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

COMMENTARY NUMBER 714
March Durable Goods Orders, Median Household Income, New- and Existing-Home Sales

April 24, 2015

Both Nominal and Real First-Quarter 2015 GDP Face Contraction,
But Headline Downturn May Await the First Revision

Consensus Forecasts Never Catch Economic Downturns,
Yet the Consensus Outlook Is Weighted into the Initial GDP Estimate

Real Durable Goods Orders Confirmed Back-to-Back Quarterly Contractions;
Signaling a Second-Quarter GDP Decline and Formal Recession

Household Income Declined Sharply in March

Existing-Home Sales Fell at Annualized 7.2% (-7.2%) Pace in First-Quarter 2015

Unstable Plunge in New-Home Sales Data Amidst Continued and Protracted Stagnation

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PLEASE NOTE: The next regular Commentary, *scheduled for Wednesday, April 29th, will cover the initial estimate of first-quarter 2015 GDP.*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Consensus Forecasts Miss Economic Downturns and Provide Upside Biases to Initial GDP Guesstimates. First-quarter 2015 GDP almost certainly contracted sharply, quarter-to-quarter, both before inflation-adjustment (nominal) and after inflation-adjustment (real), but the headline reporting of same may not be seen until the first revision to first-quarter GDP on May 29th.

With the consensus outlook for the GDP still holding on the upside of 1.0% [*MarketWatch* indicates a consensus of 1.2%] annualized quarterly growth, the Bureau of Economic Analysis (BEA) may keep the first or "advance" growth estimate for first-quarter 2015 at minimally above zero, despite the clear indications of a quarterly contraction. The BEA did that with last-year's "advance" estimate for first-quarter 2014 GDP, which turned negative with the first revision. Such was after the BEA effectively signaled the economic consensus and the markets of a pending GDP contraction, with its initial, below-consensus (but not negative) estimate.

Discussed in prior *Commentary No. 713*, in conjunction with *Commentary No. 711* and *Commentary No. 712*, all the major monthly economic series now are signaling an outright contraction for first-quarter 2015 real GDP. What remains missing, still, is market-consensus recognition of that circumstance. The "advance" estimate of first-quarter GDP growth is due for next Wednesday, April 29th, but the BEA likely already has locked-in the initial GDP estimate. Traditionally, the Bureau considers consensus forecasts in its first estimate, where much of what otherwise is reported at the time is nothing but guesswork.

Consensus Estimates Usually Dodge Bad News. Consensus forecasts usually miss calling downturns in economic activity, in advance, because the "consensus" forecasters often work for Wall Street firms that have a vested interest in maintaining a "positive" investment environment.

Consider 1989, when I was arguing the U.S. was headed into a 1990 recession. A popular cable business channel had me on to make my case, along with one of the leading consensus economists of the day (a gentleman with a New York bank) to provide a counterpoint. The two of us talked before going on the air. I told him why I was looking at a recession. "I think that is the consensus," he agreed. Such was a shock to me, certainly no consensus of which I was aware.

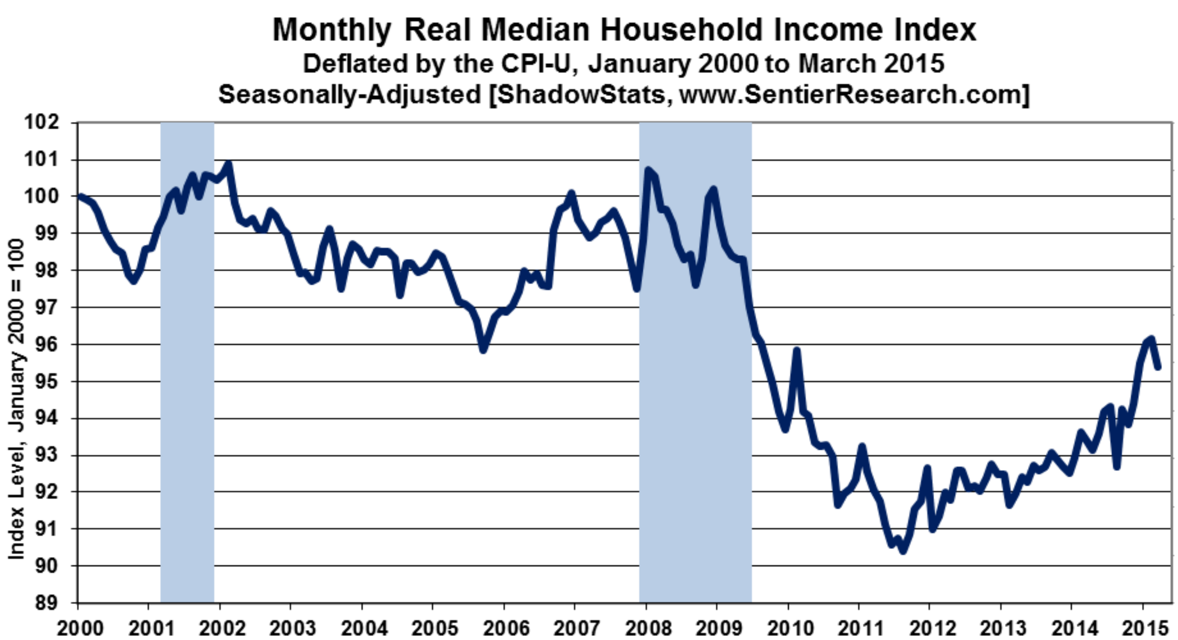
On the air, I made my case for a recession, and he argued for a booming economy in the year ahead. He was a good economist and fully knew what was happening, he just had to tell a certain story that his employer needed put before the public.

It is the deliberately Pollyannaish consensus that the BEA considers in setting its initial GDP estimate, and such may help to delay formal recognition of serious issues in headline economic reporting. It may delay an initial "negative" estimate for first-quarter 2015 GDP, but a delay much beyond that initial estimate is not likely.

Updating Consumer Liquidity—March 2015 Real Median Household Income Plunged. Fully discussed and detailed in *Commentary No. 711*, without real (inflation-adjusted) growth in household income and without the ability or willingness to take on meaningful new debt, the consumer simply has not had the wherewithal to fuel sustainable economic growth. Impaired consumer liquidity and its direct restraints on consumption have dominated the last eight-plus years of economic turmoil, driving the housing-market collapse and ongoing stagnation in consumer-related real estate and construction activity, as well as constraining retail sales activity and the related, personal-consumption-expenditures category of the GDP. Those sectors account for more than 70% of aggregate U.S. GDP activity.

Updating the detail in *No. 711*, the following graph shows the just-released real median household income series, as reported by www.SentierResearch.com, through March 2015 (a full update of consumer-liquidity issues and conditions will be posted in early-May). The income series has continued in low-level stagnation, remaining near its cycle low, despite some recent up-trending in month-to-month volatility. The recent relative "strength" was boosted temporarily by gasoline-price-driven , headline month-to-month contractions in CPI-U reporting, culminating in a headline monthly drop of 0.7% (-0.7%) in the January CPI, which more than accounted for the inflation-adjusted monthly increase in January 2015 real median income. Nominal income actually fell by 0.1% (-0.1%) in the January. With the CPI-U up by a headline 0.2% in February 2015, the monthly growth in the real income number for February flattened out.

A downturn resumed in March. With the headline CPI-U rising by another 0.2% in March 2015, the headline decline in real median household income (deflated by the CPI-U) was a statistically-significant monthly drop of 0.8% (-0.8%). Before inflation adjustment, the nominal reading for median household income still declined by 0.6% (-0.6%) month-to-month for March.



Today's Missive (April 24th). The balance of today's *Commentary* concentrates on the reporting detail related to nominal March new orders for durable goods and new- and existing-home sales.

