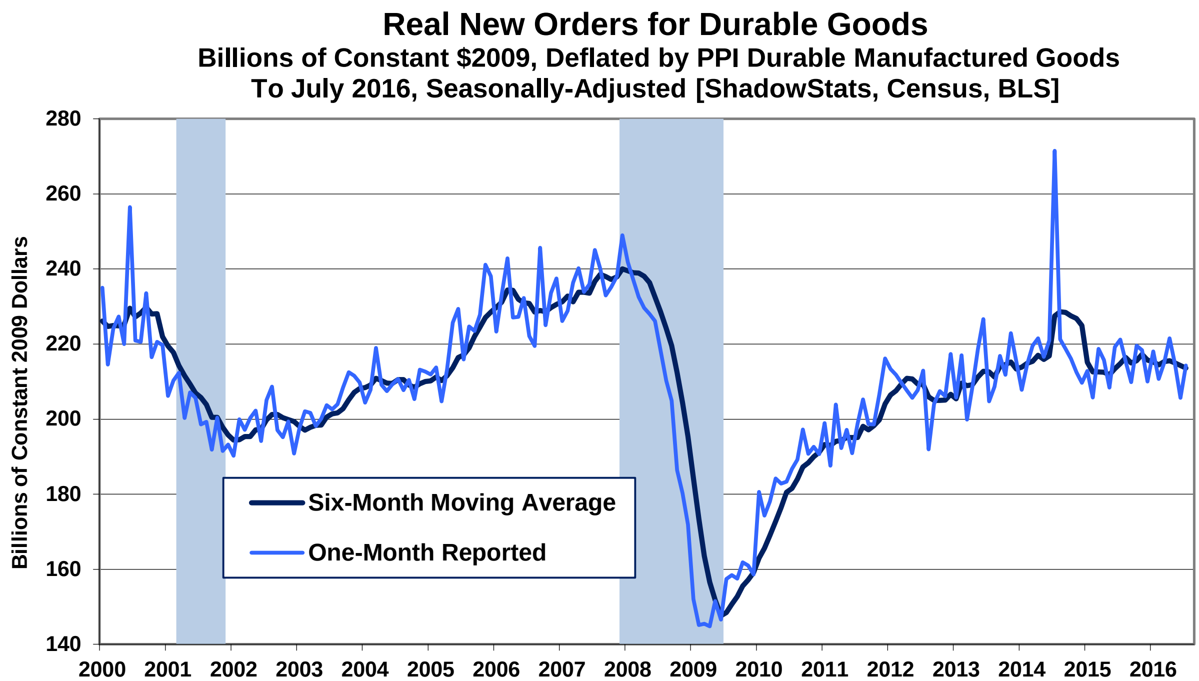
Year-to-year and seasonally-adjusted, July 2016 new orders (net of commercial aircraft) declined by 1.98% (-1.98%), following a revised annual declines in June 2016 of 2.25% (-2.25%) and May 2016 of 0.45% (-0.45%).

Real Durable Goods Orders—July 2016. ShadowStats uses the PPI component inflation measure "Durable Manufactured Goods" for deflating the new orders for durable goods series. Published only on a not-seasonally-adjusted basis, the related July 2016 PPI series showed a headline monthly gain of 0.18%, following an "unchanged" June reading and a gain of 0.18% in May. Headline annual inflation fell by 0.18% (-0.18%) year-to-year in July 2016, versus annual declines of 0.42% (-0.42%) in June 2016 and 0.60% (-0.60%) in May 2016.

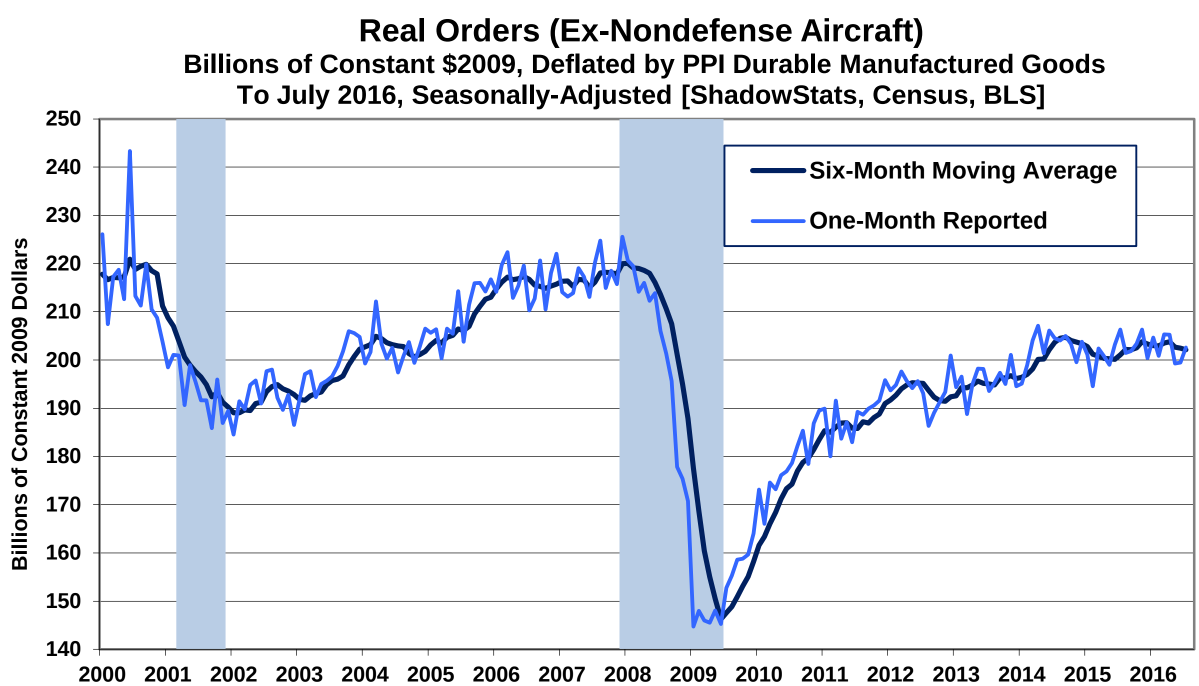
Adjusted for headline inflation, as reflected in the *Graphs 1* and *2*, real month-to-month aggregate orders in July 2016 rose by 4.22%, having declined in June by 4.19% (-4.19%) and in May by 3.10% (-3.10%). Ex-commercial aircraft, real month-to-month orders rose by 1.58% in July, by 0.08% in June and fell by 2.89% (-2.89%) in May.

Real aggregate new orders fell year-to-year by 3.09% (-3.09%) in July 2016, by 6.19% (-6.19%) in June 2016 and rose by 2.98% in May 2016. Ex-commercial aircraft, real orders in July 2016 showed an annual decline of 1.80% (-1.80%), following a decline of 1.84% (-1.84%) in June 2016 and a gain of 0.15% in May 2016. Annual real changes here were boosted by the negative year-to-year headline inflation.

Graph 1: Real Total New Orders for Durable Goods to Date



Graph 2: Real New Orders for Durable Goods – Ex Commercial-Aircraft Orders to Date



Real Quarterly Growth, Ex-Commercial Aircraft. Where the inflation-adjusted series, ex-commercial aircraft, is the best leading economic indicator out of these data, following are the annualized real quarterly changes in that series. Beginning at the onset of what should become a formal recession, the real ex-commercial aircraft orders series showed annualized quarterly declines of 4.44% (-4.44%) in fourth-quarter 2014, and 5.54% (-5.54%) in first-quarter 2015. Annualized real change for second-quarter 2015 was a gain of 3.31%, a gain of 4.52% in third-quarter activity, a gain of 0.31% in fourth-quarter 2015 activity, and a 0.48% gain in first-quarter 2016.

In second-quarter 2016, the series showed a revised, deeper real contraction of 4.42% (-4.22%). Based solely on initial reporting for July 2016, third-quarter 2016 annualized change is in an early trend for a gain of 2.56%.

Graphs of Inflation-Adjusted and "Corrected" Smoothed Durable Goods Orders. Preceding *Graphs 1* and *2* show the headline monthly detail, as well as the six-month moving-average activity for both the aggregate new orders series and the series net of the unstable commercial-aircraft orders. All graphs here reflect the latest July headline detail and previously had incorporated the significantly-negative, annual benchmark revisions to durable goods orders, as reviewed in *Supplemental Commentary No. 807-A*.

The moving-average levels in both series had turned lower into year-end 2014 and after an uptick in mid-2015—some smoothed bounce-back—the smoothed trend turned down anew into late fourth-quarter 2015 and into July 2016.

Broadly, there has been a general pattern in recent years of stagnation or bottom-bouncing evident in the orders—clearly not the booming recovery seen in official GDP reporting. The real (inflation-adjusted) monthly and six-month moving-average level of new orders in July 2016 remained below both the pre-2007 recession high, as well as the pre-2000 recession high for the series. The pattern of low-level stagnation and fluctuating trend in the annual inflation-adjusted series since mid-2014—net of the irregular aircraft-order effects—again is one that usually precedes and/or coincides with a recession, as is the current circumstance.

The Real New Orders Series Corrected for Inflation Understatement. As with other economic series deflated by official government inflation measures, headline estimates of inflation-adjusted growth in new orders for durable goods generally are overstated, due to the understatement of official inflation. That understatement comes from the government's use of hedonic-quality adjustments—quality issues usually not perceived by users or consumers of the involved products—in justifying a reduced pace of headline inflation (see *Public Commentary on Inflation Measurement*).

As done for other series such as the GDP, real retail sales and industrial production (see *Commentary No. 826*), ShadowStats publishes an experimental corrected version of the inflation-adjusted graph of real new orders for durable goods, corrected for the understatement of the related headline PPI inflation.

Two sets of graphs follow. The first set (*Graph 3* and *Graph 4*) shows the aggregate series or total durable goods orders; the second set (*Graph 5* and *Graph 6*) shows the ex-commercial aircraft series.

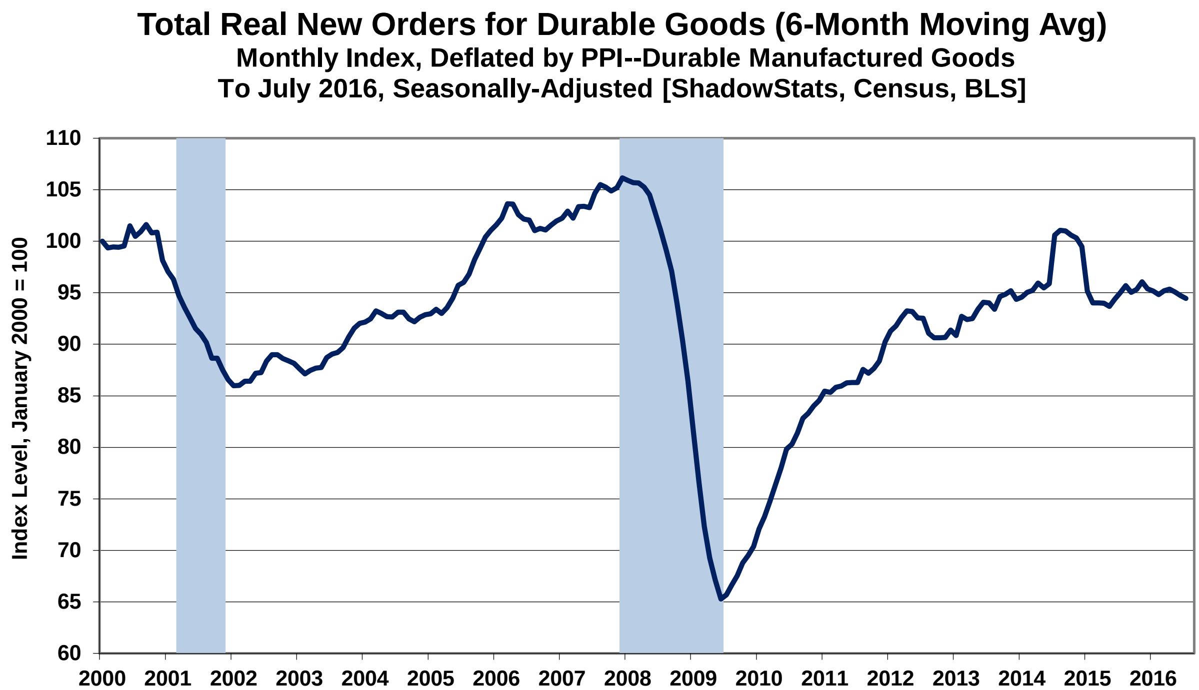
The aggregate orders series in *Graphs 3* and *4* includes the monthly commercial aircraft orders. Placed years in advance, aircraft orders are a better indicator of long-range production activity, than they are as a near-term leading indicator of production activity. Again, *Graphs 5* and *6* are shown net of the volatile commercial aircraft orders.

The first graph in each of the two series shows the official six-month moving average, the same heavy dark-blue line shown in *Graph 1* and *Graph 2*, along with the light-blue thin line of monthly detail. The second graph in each set is the same six-month, moving-average series shown in the first graph, but it has been re-deflated to correct for the understatement of the PPI manufactured durable goods inflation measure used in the headline-deflation process. ShadowStats estimates that inflation understatement, with the "corrected" graphs indexed to January 2000 = 100.

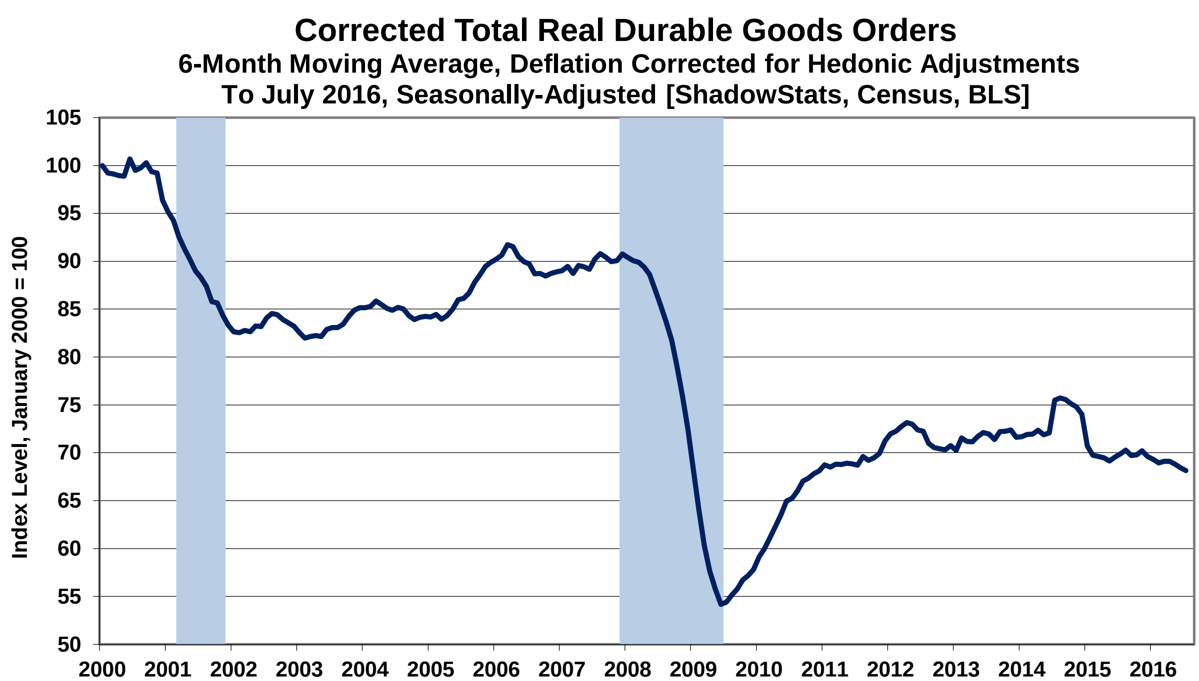
Graph 6, entitled "Corrected Real Orders—Ex-Commercial Aircraft" (a six-month trailing average) is perhaps the best indicator of broad underlying order activity in the durable goods sector, in the context of signaling in advance actual near-term production and economic activity. The signal here remains one of ongoing economic deterioration.

[Graphs 3 to 6 begin on the following page.]

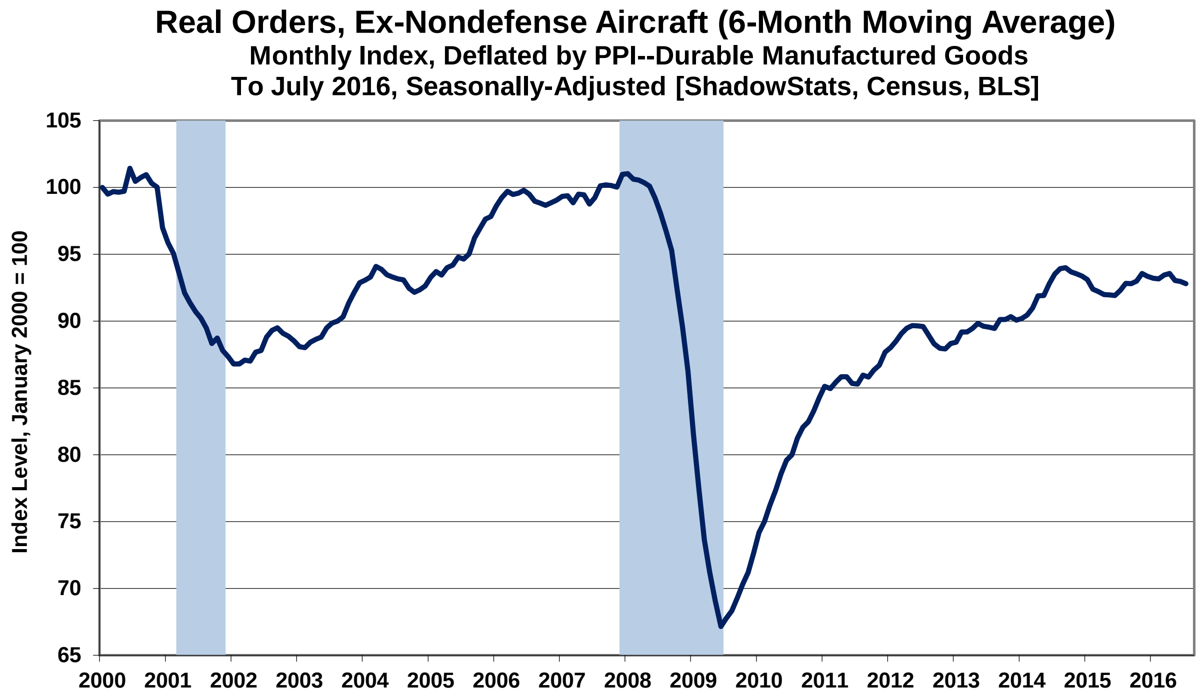
Graph 3: Index of Real Total New Orders for Durable Goods, 6-Month Moving Average