The *Hyperinflation Outlook Summary* has not been revised from *No. 711*, but the *Week Ahead* section previews the pending initial reporting on first-quarter 2015 GDP, as discussed in the preceding opening paragraphs.

New Orders for Durable Goods—March 2015—Consecutive Quarterly Contractions in Durable Goods Orders Are Signaling Two Quarters of GDP Downturn, or a Formal Recession. Headline reporting for March 2015 new orders for durable goods—a series with broad leading relationships to industrial production and general economic activity—had increasingly-negative implications for the U.S. economy, for both first- and second-quarter 2015 GDP. New orders contracted on a quarterly basis for both fourth-quarter 2014 and first-quarter 2015, irrespective of considerations for aircraft orders and/or inflation adjustment, signaling two quarters of pending GDP downturn.

The headline gain of 4.0% in March 2015 nominal durable goods orders was fully accounted for by monthly surges in irregular orders for both nondefense (commercial) and defense aircraft, but the defense-aircraft orders rarely make that large a difference.

As usually assessed by ShadowStats, with the just the impact of commercial-aircraft orders removed, the March 2015 headline monthly increase of 4.0% slowed to 2.5%, following four straight months of month-to-month contractions, which set the stage for the back-to-back quarterly downturns in new orders. Net of inflation and ex-commercial aircraft orders, new orders for durable goods, rose at an annualized quarterly pace of 4.30% in third-quarter 2014, contracted at an annualized pace of 5.53% (-5.53%) in fourth-quarter 2014 and now have turned down at an annualized pace of 7.77% (-7.77%) in first-quarter 2015.

The ex-commercial aircraft number is the one to look at as an indicator of pending, broad economic activity, due to the extreme and irregular nature of the volume of aircraft orders, as well as the limited impact of those multi-year orders on near-term economic activity. Consider that including the commercial aircraft orders, real third-quarter total durable goods orders surged an annualized pace of 39.53%, fourth-quarter total durable goods tumbled at an annualized quarterly pace of 34.24% (-34.24%), and fell by 0.38% (-0.38%) in first-quarter 2015.

Activity in aggregate new orders for durable goods is irregularly volatile**,** usually due to the extreme and unstable patterns in those nondefense- or commercial-aircraft orders. Even so, related commercial-aircraft order swings in July and August 2014 (third quarter) reporting were the most-extreme events of recent years, up by 315.6%, and down by 74.0% (-74.0%), respectively. They were followed by a smaller commercial-aircraft order decline in September of 16.0% (-16.0%), a negligible order gain of 0.8% in October, a decline of 11.0% (-11.0%) in November, a revised December decline of 58.1% (-58.1%), a revised January 2015 monthly gain of 122.3%, a revised February decline of 2.2% (-2.2%) and today's headline monthly gain of 30.6% for March 2015.

Both before and after consideration of volatility in commercial-aircraft (and defense-aircraft) orders, headline March durable goods orders remained well within the normal reporting variations of this highly unstable series, consistent with a pattern of down-trending stagnation. The inflation-adjusted real series, and that same series corrected for understatement of the official inflation series, also are shown in the accompanying graphs. These series remain broadly stagnant with a developing downtrend of a nature that commonly precedes or coincides with a recession or a deepening business downturn.

Headline Nominal (Not-Adjusted-for-Inflation) March 2015 Reporting. The headline, regularly-volatile, seasonally-adjusted, nominal level of March 2015 new orders for durable goods rose month-to-month by 4.01%, following a revised decline of 1.43% (-1.43%) in February, and a revised gain of 1.93% in January. Net of prior-period revisions, aggregate new orders for March rose by 3.84% for the month, instead of the headline gain of 4.01%.

Year-to-year and seasonally-adjusted growth in March 2015 durable goods orders was 0.74%, versus a revised 0.46% gain in February 2015, and a revised annual gain of 4.58% in January 2015.

Detail Net of Volatility in Commercial-Aircraft Orders. The reporting of extreme contractions and surges in commercial-aircraft orders is seen commonly in an irregularly-repeating process throughout the year and 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.

Net of a headline monthly gain of 30.60% in March 2015 commercial-aircraft orders, aggregate orders rose by 2.49%. Net of a revised decline of 2.23% (-2.23%) in February 2015 commercial-aircraft orders, aggregate orders declined by 1.39% (-1.39%). Net of a revised gain of 122.29% in aircraft orders, aggregate orders fell by a revised 1.15% (-1.15%) in January 2015. Year-to-year and seasonally-adjusted, March orders (net of commercial aircraft) were up by 1.04%, versus a revised 1.42% gain in February 2015, and a revised 2.87% in January 2015.

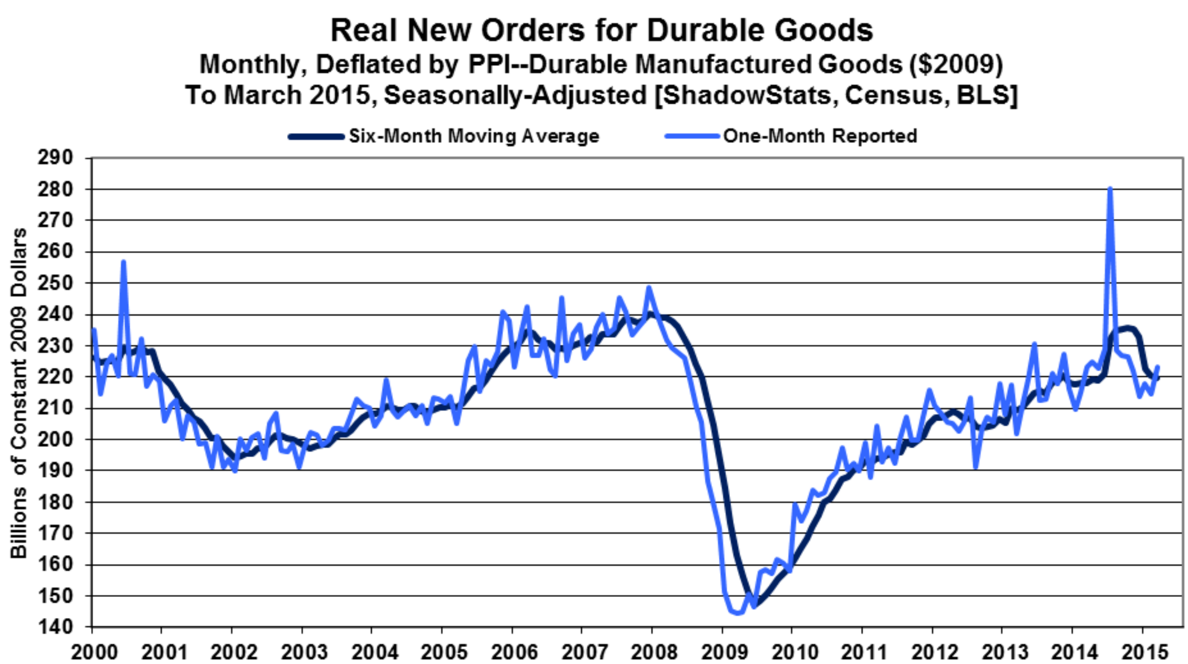
Real (Inflation-Adjusted) Durable Goods Orders—March 2015. ShadowStats uses the PPI aggregated inflation measure "Durable Manufactured Goods" for deflating the new orders for durable goods series. Published only on a not-seasonally-adjusted basis, the related PPI series reflected a headline 0.06% gain in the headline pace of inflation in March 2015. Prior to that, there had been three months of "unchanged" headline monthly inflation, through February 2015, with headline annual inflation at 0.72% in March 2015, 0.60% in February 2015, 0.72% in January 2015, and 1.09% in December 2014.