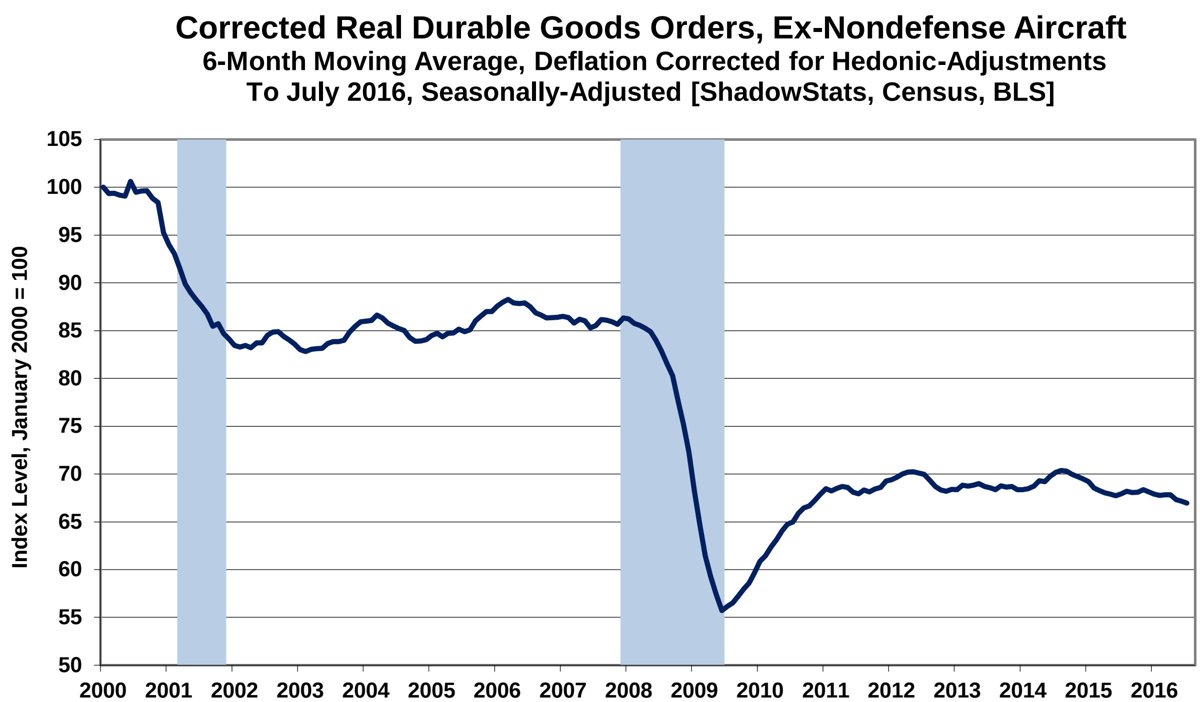
Graph 4: Corrected Index of Real Total New Orders for Durable Goods, 6-Month Moving Average



Graph 5: Index of Durable Goods Orders – Ex Commercial Aircraft, 6-Month Moving Average



Graph 6: Corrected Index of Durable Goods Orders – Ex Commercial Aircraft, 6-Month Moving Average



New- and Existing-Home Sales—July 2016—Unstable and Sputtering Activity, Continued Low-Level Stagnation and No Recovery. July 2016 New- and Existing-Home Sales series both remained in depression territory (see *Commentary No. 754*), down respectively by 53% (-53%) and by 26% (-26%) from their pre-recession peaks.

The usual instabilities and reporting distortions, involving high volatility and irregular seasonality, warped the New-Home Sales series. Despite a "strong," albeit statistically-insignificant monthly headline gain, the series continued in low-level, non-recovering stagnation. As shown see *Graph 9*, that stagnation has had a minor uptrend over time.

Despite continued instabilities in Existing-Home Sales, and in the context of shifting patterns in smoothed, low-level stagnation, Existing-Home Sales activity turned to the downside (*Graph 13*) in the latter part of 2015, with an interim uptrend, now sputtering in into July 2016, along with monthly and annual contractions in the latest headline detail.

These series never recovered from the economic collapse into 2009. General housing construction and sales activity broadly have shown patterns of protracted, low-level, non-recovering stagnation.

Ongoing Liquidity Constraints on the Consumer. Updated in the *Opening Comments* section of *Commentary No. 825*, the extreme liquidity bind besetting consumers continues to constrain personal-consumption expenditures, and residential-real-estate sales activity. Without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for the income shortfall, the U.S. consumer remains unable to sustain positive growth in broad domestic economic activity.

Where the private housing sector never recovered from the business collapse of 2006 into 2009, there remains no chance of a near-term, sustainable turnaround in home-sales activity, without a fundamental upturn in consumer and banking-liquidity conditions. That has not happened and does not appear to be in the offing.

New-Home Sales—July 2016—Unstable Monthly Gain in the Context of Continuing, Non-Recovering, Low-Level Stagnation, Still Down 52.9% (-52.9%) from its Pre-Recession Peak. Headline monthly reporting of new-home sales remained of no substance, as seen frequently in massive, unstable and continuously shifting revisions to recent history, along with statistically-insignificant monthly changes that just as easily could be losses or gains.

The unstable July 2016 headline reporting of 654,000 units in annualized sales (a 54,500 monthly rate as used in the graphs) rose by 12.4% for the month, with a revised 1.7% monthly gain in May that previously had been up by 3.5%. As usual, the headline monthly gain was not statistically meaningful, but the annual gain was. That remained in the context of headline July activity still holding below its never-recovered 2005 pre-recession peak by 53% (-53%).

ShadowStats assesses such unstable series by considering the gyrations in monthly activity in the context of a six-month moving-average of the headline numbers. With the otherwise meaningless monthly swings in these numbers smoothed out, new-home sales activity continued in a broad pattern of low-level, albeit with up-trending stagnation (see *Graph 9*).

Graphed either way, smoothed or not, the various housing series generally have continued to show a pattern of economic activity plunging from 2005 or 2006 into 2009, and then stagnation, with the stagnation continuing at a low level of activity to date. Beyond new-home sales, related housing activity never has recovered with the purported GDP rebound. For example, from the series' pre-recession peak of July 2005, headline July 2016 New-Home Sales still were down by 52.9% (-52.9%), while July 2016 Single-Unit Housing Starts were down by 57.8% (-57.8%) from the January 2006 pre-recession high of that series (see *Commentary No. 826*).

Headline July 2016 New Home Sales. In the context of downside revisions to June 2016 activity and before, July 2016 New-Home Sales (counted based on contract signings, Census Bureau) rose month-to-month by a headline, seasonally-adjusted and statistically-insignificant 12.4%. That was against a downwardly-revised 1.7% in June, a minimally revised 0.4% gain in May and a minimally-revised monthly gain of 6.1% in April. Net of prior-period revisions, the monthly gain in July was 10.5%, instead of the headline gain of 12.4%, still shy of being statistically significant.

Year-to-year, June 2016 sales rose by a statistically-significant 31.3%. That followed a downward-revised annual gain of 23.3% in June 2016, an unrevised May 2016 sales gain of 12.8% and a minimally-revised April 2016 annual sales gain of 14.0%. Despite the "benchmarking" to the unstable seasonal-adjustment factors with the April 2016 data releases, this series remains extraordinarily unstable and consistently unreliable on a near-term, month-to-month basis and often on a long-term basis, as to whether headline sales increased or decreased.

In the arena of continued extreme volatility, consider that the annualized quarterly pace of sales change gyrated from a sales gain in first-quarter 2015 of 50.1%, to a second-quarter 2015 annualized quarterly sales decline of 19.8% (-19.8%). Third-quarter 2015 new-home sales declined by 5.0% (-5.0%), with the fourth-quarter sales gain estimated at 18.7%.

First-quarter 2016 activity showed an unrevised annualized gain of 17.9%. With the headline July reporting, second-quarter 2016 showed a downwardly-revised, annualized quarterly gain of 38.9%. Based just on the headline July 2016 detail, third-quarter annualized new-home sales were on early track for an annualized gain of 54.5%.

Existing-Home Sales—July 2016—Sputtering Sales Showed First Annual Decline in Eight Months; Non-Recovering Activity Still Down by 25.9% (-25.9%) from Pre-Recession High. Existing-Home Sales faltered in July 2016. As described in the National Association of Realtors® (NAR) *Press Release*, "Slowed by frustratingly low inventory levels in many area of the country, existing home sales lost momentum in July and decreased year-over-year first time since November 2015, ... only the second time in the last 21 months."

That said, July 2016 inventories rose by 0.9% for the month against to 2.130 million, versus June, when monthly sales increased by 1.1%. With the exception of May 2016 inventories at 2.140 million (one notch higher as recorded by the NAR), the July 2016 inventory of existing home for sale was the highest in ten months.

The broad the series remained in depression, still down by 25.9% (-25.9%) from its pre-recession peak. Smoothed with a six-month moving average, Existing-Home Sales activity held in low-level stagnation, albeit currently in a sputtering uptrend.

Along with the broader real estate and construction measures and new-home sales—existing-home sales never recovered from the economic collapse into 2009, a common issue in the residential real estate industry. After going through a period of protracted, low-level stagnation and non-recovery, general housing construction and related smoothed sales activity continue broadly with minimal variation around flat trends, again, well below any formal recovery in economic activity.

Specifically, Existing-Home Sales activity in July 2016 was down by a headline 25.9% (-25.9%) from its June 2005 pre-recession peak, a high that has not been matched since the ensuing economic collapse into 2009. In like manner, July 2016 headline monthly Housing Starts remained down by 46.7% (-46.7%) from their January 2006 pre-recession high (see prior *Commentary No. 826*).

Headline July 2016 Detail for Existing-Home Sales. The seasonally-adjusted, headline monthly decline of 3.2% (-3.2%) in July 2016 Existing Home Sales [actual closings of home sales, the National Association of Realtors® (NAR)] followed an unrevised gain of 1.1% in June 201 and an unrevised 1.5% in May. On a year-to-year basis, July 2016 sales declined by 1.6% (-1.6%), the first annual decline in eight months. June 2016 annual sales growth was up by an unrevised 3.0%, with annual May 2016 activity also up by an unrevised 3.0%.

Going back a year, first-quarter 2015 Existing-Home Sales showed an annualized quarterly sales decline of 2.6% (-2.6%), with the second-quarter 2015 pace of annualized growth at 19.5%. Third-quarter 2015 growth slowed to an annualized pace of 9.7%, with fourth-quarter 2015 activity contracting at an annualized pace of 14.2% (-14.2%).

First-quarter 2016 expanding at an annualized pace of 7.9%, followed by 16.3% for second-quarter 2016. Based solely on July 2016 detail, third-quarter activity is on an early track for and annualized quarterly contraction of 8.0% (-8.0%).

The quality of data underlying this series remains questionable, as seen in erratic reporting over the years. All that said, smoothed for irregular distortions, the reporting remained statistically consistent with a period of low-level broad stagnation, albeit now up-trending, as can be seen in *Graph 13*.

Proportion of Distressed Sales Eased to 5% in June, with All Cash Sales at 21%. The NAR estimated the portion of July 2016 sales in "distress" declined in the month to 5% (4% foreclosures, 1% short sales), versus 6% (4% foreclosures, 2% short sales) in June 2016 and 7% (5% foreclosures, 2% short sales) in July 2015.

The July 2016 percent of existing-home sales in distress was the lowest level since the NAR began such surveying in October 2008. Consider, though, that October 2008 already was more than three years into the housing-market collapse.

Reflecting continued lending problems and stresses within the financial system, including related banking-industry and consumer-solvency issues, as well as the ongoing influx of speculative investment money into the existing-housing market, the NAR estimated that all-cash sales were 21% in July 2016, down from 22% in June 2016 activity and 23% in July 2015.

Graphs of New- and Existing-Home Sales. These series and comparative numbers are plotted in the accompanying *Graphs 7* to *14.*

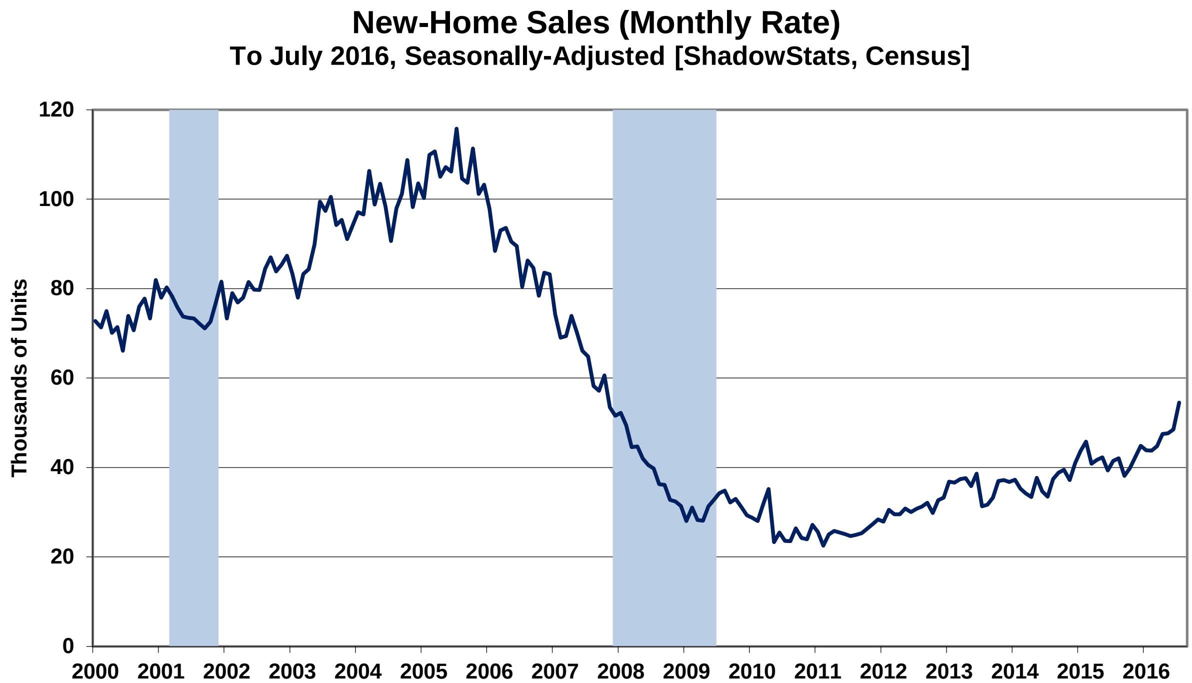
New-Home Sales**.** *Graphs 7* and *9* show the regular monthly and six-month moving-average versions of New-Home Sales activity. Added for comparison purposes are parallel graphs of the headline and monthly and six-month moving-average versions of July 2016 Housing Starts for single-unit construction (*Graphs 8* and *10*) from prior *Commentary No. 826*.

Existing-Home Sales. *Graph 11* shows the traditional headline Existing-Home Sales monthly detail, supplemented by *Graph 13* of the Six-Month Moving Average of Existing-Home Sales. Unlike the levels shown in *Graph 11* of the monthly series, there are no special averages to smooth the effects of government programs to create buyer incentives in *Graph 13*. The series is smoothed only by a six-month moving average, and a related transitional averaging joining the old and new series plotted separately in *Graph 11*.

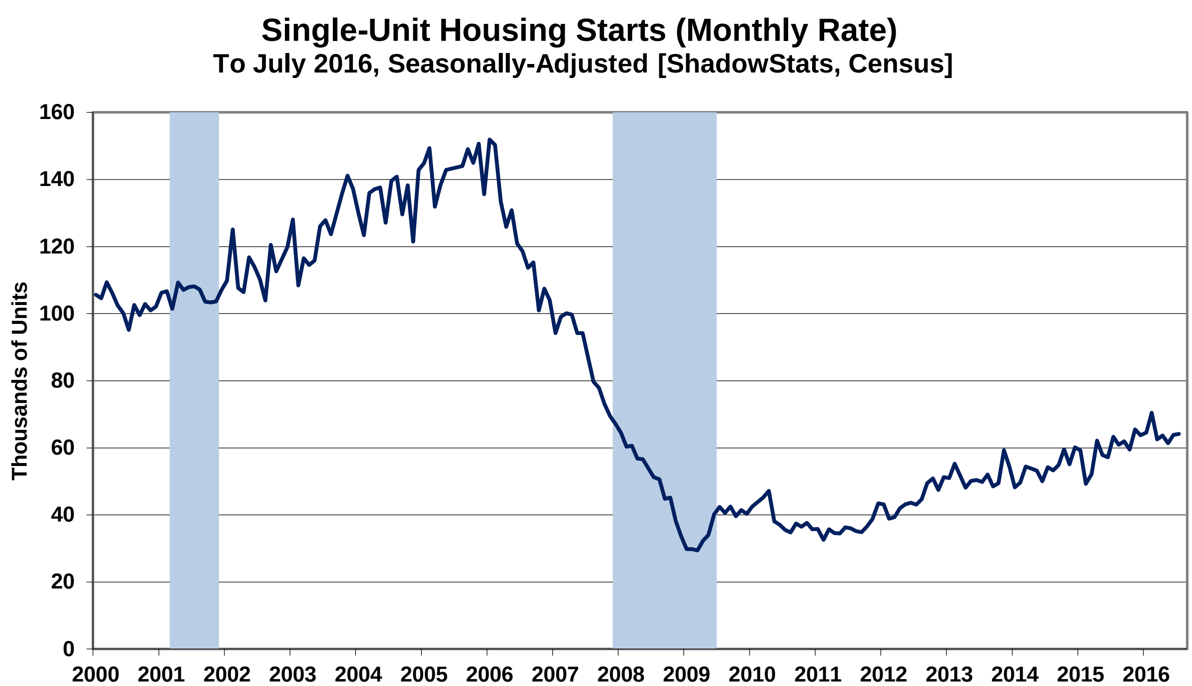
Accompanying the Existing-Home Sales plots are comparative graphs of July 2016 aggregate Housing Starts activity, from *Commentary No. 826*, where both series reflect activity in terms of single- and multiple-housing units (see *Graphs 12* and *14*).

[Graphs 7 to 14 follow, beginning on the next page]

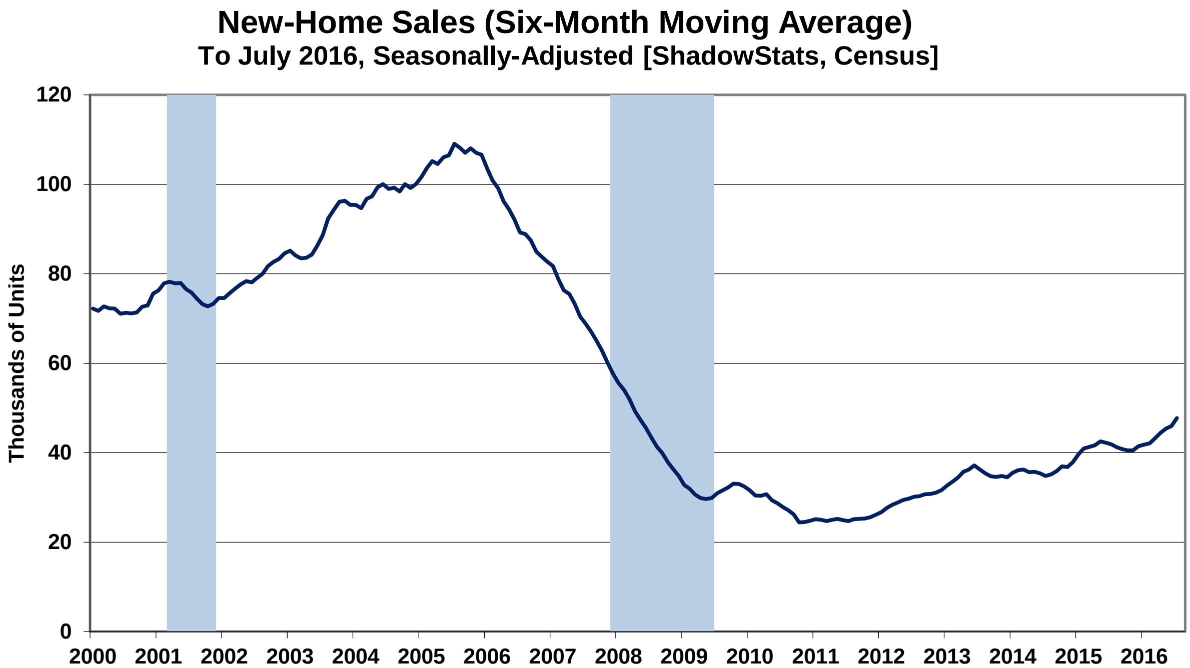
Graph 7: New-Homes Sales – Monthly Rate of Activity