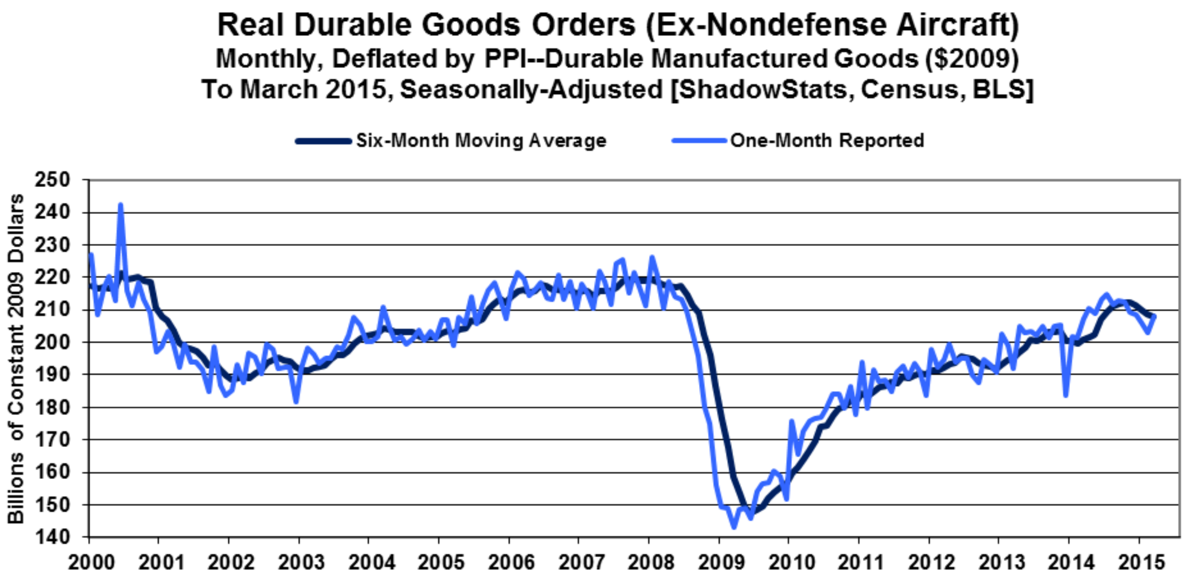
Adjusted for that 0.06% monthly inflation in March, and again as reflected in the accompanying graphs, real month-to-month aggregate orders rose by 3.95%, with February real orders down by 1.43% (-1.43%), and January real orders up by 1.93%. Ex-commercial aircraft, real orders rose month-to-month by 2.43% in March 2015, fell by a 1.39% (-1.39%) in February, and were down by a 1.15% (-1.15%) in January.

Real year-to-year aggregate orders rose by just 0.01% in March 2015, versus a revised annual decline of 0.14% (-0.14%) in February 2015, and a revised gain of 3.83% in January 2015. Ex-commercial aircraft, real orders rose year-to-year by 0.31% in March 2015, rose by a revised 0.82% in February 2015, and by a revised 2.14% in January 2015.

Graphs of Inflation-Adjusted and Smoothed Durable Goods Orders and the Corrected Series. The first two graphs following show new orders for durable goods, again, adjusted for inflation using the Producer Price Index (PPI) measure for "Durable Manufactured Goods." These graphs show monthly as well as a six-month moving-average of the activity level. The first graph shows the aggregate new orders series, including the extreme swings in commercial-aircraft orders in July and August 2014, with a return to some stability in September 2014, through February 2015, and an uptick in March. The second graph is the headline series, net of the unstable commercial-aircraft order sector. Accordingly, the ex-commercial aircraft plot is somewhat smoother than the first graph. Given the extreme surge in July 2014 aircraft orders, the six-month moving average in the aggregate series, or first graph, looked like an anaconda swallowing a cow, but that passed from the moving average with January 2015 reporting.

In terms of inflation-adjusted activity, both of these series have shown a slowing uptrend and flattening-out in the last two-to-three years—with a dip and upside bouncing into 2013, and renewed stagnation, feeding into the temporary July 2014 surge, with orders in general decline since third-quarter 2014, now with two consecutive quarterly contractions in place, both before and after any consideration for aircraft orders and/or inflation. Broadly, there has been a recent general pattern of down-trending stagnation or bottom-bouncing evident in the orders—clearly not the booming recovery that has been seen in official GDP reporting. The real (inflation-adjusted) monthly and six-month moving-average level of new orders in March 2015 was below the pre-2007 recession high, as well as below the pre-2000 recession high. The pattern of recent stagnation now having turned to a downtrend in the inflation-adjusted series—net of the irregular aircraft-order effects—is one that commonly precedes or is coincident with a recession.





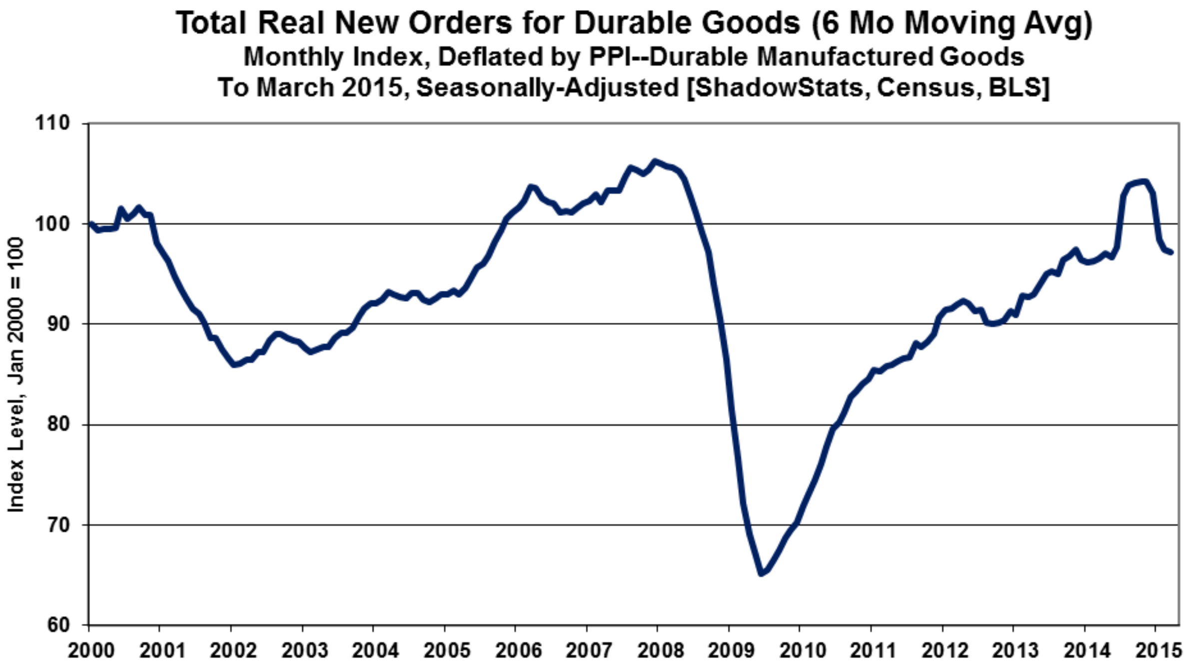
The Real Orders Series Corrected for Inflation Understatement. As with other economic series deflated by official government inflation measures, estimates of inflation-adjusted growth in new orders for durable goods are overstated, due to the understatement of the official inflation. That understatement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

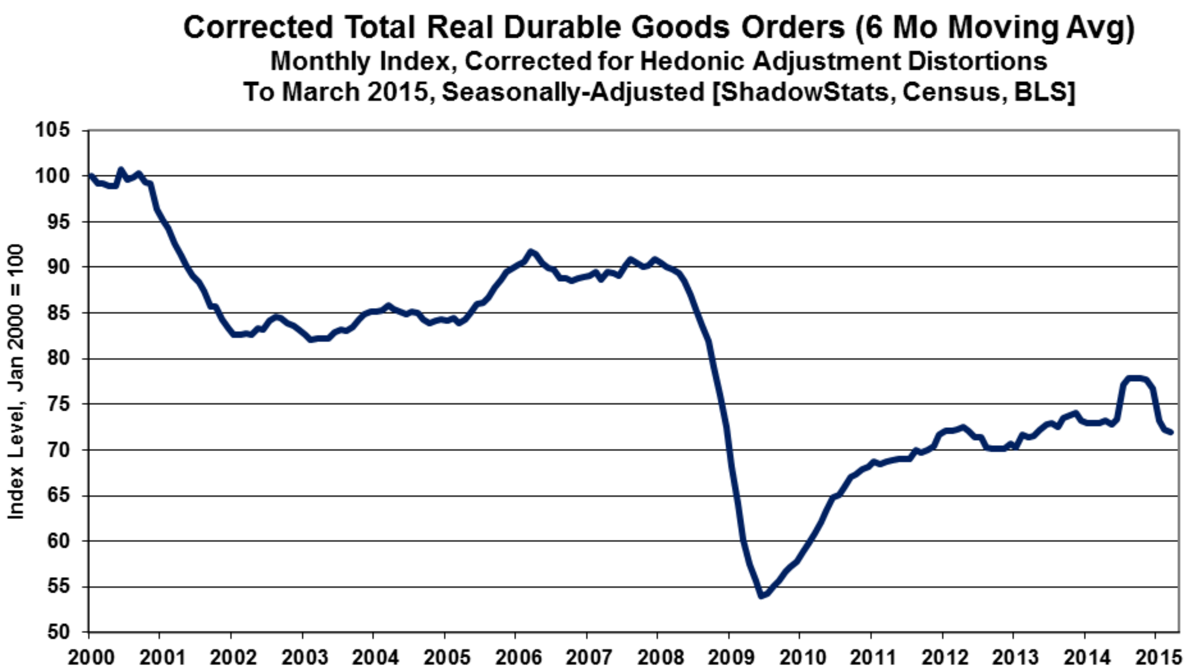
As has been done with other series such as the GDP, retail sales and industrial production, ShadowStats publishes an experimental corrected version of the inflation-adjusted graph of real new orders for durable goods, corrected for the understatement of the related headline PPI inflation.

The following two sets of graphs are first, for the aggregate series or total durable goods orders. The second set is for the ex-commercial aircraft series. The first plot in each series is the official six-month moving average, the same heavy dark-blue line shown in the earlier graphs along with the light-blue thin line of monthly detail. The second plot is the same series as re-deflated to correct for the estimated understatement of the PPI-related inflation measure used in the headline-deflation process. This set of graphs is indexed to January 2000=100.0.

The second graph in the second set, entitled "Corrected Real Orders—Ex Nondefense Aircraft," is perhaps the best indicator of broad underlying order activity in the durable goods sector, in the context of signaling actual, near-term production and economic activity.

The aggregate orders series—in the first set—includes 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.


Total Real New Orders for Durable Goods (6 Mo Moving Avg)
Monthly Index, Deflated by PPI--Durable Manufactured Goods
To March 2015, Seasonally-Adjusted [ShadowStats, Census, BLS]
Index Level, Jan 2000 = 100
110
100
90
80
70
60
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015


Corrected Total Real Durable Goods Orders (6 Mo Moving Avg)
Monthly Index, Corrected for Hedonic Adjustment Distortions
To March 2015, Seasonally-Adjusted [ShadowStats, Census, BLS]
Index Level, Jan 2000 = 100
105
100
95
90
85
80
75
70
65
60
55
50
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
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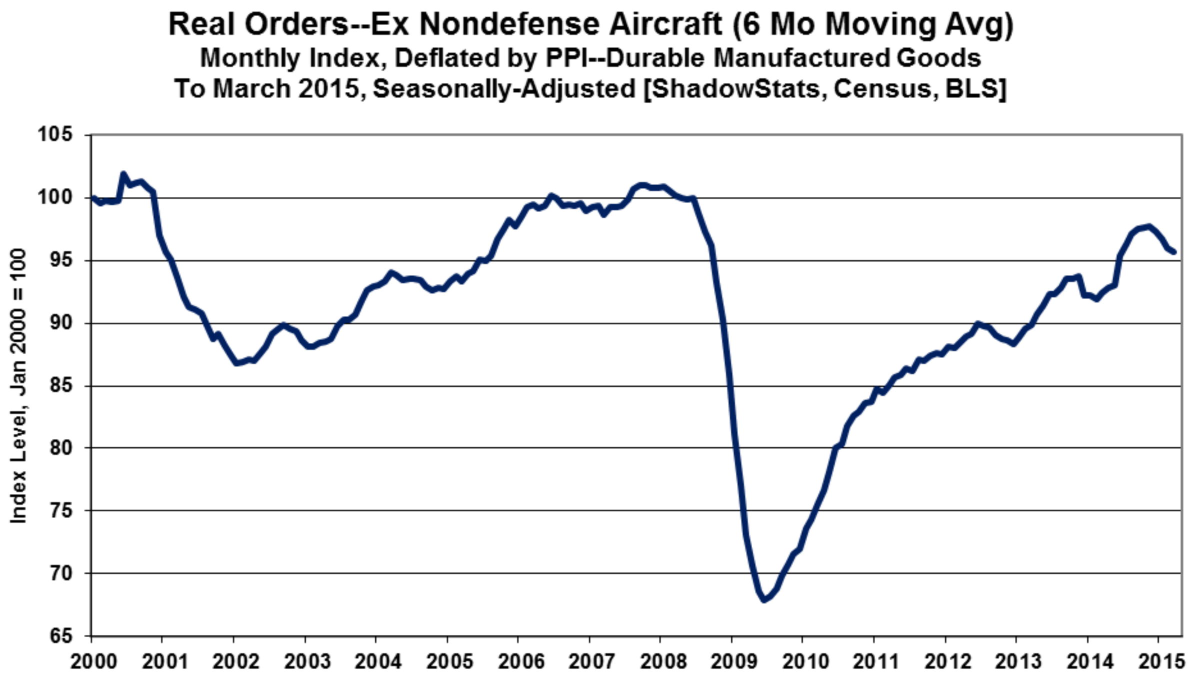
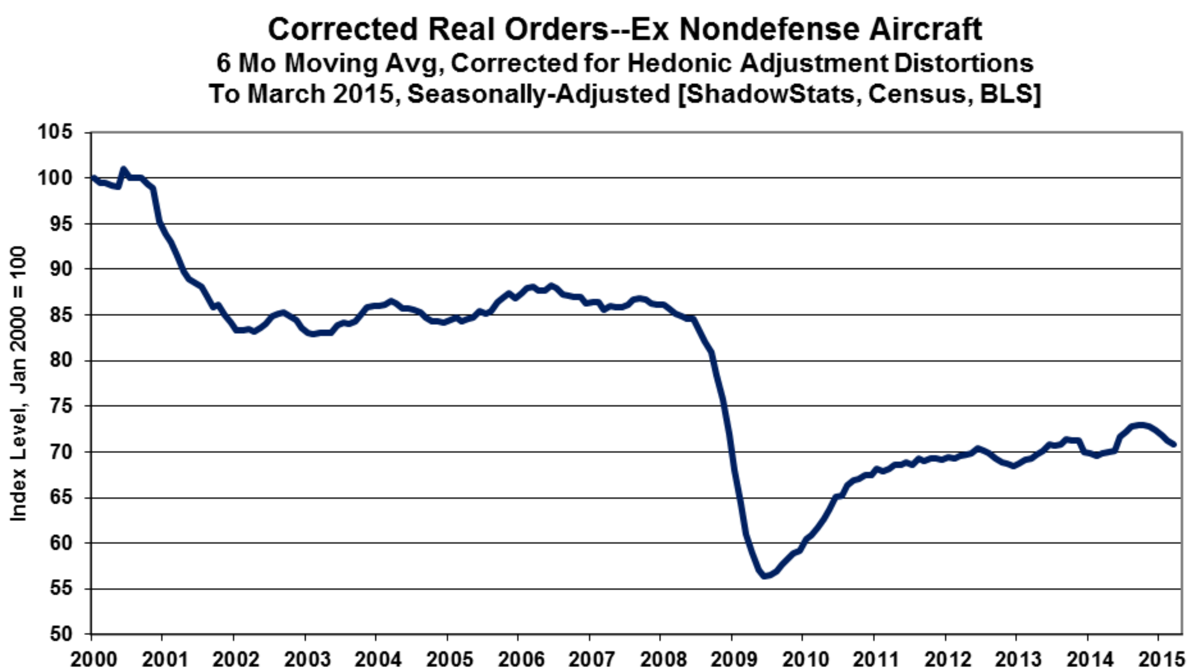
2012
2013
2014
2015