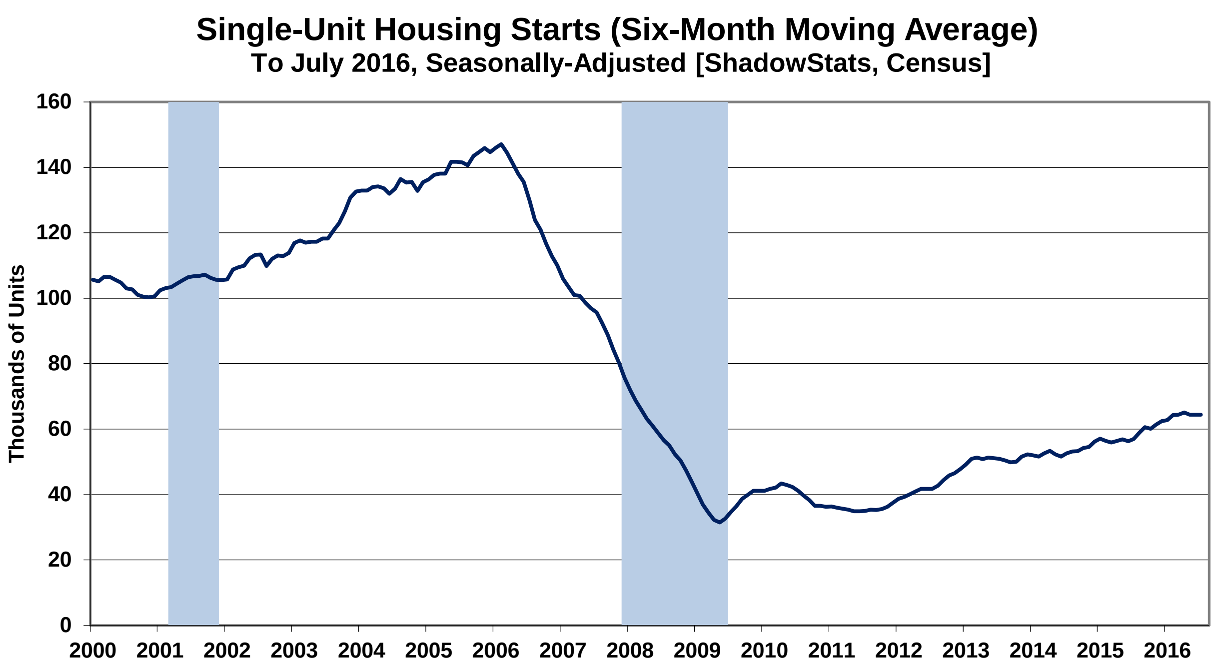
Graph 8: Single-Unit Housing Starts, Monthly Rate of Activity



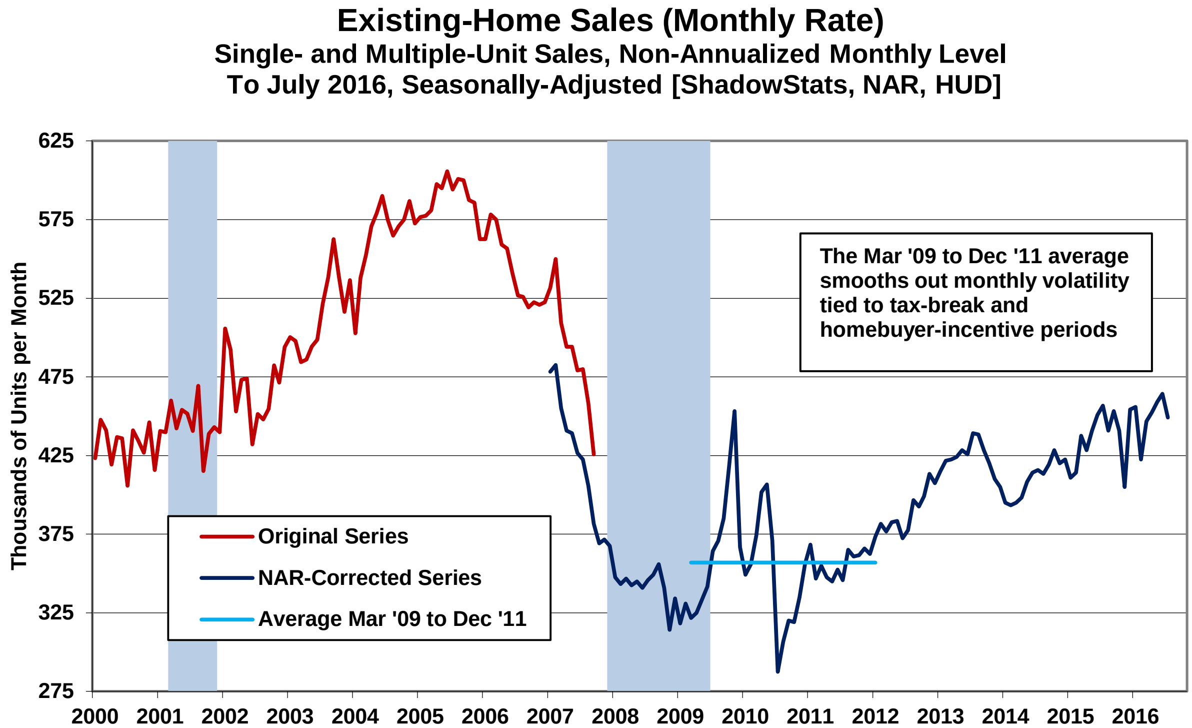
Graph 9: New-Homes Sales – Six-Month Moving Average, Monthly Rate of Activity



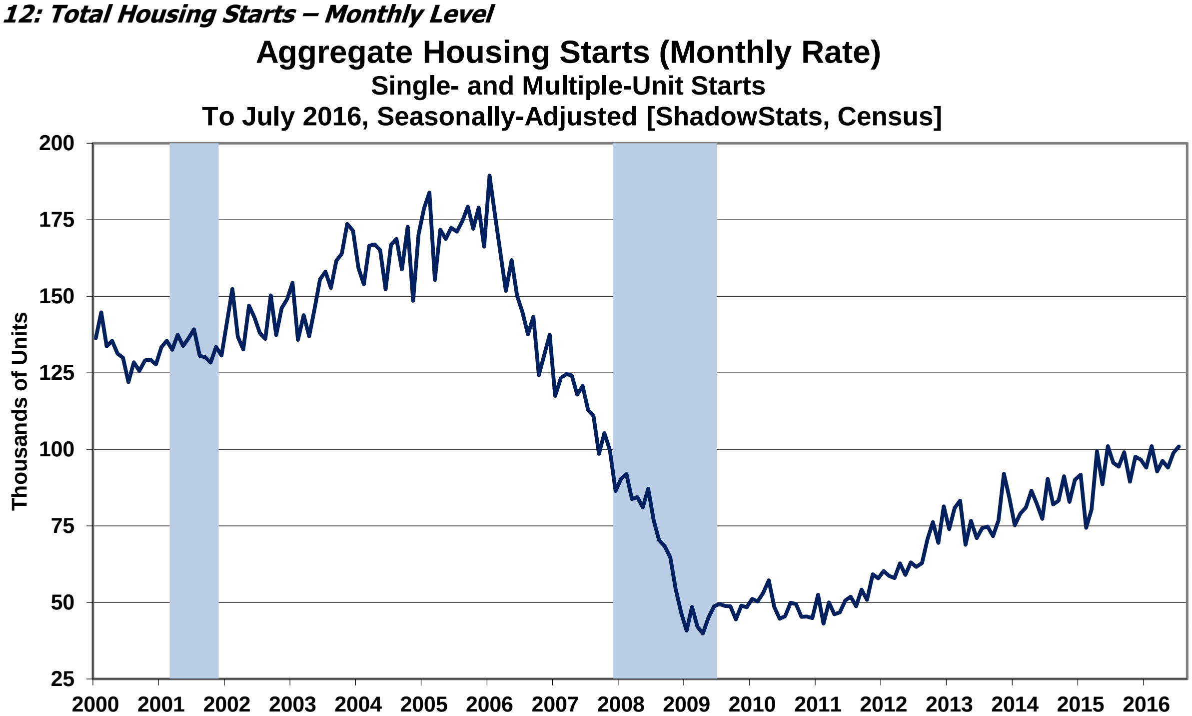
Graph 10: Single-Unit Housing Starts, Six-Month Moving Average, Monthly Rate of Activity