Home Sales—March 2015—Residential Real Estate Activity Continued in Unstable but Generally Negative-to-Stagnant Broad Patterns of Activity. Existing-home sales increased by a stronger-than-expected 6.1% month-to-month gain in March 2015 [consensus was for a 3.4% gain per Bloomberg], but the series remained in near-term downtrend, with a first-quarter 2015 quarterly contraction. March 2015 new-home sales fell by a worse-than-expected 11.4% (-11.4%) [Bloomberg consensus was for a decline of 3.9% (-3.9%)], but the highly unstable series continued a pattern of low-level, general stagnation in the six-month moving average, to the extent there was any meaning to the reporting.

Consumer Liquidity Woes Promise Continued Bleak Outlook for Housing Activity. Discussed along with the earlier update of March 2015 median household income in these *Opening Comments*, and as discussed and detailed in *Commentary No. 711*, the ongoing and underlying issue with residential real estate sales activity remains intense, structural-liquidity woes besetting the consumer. That circumstance—in the last seven-plus years of economic collapse and stagnation—has continued to prevent a normal recovery in broad U.S. economic activity. With no improvement in underlying consumer liquidity conditions, there has been no fundamental growth in liquidity to fuel increasing consumer activity, there has not been a basis here for a recovery in the housing market, past or present, and there is no basis for expecting a recovery in the housing market in the near future.

***New-Home Sales—March 2015*— Unstable Headline Reporting Continued to Suggest Low-Level Sales Stagnation.** Headline new-home sales reporting remained worthless. Although March 2015 sales fell by 11.4% (-11.4%) month-to-month, and rose by 19.4% year-to-year, neither of those headline numbers was statistically significant. The best that can be said for this otherwise meaningless monthly series is that the smoothed, six-month moving average continued to show a broad pattern of low-level general stagnation.

The ShadowStats approach with this unstable series is to consider the monthly gyrations in the context of a six-month moving average of headline activity. Such is graphed in the *Opening Comments*, along with the headline monthly detail for new-home sales and single-unit housing starts.

Graphed either way, the various housing series generally 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. Housing never recovered with the purported GDP recovery. Headline March 2015 new-home sales activity still was down by 65.3% (-65.3%) from the pre-recession peak of July 2005 for the series, while March 2015 single-unit housing starts were down by 66.0% (-66.0%) from the January 2006 high of that series.

Discussed along with updated median household income, and as detailed in *Commentary No. 711*, there has been no improvement in underlying consumer liquidity conditions. Correspondingly, there is no basis here for expecting an imminent recovery in the housing market.

Headline New-Home Sales. In the context of a small upside revision to February 2015, March 2015 headline new-home sales (counted based on contract signings, Census Bureau) fell by a statistically-insignificant 11.4% (-11.4%). That followed a revised monthly gain of 5.6% in February. Net of prior-period revisions, March 2015 sales fell by 10.8% (-10.8%), instead of the headline 11.4% (-11.4%). Year-to-year, March 2015 sales rose by a statistically-insignificant 19.4%, following a revised 25.7% annual gain in March 2015.

Existing-Home Sales—March 2015—Up for Second Month, Sales Still Contracted by 7.2% (-7.2%) in First-Quarter 2015. Headline March 2015 existing home sales rebounded for the month, but remained down for the quarter. Moving off an annualized quarter-to-quarter contraction of 18.8% (-18.8%) in first-quarter 2014, subsequent activity rebounded by 19.2% in an annualized second-quarter 2014 sales surge.

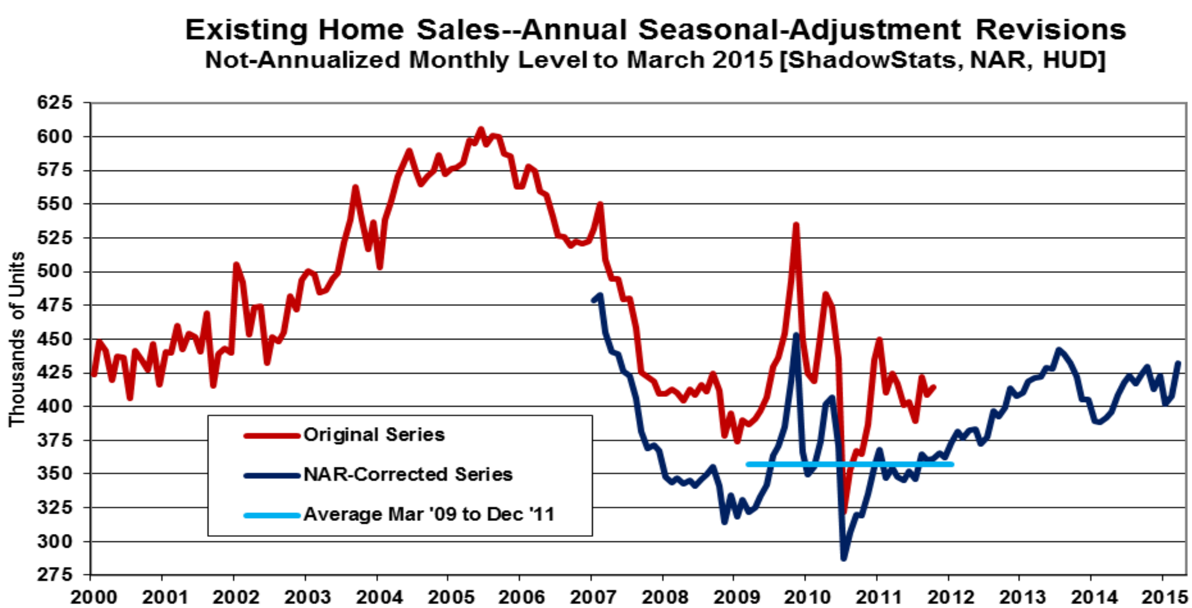
Growth since then has slowed markedly, returning to a contraction in first-quarter 2015 activity. Annualized third-quarter 2014 growth slowed to 14.7%, dropping to a minimal 0.3% annualized gain in fourth-quarter 2014 sales, and now contracting at an annualized pace of 7.2% (-7.2%) in first-quarter 2015 reporting of existing home sales.