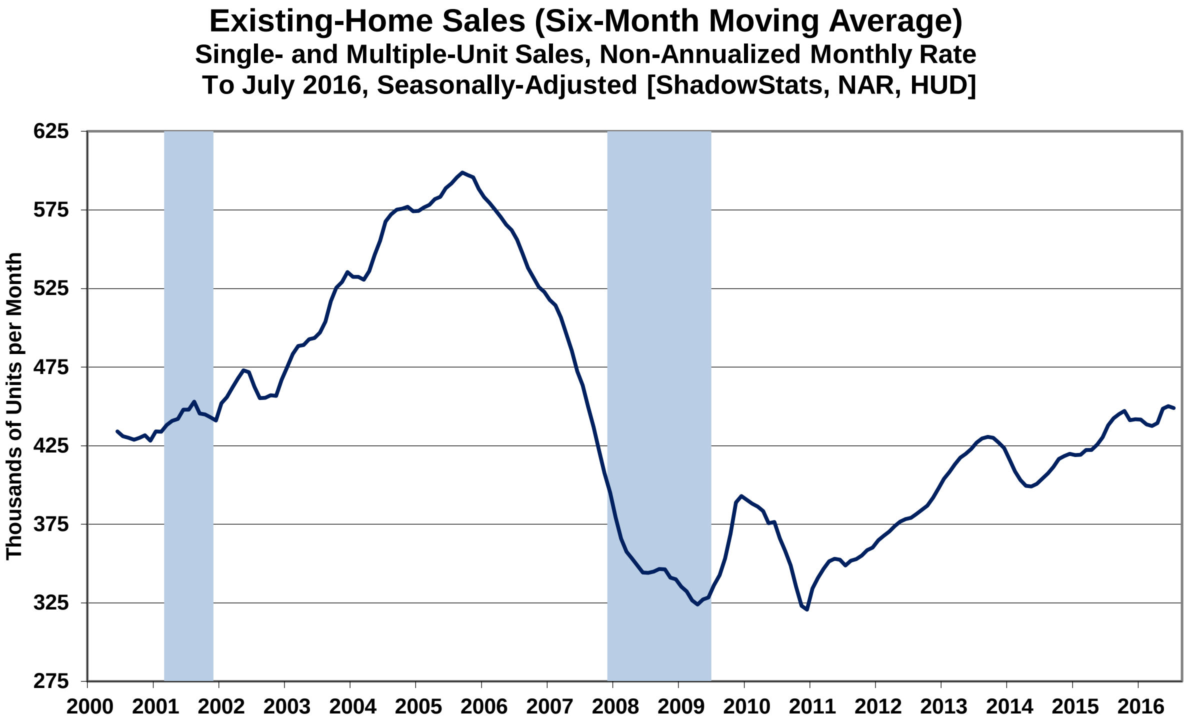
Graph 11: Existing-Home Sales – Monthly Level



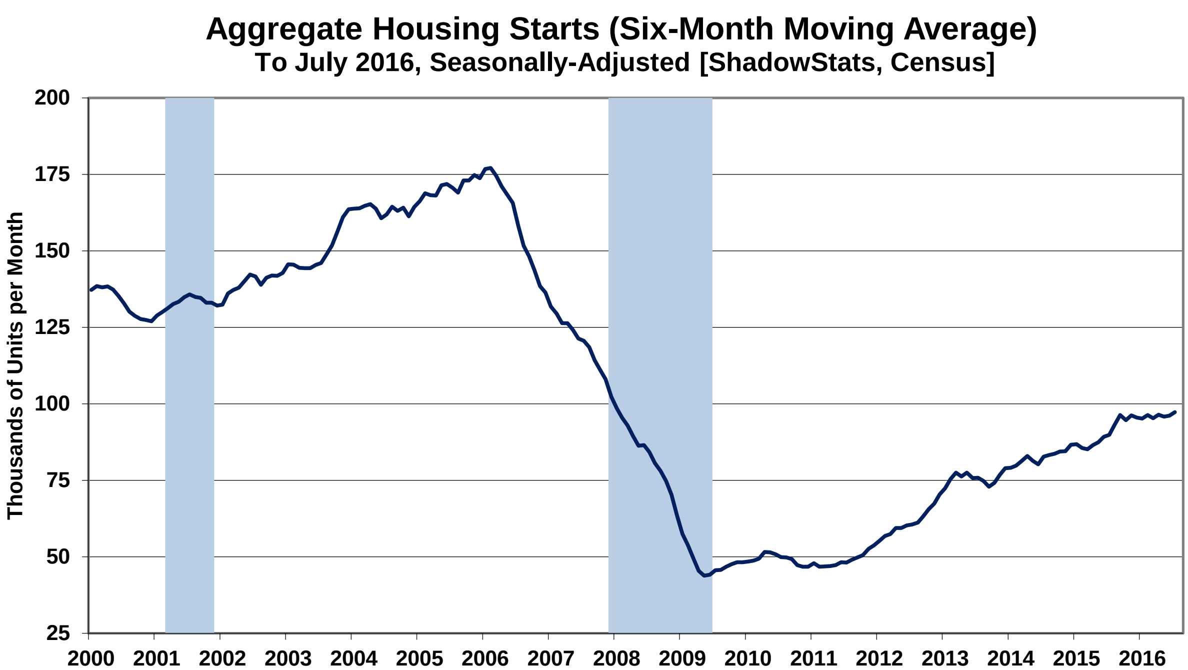
Graph 12: Total Housing Starts – Monthly Level



Graph 13: Existing-Home Sales (Six-Month Moving Average)



Graph 14: Total Housing Starts (Six-Month Moving Average)



[The* Reporting Detail *section contains significant additional material.]

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REPORTING DETAIL

NEW ORDERS FOR DURABLE GOODS (July 2016)

Year-to-Year Orders Declined for a Second Straight Month in July, with the Second-Quarter Showing a Deeper Quarterly Contraction. In the context of strong gains in commercial aircraft orders and downside prior-period revisions, July new orders for durable goods declined year-to-year, for the second straight month, irrespective of inflation-adjustment or inclusion or exclusion of commercial aircraft orders. Second-quarter activity also showed a deeper quarterly contraction in revision, irrespective of inflation or commercial aircraft considerations. Such remained an increasingly solid, negative leading indicator for third-quarter 2016 industrial production, a series that has remained in definitive recession since December 2014 (see *Commentary No. 826*).

Headline July 2016 New Orders for Durable Goods rose month-to-month by a nominal 4.41% in aggregate, up by 1.76% ex-commercial aircraft, in the context of negative prior-period revisions. Net of headline monthly inflation of 0.18%, respective monthly July real changes were gains of 4.22% and 1.58%. Smoothed with six-month moving averages, both of these highly volatile, inflation-adjusted real series remained in non-recovering, low-level, down-trending stagnation. Those patterns remained consistent in signaling an ongoing and deepening "new" recession.

Headline Nominal Detail. The Census Bureau reported this morning, August 25th, that the regularly-volatile, seasonally-adjusted, nominal level of July 2016 new orders for durable goods gained 4.41%, month-to-month, following a revised decline of 4.19% (-4.19%) [previously down by 4.04% (-4.04%)] in June and a revised decline of 2.93% (-2.93%) [previously down by 2.85% (-2.85%), initially down by 2.23% (-2.23%)] in May. Net of prior-period revisions, July 2016 orders rose by 4.16%, instead of the headline gain of 4.41%.

Year-to-year, July 2016 durable goods declined by 3.27% (-3.27%), having fallen by a revised, deeper annual decline of 6.59% (-6.59%) [previously down by 6.37% (-6.37%)] in June 2016, and having gained a downwardly revised 2.36% [previously up by 2.45%, initially up by 3.20%] in May 2016. That headline July 2016 detail, again, was before consideration of the volatility in commercial-aircraft orders.

Before and after consideration of commercial-aircraft volatility and monthly irregularities in the headline reporting of new orders, the smoothed trends of activity continued to be down-trending, consistent with a downturn in what had been a continuing pattern of broad stagnation. The inflation-adjusted real series, and that same series corrected for the understatement of official inflation, are discussed and graphed in the *Opening Comments* section. The corrected series—net of commercial aircraft orders—has remained relatively flat, at a low-level and in a down-trending pattern of stagnation. In parallel with the other plotted series, the corrected series still shows an unfolding economic contraction of a nature that usually precedes or coincides with a recession or deepening business downturn.

Detail Net of Volatility in Commercial-Aircraft Orders. The reporting of extreme contractions and surges in commercial-aircraft orders is seen in an irregularly-repeating process throughout the year, and that often dominates the changes in headline monthly durable goods orders. These extremely volatile aircraft orders are booked years into the future and are indicative more of longer-term, rather than shorter-term prospects for manufacturing activity. In the current circumstance, a sharp monthly increase in July commercial aircraft orders pushed the aggregate orders into a monthly gain of 4.4%, from what otherwise was a gain of 1.8%.

Net of a headline monthly gain of 89.85% in July 2016 commercial aircraft orders, a revised decline of 59.71% (-59.71%) [previously down by 58.76% (-58.76%)] in June and a revised decline of in May of 5.59% (-5.59%) [previously down by 5.52% (-5.52%), initially up by 0.96%], new orders gained 1.76% in July 2016 and 0.08% [previously 0.16%] in June, following a revised decline of 2.72% (-2.72%) [previously down by 2.64% (-2.64%), initially down by 2.49% (-2.49%)] in May.

Year-to-year and seasonally-adjusted, July 2016 new orders (net of commercial aircraft) declined by 1.98% (-1.98%), following a revised annual decline in June 2016 of 2.25% (-2.25%) [previously down by 2.09% (-2.09%)] and a revised annual decline in May 2016 of 0.45% (-0.45%) [previously down by 0.37% (-0.37%), initially down by 0.11% (-0.11%)].

Real Durable Goods Orders—July 2016. ShadowStats uses the PPI component inflation measure “Durable Manufactured Goods” for deflating the new orders for durable goods series. Published only on a not-seasonally-adjusted basis, the related July 2016 PPI series showed a headline monthly gain of 0.18%, following an “unchanged” June reading and a gain of 0.18% in May.

Headline annual inflation fell by 0.18% (-0.18%) year-to-year in July 2016, versus annual declines of 0.42% (-0.42%) in June 2016 and 0.60% (-0.60%) in May 2016.

Adjusted for that 0.18% monthly gain in July 2016 inflation, and as reflected in the graphs in the *Opening Comments* section, real month-to-month aggregate orders in July 2016 rose by 4.22%, having declined by 4.19% (-4.19%) in June and by 3.10% (-3.10%) in May. Ex-commercial aircraft, real month-to-month orders rose by 1.58% in July, by 0.08% in June and fell by 2.89% (-2.89%) in May.

Real aggregate new orders fell year-to-year by 3.09% (-3.09%) in July 2016, by 6.19% (-6.19%) in June 2016 and rose by 2.98% in May 2016. Ex-commercial aircraft, real orders in July 2016 showed an annual decline of 1.80% (-1.80%), following a decline of 1.84% (-1.84%) in June 2016 and a gain of 0.15% in May 2016. Annual real changes here were boosted by the negative year-to-year headline inflation.