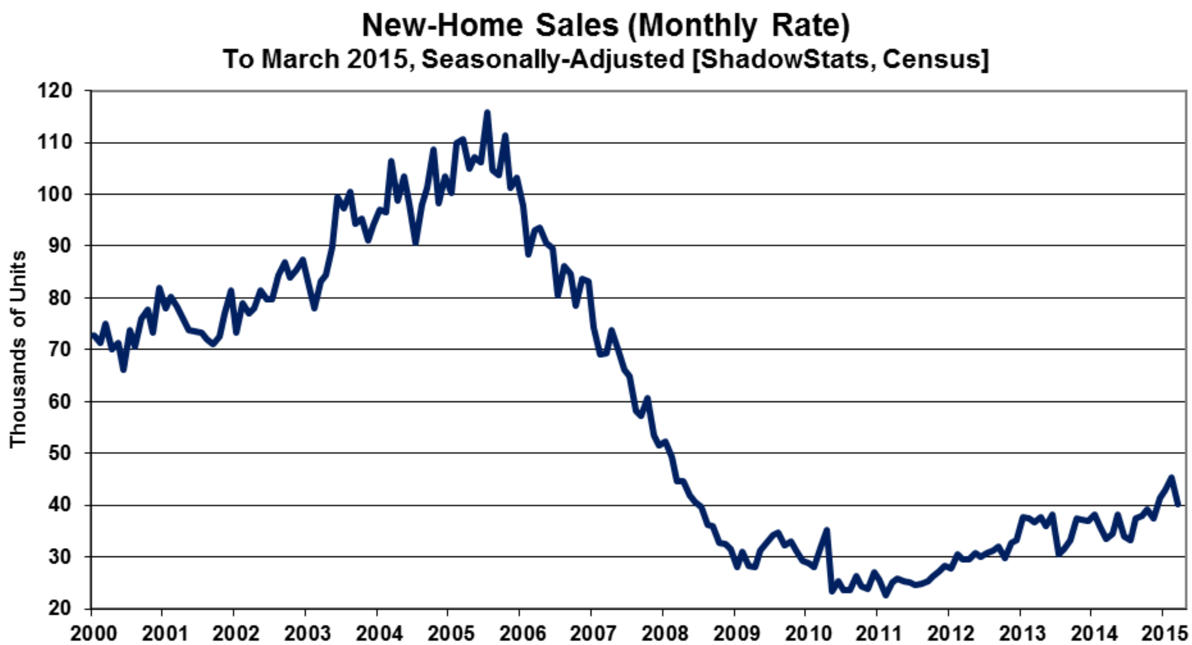
The March 2015 headline annualized sales pace of 5,190,000 (a monthly pace of 432,500) also remained below the June 2005 pre-recession peak in sales by a simple 28.6%.

Headline Existing Home Sales. March 2015 existing-home sales (counted based on actual closings, National Association of Realtors [NAR]) showed a seasonally-adjusted headline monthly gain of 6.1%, following an upwardly revised 1.5% monthly gain in February. The March headline gain was 6.4%, net of prior-period revisions. On a year-to-year basis, March 2015 sales increased by 10.4%, following revised annual gain of 4.9% in February 2015. The headline March sales data remained well within the regular scope of reporting for this series. Smoothed for irregular distortions, the series remained statistically consistent with a period of broad stagnation that recently had reflected a renewed downturn, as seen in the accompanying graph.

Portion of Sales in Foreclosure Notched Lower. The NAR estimated that the portion of total March 2015 sales in "distress" was at 10% (7% foreclosures, 3% short sales), versus the 11% (8% foreclosures, 3% short sales) that had held for the three months through February 2015, and down from 14% (10% foreclosures, 4% short sales) in March 2014. Reflecting continued lending problems, related banking-industry and consumer-solvency issues, and the ongoing influx of speculative investment money into the existing-housing market, the NAR estimated that all-cash sales in March 2015 represented 24% of total activity, versus 26% in February 2015 and 33% in March 2014.

New- and Existing-Home Sales Graphs. The regular graphs of existing- and new-home sales activity follow. In addition to the plot of March 2015 existing-home sales, for comparison purposes, graphs on both raw- and smoothed-data bases are included of March 2015 new-home sales, and of March 2015 housing starts for single-unit construction (from *Commentary No. 713*).




New-Home Sales (Monthly Rate)
To March 2015, Seasonally-Adjusted [ShadowStats, Census]
Thousands of Units
120
110
100
90
80
70
60
50
40
30
20
2000
2001
2002
2003
2004
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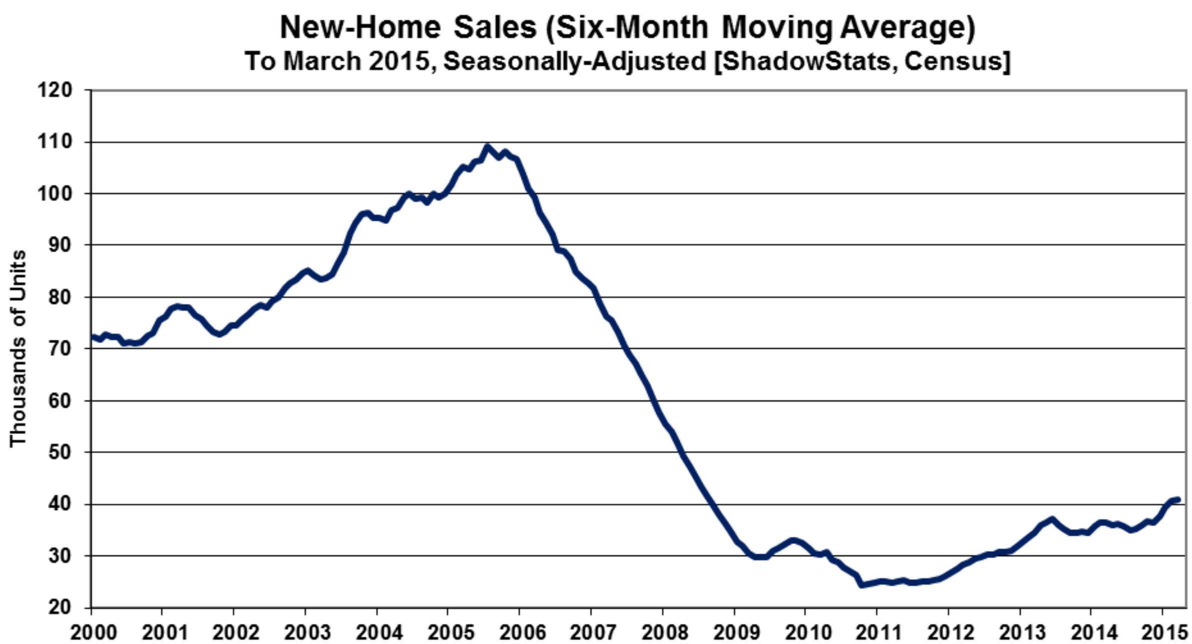
2011
2012
2013
2014
2015