Real Quarterly Growth, Ex-Commercial Aircraft. Where the inflation-adjusted series, ex-commercial aircraft, is the best leading economic indicator out of these data, following are the annualized real quarterly changes in that series. Beginning at the onset of what should become a formal recession, the real ex-commercial aircraft orders series showed annualized quarterly declines of 4.44% (-4.44%) in fourth-quarter 2014, and 5.54% (-5.54%) in first-quarter 2015. Annualized real change for second-quarter 2015 was a gain of 3.31%, a gain of 4.52% in third-quarter activity, a gain of 0.31% in fourth-quarter 2015 activity, and a 0.48% gain in first-quarter 2016.

In second-quarter 2016, the series showed a revised, deeper real contraction of 4.42% (-4.22%) [previously down by 4.11% (-4.11%)]. Based solely on initial reporting for July 2016, third-quarter 2016 annualized change is in an early trend for a gain of 2.56%.

Graphs of Inflation-Adjusted and "Corrected" Smoothed Durable Goods Orders. Three sets of inflation-adjusted graphs (*Graphs 1* to *6*) are displayed in the *Opening Comments* section. The first set (*Graphs 1* and *2*) shows the headline monthly detail, as well as the six-month moving-average activity for both the aggregate new orders series and the series net of the irregular commercial-aircraft orders. The moving-average levels in both series had turned lower into year-end 2014 and into the first two quarters of 2015, with some smoothed bounce-back into third-quarter 2015, followed by renewed downturn into July 2016.

The second set of graphs (*Graphs 3* to *4*) shows the patterns of six-month moving averages of historical, headline real new orders for durable goods, net of official inflation, as well as that pattern "corrected" for the understatement of that inflation (and for the related overstatement of official, inflation-adjusted growth). The third set of graphs (*Graphs 5* to *6*) shows the same patterns, but for the aggregate durable goods orders series, net of commercial aircraft orders.

Caution: Current durable goods reporting remains subject to many of the same sampling and concurrent-seasonal-adjustment problems seen with retail sales, payroll and unemployment reporting. Unusual seasonal-factor volatility raises issues as to the significance of reported seasonally-adjusted monthly and annual changes. While those issues were brought into balance, for a period of ten days, with annual benchmark revision to durable goods orders on May 18, 2016, for subsequent months of reporting up through today's reporting and revisions for July have made all historical reporting prior to May 2016 inconsistent with the current headline numbers. All the historical data will be briefly consistent, once again, come next year's May 2017 benchmark revisions.

NEW-HOME SALES (July 2016)

Unstable Reporting Continued for July New-Home Sales, Spiking 12.4% in the Month with Smoothed Data Still Holding in Non-Recovering, Low-Level Stagnation. Headline monthly reporting of new-home sales remained of no substance, as seen frequently in massive, unstable and continuously shifting revisions to recent history, along with statistically-insignificant monthly changes that just as easily could be a loss or a gain.

The unstable July 2016 headline reporting of 654,000 units in annualized sales (a 54,500 monthly rate as used in the graphs) rose by 12.4% for the month, with a revised 1.7% monthly gain in May that previously had been up by 3.5%. As usual, the headline monthly gain was not statistically meaningful, but the annual gain was. That remained in the context of headline July activity still holding below its never-recovered 2005 pre-recession peak by 53% (-53%).

ShadowStats assesses such unstable series by considering the gyrations in monthly activity in the context of a six-month moving-average of the headline numbers. With the otherwise meaningless monthly swings in these numbers smoothed out, new-home sales activity continued in a broad pattern of low-level, albeit with up-trending stagnation (see *Graph 9* in the *Opening Comments*).

Graphed either way, smoothed or not, the various housing series generally have continued to show a pattern of economic activity plunging from 2005 or 2006 into 2009, and then stagnation, with the stagnation continuing at a low level of activity to date. Beyond new-home sales, related housing activity never has recovered with the purported GDP rebound. For example, from the series' pre-recession peak of July 2005, headline July 2016 New-Home Sales still were down by 52.9% (-52.9%), while July 2016 Single-Unit Housing Starts were down by 57.8% (-57.8%) from the January 2006 pre-recession high of that series (see *Commentary No. 826*).

Updated in the *Opening Comments* section of *Commentary No. 825*, the extreme liquidity bind besetting consumers continues to constrain personal-consumption expenditures, and residential real estate sales activity. Without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for the income shortfall, the U.S. consumer remains unable to sustain positive growth in broad domestic economic activity.

Where the private housing sector never recovered from the business collapse of 2006 into 2009, there remains no chance of a near-term, sustainable turnaround in home-sales activity, without a fundamental upturn in consumer and banking-liquidity conditions. That has not happened and does not appear to be in the offing.

Headline July 2016 Reporting. Reported August 23rd by the Census Bureau, in the context of downside revisions to June 2016 activity and before, July 2016 New-Home Sales (counted based on contract signings) rose month-to-month by a headline, seasonally-adjusted and statistically-insignificant 12.4% +/- 14.9% (all confidence intervals are at the 95% level). That was against a downwardly-revised 1.7% [previously up by 3.5%] in June, a minimally revised 0.4% gain [previously "unchanged" at 0.0%, initially down by 6.0% (-6.0%)] in May, a minimally-revised monthly gain of 6.1% [previously 6.5%, 12.3%, and initially up by 16.6%] in April. Net of prior-period revisions, the monthly gain in July was 10.5%, instead of the headline gain of 12.4%, still shy of being statistically significant.

Year-to-year, June 2016 sales rose by a statistically-significant 31.3% +/- 23.3%. That followed a downward-revised gain of 23.3% [previously up by 25.4%] in June, an unrevised May 2016 sales gain of 12.8% [initially up by 8.7%], a minimally-revised April 2016 annual sales gain of 14.0% [previously up by 14.4%, 17.2% and initially up by a 23.8%]. Despite the "benchmarking" to the unstable seasonal-adjustment factors with the April 2016 data releases, this series remains extraordinarily unstable and consistently unreliable on a near-term, month-to-month basis and often on a long-term basis, as to whether headline sales increased or decreased.

In the arena of continued extreme volatility, consider that the annualized quarterly pace of sales change gyrated from a sales gain in first-quarter 2015 of 50.1%, to a second-quarter 2015 annualized quarterly sales decline of 19.8% (-19.8%). Third-quarter 2015 new-home sales declined by 5.0% (-5.0%), with the fourth-quarter sales gain estimated at 18.7%.

First-quarter 2016 activity showed an unrevised annualized gain of 17.9%. With headline July reporting, second-quarter 2016 showed a downwardly-revised, annualized quarterly gain of 38.9% [previously 42.8%]. Based just on the headline July 2016 detail, third-quarter annualized new-home sales were on early track for an annualized gain of 54.5%.

New-Home Sales Graphs. The regular monthly graph of New-Home Sales is included in the *Opening Comments* section, along with a six-month moving-average version of the series. Added for comparison purposes are parallel graphs of the headline and six-month moving-average versions of July 2016 Housing Starts for single-unit construction, from prior *Commentary No. 826*, along with comparative graphs of Existing-Home Sales and aggregate Housing Starts (see *Graphs 7* to *14*).

EXISTING-HOME SALES (July 2016)

July Existing-Home Sales Dropped Month-to-Month and Year-to-Year; Still in Non-Recovery; Down by 26% from Pre-Recession Peak. Existing-Home Sales sputtered in July 2016. As described in the National Association of Realtors® (NAR) *Press Release*, "Slowed by frustratingly low inventory levels in many area of the country, existing home sales lost momentum in July and decreased year-over-year first time since November 2015, ... only the second time in the last 21 months."

That said, July 2016 inventories rose by 0.9% for the month against to 2.130 million, versus June, when monthly sales increased by 1.1%. With the exception of May 2016 inventories at 2.140 million (one notch higher as recorded by the NAR), July 2016 inventory of existing home for sale was the highest in ten months.

The broad the series remained in depression (see *Commentary No. 754*), still down by 25.9% (-25.9%) from its pre-recession peak. Smoothed with a six-month moving average, Existing-Home Sales activity held in low-level stagnation, albeit currently in a sputtering uptrend.

Along with the broader real estate and construction measures and new-home sales—existing-home sales never recovered from the economic collapse into 2009, a common issue in the residential real estate industry. After going through a period of protracted, low-level stagnation and non-recovery, general housing construction and related smoothed sales activity continue broadly with minimal variation around flat trends, again, well below any formal recovery in economic activity.

Discussed in the *Opening Comments*, the underlying problem remains that the U.S. consumer is in an extreme liquidity bind, which prevents a meaningful recovery in national home-sales growth. Without sustained growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for an income shortfall, the consumer has been unable to sustain positive growth in broad U.S. economic activity, particularly as tied to residential real estate and personal consumption.

Specifically, Existing-Home Sales activity in July 2016 was down by a headline 25.9% (-25.9%) from its June 2005 pre-recession peak, a high that has not been matched since the ensuing economic collapse into 2009. In like manner, July 2016 headline monthly Housing Starts remained down by 46.7% (-46.7%) from their January 2006 pre-recession high (see prior *Commentary No. 826*).

Headline July 2016 Detail for Existing-Home Sales. Based on actual closings of home sales, the National Association of Realtors® (NAR) reported August 24th a seasonally-adjusted, headline monthly decline of 3.2% (-3.2%) in July 2016 Existing Home Sales, against an unrevised gain of 1.1% in June 2016 and an unrevised 1.5% in May. On a year-to-year basis, July 2016 sales declined by 1.6% (-1.6%), the first annual decline in eight months. June 2016 annual sales growth was up by an unrevised 3.0%, with annual May 2016 activity also up by an unrevised 3.0%.

Going back a year, first-quarter 2015 Existing-Home Sales showed an annualized quarterly sales decline of 2.6% (-2.6%), with the second-quarter 2015 pace of annualized growth at 19.5%. Third-quarter 2015 growth slowed to an annualized pace of 9.7%, with fourth-quarter 2015 activity contracting at an annualized pace of 14.2% (-14.2%).

First-quarter 2016 expanding at an annualized pace of 7.9%, followed by 16.3% for second-quarter 2016. Based solely on July 2016 detail, third-quarter activity is on an early track for and annualized quarterly contraction of 8.0% (-8.0%).

The quality of data underlying this series remains questionable, as seen in erratic reporting over the years. All that said, smoothed for irregular distortions, the reporting remained statistically consistent with a period of low-level broad stagnation, albeit now up-trending, as can be seen in *Graph 13* of the *Opening Comments*.

Proportion of Distressed Sales Eased to 5% in June, with All Cash Sales at 21%. The NAR estimated the portion of July 2016 sales in "distress" declined in the month to 5% (4% foreclosures, 1% short sales), versus 6% (4% foreclosures, 2% short sales) in June 2016 and 7% (5% foreclosures, 2% short sales) in July 2015.

The July 2016 percent of existing-home sales in distress was the lowest level since the NAR began such surveying in October 2008. Consider, though, that October 2008 already was more than three years into the housing-market collapse.

Reflecting continued lending problems and stresses within the financial system, including related banking-industry and consumer-solvency issues, as well as the ongoing influx of speculative investment money into the existing-housing market, the NAR estimated that all-cash sales were 21% in July 2016, down from 22% in June 2016 activity and 23% in July 2015.

Existing-Home Sales Graphs. Shown in the *Opening Comments*, *Graph 11* plots the traditional headline Existing-Home Sales monthly detail. Such is supplemented by *Graph 13* of the six-month moving average of Existing-Home Sales. Accompanying the Existing-Home Sales plots are comparative graphs of July 2016 aggregate Housing Starts activity, from *Commentary No. 826*, where both series reflect activity in terms of single- and multiple-housing units (see *Graphs 12* and *14*).

WEEK AND MONTH AHEAD

Headline Economic Deterioration Should Intensify in the Near Term, Increasingly Frustrating Fed Provocateurs, Pummeling the U.S. Dollar and Boosting Gold, Silver and Eventually Oil Prices. Market expectations for business activity should continue to deteriorate, amidst intensifying, negative headline economic reporting, and with Fed-policy retrenchment likely shifting towards renewed quantitative easing in the months ahead, irrespective of current Fed-policy jawboning favoring a rate hike.

The general trend in weakening expectations for business activity and movement towards looming recession recognition, reflect an ongoing broad spectrum of market-disappointing headline data. Unfolding circumstances are discussed in today's coverage of July durable orders and home sales. Also detailing recent activity are *Commentary No. 826*, *Commentary No. 825*, *Commentary No. 824*, *Commentary No. 823*, *Commentary No. 822*, *Commentary No. 821*, *Commentary No. 820*, *Commentary No. 818*, *Commentary No. 817*, *General Commentary No. 811*, *Supplemental Commentary No. 807-A*, *Commentary No. 800*, *Commentary No. 799*, *Commentary No. 796-A*, *Commentary No. 796* and *No. 777 Year-End Special Commentary*.

Negative market reactions have surfaced in trading of the U.S. dollar and in related financial markets, with some upside pressure on gold, silver and oil prices, subsequent to the weaker-than-expected headline and annualized real growth in second-quarter 2016 GDP and downside GDP revisions to recent quarters, and against generally weaker-than-expected headline economic detail. Such reflects the impact of perpetual U.S. economic non-recovery and a renewed, intensifying downturn.

Market activity in oil has been mixed, due partially to irregular U.S. dollar strength, as discussed in *No. 818*. Market reactions reflect an intensifying sense of Federal Reserve impotence, with bleak longer-term implications for the U.S. dollar. Further Fed tightening prior to the election remains unlikely, while renewed quantitative easing could become a target of intensified market speculation, as the deepening recession unfolds, becoming increasingly obvious in the next several months (see the opening paragraphs of the *Opening Comments* and the *Hyperinflation Watch* in *No. 826*).

Rapidly weakening, regular monthly economic reporting should result in much worse-than-expected—increasingly negative—reporting for at least the next several quarters of GDP (and GDI and GNP). That was seen minimally with a miniscule first-quarter 2016 contraction in the Gross National Product (GNP)—the broadest measure of U.S. economic activity reflected in the recent GDP benchmarking.

CPI-U consumer inflation—intermittently driven lower in 2015 and early-2016 by collapsing prices for gasoline and other oil-price related commodities—likely has seen its near-term, year-to-year low. Headline monthly March to June 2016 detail moved into positive headline territory, in tandem with rising gasoline prices. CPI inflation was "unchanged"—minimally negative—with a switch to positive seasonal adjustments for gasoline prices only partially offsetting the unadjusted monthly drop in gasoline prices. Those shifting energy seasonals should boost the August detail more strongly, resulting in a headline monthly gain. Going forward, a weakening U.S. dollar increasingly should boost inflation, with a related upturn in oil prices, gasoline and other commodities. The *Public Commentary on Inflation Measurement* reviews fundamental reporting issues with the headline CPI.

Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. Beyond the pre-announced gimmicked changes to reporting methodologies of the last several decades, which have tended to understate actual inflation and to overstate actual economic activity, ongoing headline reporting issues are tied largely to systemic distortions of monthly seasonal adjustments.

Data instabilities—induced partially by the still-evolving economic turmoil of the last nine-to-eleven years—have been without precedent in the post-World War II era of modern-economic reporting. The severity and ongoing nature of the downturn provide particularly unstable headline economic results, with the use of concurrent seasonal adjustments (as seen with retail sales, durable goods orders, employment and unemployment data). That issue is discussed and explored in the labor-numbers related *Supplemental Commentary No. 784-A* and *Commentary No. 695*.

Further, discussed in *Commentary No. 778*, a heretofore unheard of spate of "processing errors" surfaced in recent surveys of earnings (Bureau of Labor Statistics) and construction spending (Census Bureau). This is suggestive of deteriorating internal oversight and control of the U.S. government's headline economic reporting. That construction spending issue now appears to have been structured as a gimmick to help boost the recently-published 2016 GDP benchmark revisions, aimed at smoothing the headline reporting of the GDP business cycle, instead of detailing the business cycle and reflecting broad economic trends accurately, as discussed in *Commentary No. 823*.

Combined with ongoing allegations in the last year or two of Census Bureau falsification of data in its monthly Current Population Survey (the source for the BLS Household Survey), these issues have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series (see *Commentary No. 669*). John Crudele of the *New York Post* continues his investigations in reporting irregularities: *Crudele Investigation*. In the 1990s, the Census Bureau and BLS played political-reporting games with the nature of statistical sampling size in "inner cities" in the Census Bureau surveying tied to the monthly Household Surveys and the annual piggy-backed Poverty Survey. Such had major distorting impact on the headline data, and it may be in the works, again.

PENDING RELEASE:

Updated: **Gross Domestic Product (GDP)—Second-Quarter 2016, Second Estimate, First Revision.** The Bureau of Economic Analysis (BEA) will publish its first revision, second estimate of second-quarter 2016 Gross Domestic Product (GDP) tomorrow, August 26th, as will be detailed in *Commentary No. 828* of that date. With initial headline reporting of 1.22% annualized real quarterly growth for the second-quarter, the first revision should take it lower, to perhaps 0.8%, reflecting subsequent deterioration reported in the trade, construction spending, housing starts data and new orders for durable goods, with minimal upside offsets from revisions to inventories, industrial production and real retail sales. For prior quarters—not subject to near-term revisions—benchmarked headline quarterly real GDP growth was 0.83% in first-quarter 2016 and 0.87% in fourth-quarter 2015. Market expectations appear to be for the growth rate to ease minimally to 1.1%.

Keep in mind that real annual growth in the initial, second-quarter reporting—also subject to downside revision—came in at a 12-quarter low of 1.23%.

Initial estimates of the broader measure of second-quarter 2016 Gross National Product (GNP) and the theoretical GDP equivalent of the Gross Domestic Income (GDI) also will be published. They often offer unpredictable surprise for the markets, with the headline first-quarter GNP 2016 currently on the negative side of flat, down by 0.003% (-0.003%) at a real, annualized quarterly pace.

PENDING: Comprehensive *Special Report* and ShadowStats Website. The plan is to update fully, into one, massive background piece—a *Special Report (Commentary)*—the latest broad outlook for the U.S. and global economies, financial markets and systems, and inflation (U.S. hyperinflation). All of that will be in the context of incorporating and fully revising, wherever necessary, the materials in the *2014 Hyperinflation Report—The End Game Begins*, *2014 Hyperinflation Report—Great Economic Tumble*, *No. 777 Year-End Special Commentary* and other intervening missives, including the most-recent *Hyperinflation Outlook Summary* as found in *Commentary No. 783*.

The various background articles available at the www.ShadowStats.com site also will be updated in the process, including those first published in 2004 as introductory articles to the site. As usual, all original material will remain available to subscribers (all original public material also will remain available to anyone visiting the site).

As to timing, the *Special Report* already is in the works and should be published by early-October. It will incorporate fully up-to-date economic detail, including the mid-September 2016 releases by the Census Bureau of its 2015 income survey and by the Bureau of Labor Statistics of its preliminary benchmark revisions to 2016 payroll employment. It also will include updated, consistent GAAP-based financial detail on the U.S. government's financial condition through September 30, 2015 and initial prospects for the fiscal year ended September 30, 2016.

Updates to the various public materials on the Web site will be staggered through year-end. The introduction of the *2004 Primer Series* will be first (the link is to the initial background article that addressed among other issues political manipulation of data).

We also will introduce, in conjunction with the *Special Report*, a section with links to books and articles that we have found of particular interest and substance. Anyone with materials they would like to have considered for inclusion should send details in an e-mail to johnwilliams@shadowstats.com or call John Williams directly at (707) 763-5786.

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