New-Home Sales (Six-Month Moving Average)
To March 2015, Seasonally-Adjusted [ShadowStats, Census]
Thousands of Units
120
110
100
90
80
70
60
50
40
30
20
2000
2001
2002
2003
2004
2005
2006
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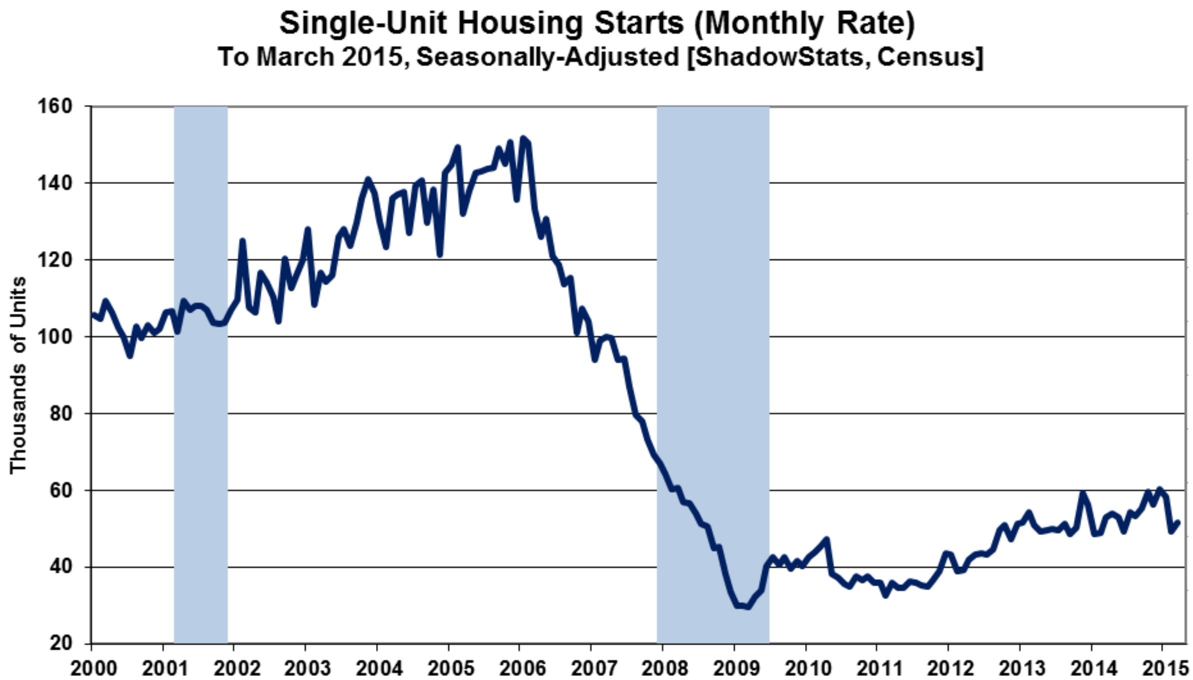

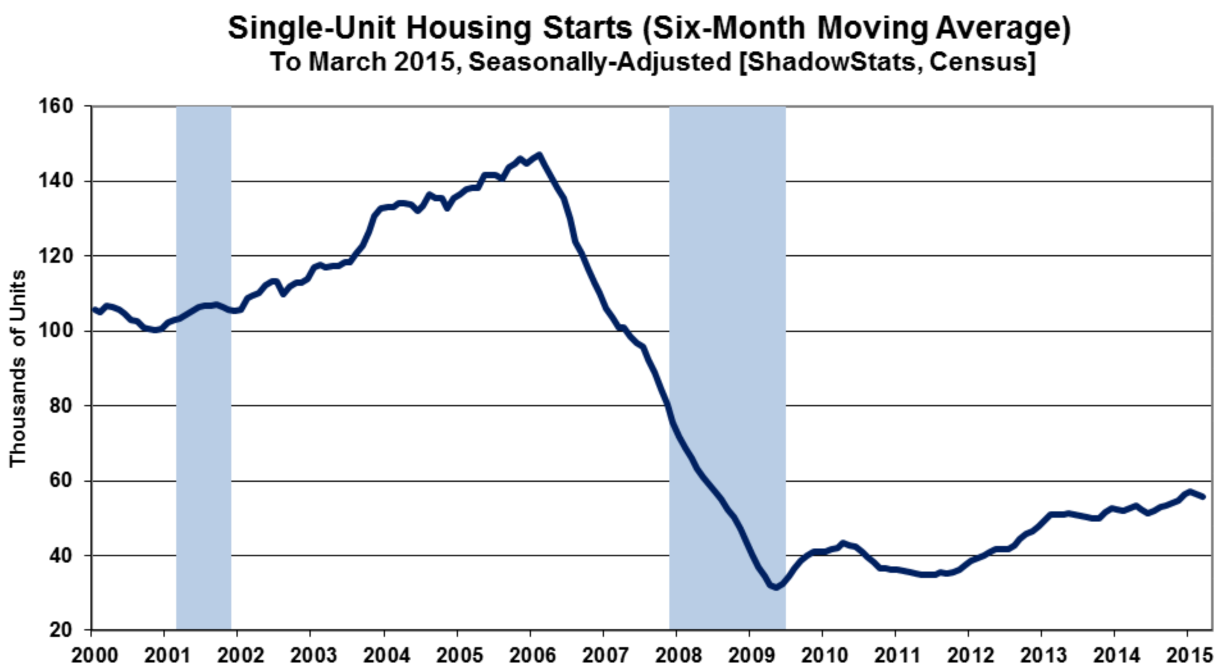

[Further detail on the March new orders for durable goods and new- and existing- home sales is found in the **Reporting Detail** *section.]*

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HYPERINFLATION WATCH

HYPERINFLATION OUTLOOK SUMMARY

General Outlook Is Unchanged; Intensifying Economic Weakness Has Begun to Impact Market Perceptions of Fed Policy and U.S. Dollar Strength. The *Hyperinflation Outlook Summary* has not been revised from *Commentary No. 711*, other than possibly for updated internal links or references.

No. 692 Special Commentary: 2015 - A World Out of Balance of February 2, 2015 updated the *Hyperinflation 2014* reports and the broad economic outlook. Previously, the long-standing hyperinflation and economic outlooks were updated with the publication of *2014 Hyperinflation Report—The End Game Begins* – *First Installment Revised*, on April 2, 2014, and publication of *2014 Hyperinflation Report—Great Economic Tumble* – *Second Installment*, on April 8, 2014. The outlooks also are updated regularly in the weekly *Commentaries*. The *Opening Comments* of *No. 692* should be considered in terms of recent circumstances and near-term, proximal triggers for massive dollar selling. The two *2014 Hyperinflation Report* installments, however, remain the primary background material for the hyperinflation and economic analyses and forecasts. One other reference should be considered here, in terms of underlying economic reality, and that is the *Public Commentary on Inflation Measurement*.

Primary Summary. Current fiscal conditions show the effective long-term insolvency of the U.S. government, a circumstance that usually would be met by unfettered monetization of the national debt and obligations, leading to an eventual hyperinflation. The 2008 Panic and near-collapse of the financial system, and official (U.S. government and Federal Reserve) response to same, pulled the elements of the eventual hyperinflation crisis at the end of this decade into the current period.

The primary and basic summary of the broad outlook and the story of how and why this fiscal, financial and economic crisis has unfolded and developed over the years—particularly in the last decade—is found in the *Opening Comments* and *Overview and Executive Summary* of that *First Installment Revised* (linked earlier). The following summarizes the underlying current circumstance and recent developments.

Relative U.S. economic strength, and the relative virtuousness of Fed monetary policy versus major U.S. trading partners have been over-estimated heavily by the global markets, and structural faults have started to appear in the foundation underpinning recent U.S. dollar strength (see *Commentary No. 711*). Consistent with the above referenced *Special Commentaries*, the unfolding, weakening domestic-economic circumstance, in confluence with other fundamental issues, has begun to raise doubts in the markets as to the sustainability of the purported U.S. economic recovery, and as to the imminence of meaningful monetary tightening by the U.S. Federal Reserve. As result, the U.S. dollar has backed off its recent highs, with some related upside pressure having been seen on oil prices.

Domestic economic data should continue to falter, increasingly moving market expectations towards an imminent new recession, not only further pummeling expectations for a significant tightening in Fed policy, but also renewing expectations for a more-accommodative Fed. While such may help to fuel further stock-market mania, any resulting rallies in equity prices likely will be more than offset in real terms, by percentage declines in the exchange-rate value of the U.S. dollar or in the eventual increases in headline consumer inflation.

Faltering expectations on more-conservative Federal Reserve policies and on the direction of domestic economic activity, should place mounting and eventually massive selling pressure on the U.S. dollar, as well as potentially resurrect elements of the Panic of 2008. Physical gold and silver, and holding assets outside the U.S. dollar, remain the ultimate primary hedges against an eventual total loss of U.S. dollar purchasing power. Initially, these circumstances should unwind the sharp and generally ongoing rally in the U.S. dollar's exchange rate since mid-2014, and broadly related selling pressures seen in the gold and silver markets.

A crash back to recognition of more-realistic domestic-economic circumstances appears to have begun, and it likely will be accompanied by a crash in the U.S. dollar versus major currencies, such as the Swiss franc, Canadian dollar and Australian dollar; related rallies in precious metals and oil. Further, a sharp deterioration in the near-term outlook for domestic and global political stability continues and is of meaningful near-term risk for providing further fuel to heavy selling of the dollar.

Current Economic Issues versus Underlying U.S. Dollar Fundamentals. U.S. economic activity is turning down anew, despite overstated growth in recent GDP reporting. GDP and other major economic series face heavy downside-benchmark revisions through the end of July. Weak, underlying economic reality has begun to surface in headline reporting and should become increasingly and painfully obvious to the financial markets in the headline detail and revisions of the weeks and months ahead, for series such as real retail sales, production, housing and construction, the trade deficit, payroll employment and increasingly the headline GDP.

As financial-market expectations shift towards renewed or deepening recession, that circumstance, in confluence with other fundamental issues, particularly deteriorating domestic political conditions, should intensify mounting and eventually massive selling pressures against the U.S. dollar, fully reversing the dollar's gains of the last nine months, pushing the dollar once again to historic lows. Again, the nascent currency crisis also has meaningful potential to resurrect elements of the Panic of 2008.

Unexpected economic weakness intensifies the known stresses on an already-impaired banking system, increasing the perceived need for expanded, not reduced, quantitative easing. The highly touted "tapering" by the FOMC ran its course. Future, more-constructive Fed behavior—purportedly moving towards normal monetary conditions in what had been an unfolding, purportedly near-perfect economic environment—was pre-conditioned by a continued flow of "happy" economic news. Suggestions that all was right again with world were nonsense. The Panic of 2008 never was resolved, and the Fed increasingly is finding that it has no easy escape from its quantitative easing (QE3), which continues. Only overt expansion of QE3 ceased; QE4 will become the near-term question.

Unexpected economic weakness—a renewed downturn—also savages prospective federal budget deficit prognostications (particularly the 10-year versions). It also throws off estimates of U.S. Treasury funding needs and estimates as to how long the Treasury effectively can dodge the limits of the recently reimposed debt ceiling. Current fiscal "good news" remains from cash-based, not GAAP-based and accounting projections and is heavily impacted by changes in business activity.

The economy has not recovered; the banking system is far from stable and solvent; and the Federal Reserve and the federal government still have no way out. Significant banking-system and other systemic (*i.e.* U.S. Treasury) liquidity needs will be provided, as needed, by the Fed, under the ongoing political cover of a weakening economy—a renewed, deepening contraction in business activity. The Fed has no choice. Systemic collapse is not an option for the Board of Governors. This circumstance simply does not have a happy solution.

Accordingly, any significant, renewed market speculation as to an added round of Federal Reserve quantitative easing, QE4, may become a major factor behind crashing the dollar and boosting the price of gold. The Fed has strung out its options for propping up the system as much as it thought it could, with continual, negative impact on the U.S. economy. The easings to date, however, appear to have been largely a prop to the increasingly unstable equity markets.

Again, in the event of a QE4, any resulting renewed boost to U.S. equities would be a fleeting illusion, at least in terms of real value (purchasing power of the dollar). Such gains would tend to be losses, in real terms, with the stocks valued in terms of Swiss francs, for example, or valued against what would become a rapidly-increasing pace of domestic U.S. inflation.

All these crises should combine against the U.S. dollar, likely in the very-near future, if they have not already begun to do so. That said, recent faux market perceptions of domestic economic, financial-system and monetary tranquility had boosted the U.S. dollar's strength significantly in global trading and contributed to savaging the prices of oil and in weakening the prices of precious metals. That process appears to have begun to reverse.

Strength in the U.S. dollar should continue to reverse sharply, in the context of underlying reality outlined here and in the sections that follow. The actual fundamental problems threatening the U.S. dollar could not be worse. The broad outlook has not changed; it is just a matter of market perceptions shifting anew, against the U.S. currency. That process may have started with the shift in Swiss National Bank policy early in the year, but it has become dominated by increasingly-negative global perceptions of stability in U.S. economic activity and Federal Reserve monetary policy. Key issues include, but are not limited to:

- ***A severely damaged U.S. economy, which never recovered post-2008, is turning down anew, with no potential for recovery in the near-term.*** The circumstance includes a renewed widening in the trade deficit, as well as ongoing severe, structural-liquidity constraints on the consumer, which are preventing a normal economic rebound in the traditional, personal-consumption-driven U.S. economy (see *Commentary No. 711*). Sharply-negative economic reporting shocks, versus softening consensus forecasts, still remain a heavily-favored, proximal trigger for the intensifying the unfolding dollar debacle.

- ***U.S. government unwillingness to address its long-term solvency issues.*** Those controlling the U.S. government have demonstrated not only a lack of willingness to address long-term U.S. solvency issues, but also the current political impossibility of doing so. The shift in control of Congress did not alter the systemic unwillingness to address underlying fundamental issues, specifically to bring the GAAP-based deficit into balance. Any current fiscal "good news" comes from cash-based, not GAAP-based accounting projections. The GAAP-based version continues to run around $5 trillion for the annual shortfall, while many in Washington look to continue increasing spending and to take on new, unfunded liabilities. The history and issues here are explored in the first installment of the *Hyperinflation Report*, as previously linked; the initial fiscal-2014 details were discussed in *Commentary No. 672*, and the official GAAP-based financial statements for 2014 will be discussed fully, soon (see *Commentary No. 702*). This circumstance now is operating in the context of the formal constraint of a renewed debt ceiling.

- ***Monetary malfeasance by the Federal Reserve, as seen in central bank efforts to provide liquidity to a troubled banking system, and also to the U.S. Treasury.*** Despite the end of the Federal Reserve's formal asset purchases, the U.S. central bank monetized 78% of the U.S. Treasury's fiscal-2014 cash-based deficit (see *Commentary No. 672*). The quantitative easing QE3 asset purchase program effectively monetized 66% of the total net issuance of federal debt to be held by the public during the productive life of the program (beginning with the January 2013 expansion of QE3). The monetization process was completed with the Federal Reserve refunding the interest income it earned on the Treasury securities to the U.S. Treasury. With highly tenuous liquidity conditions for the banking system and the Treasury, it would not be surprising in this period of increasing instability to see covert Federal Reserve activities masked in the purchases of Treasury debt by nations or other entities financially friendly to or dependent upon the United States. Renewed expansion to quantitative easing remains likely, given ongoing banking-system stresses, vulnerable stock markets and weakening, actual U.S. economic activity. As has been commonplace, the Fed likely would seek political cover for new or expanded systemic accommodation in any "renewed" economic distress.

- ***Mounting domestic and global crises of confidence in a dysfunctional U.S. government.*** The positive rating by the public of the U.S. President tends to be an indicative measure of this circumstance, usually with a meaningful correlation with the foreign-exchange-rate strength of the U.S. dollar. The weaker the rating, the weaker tends to be the U.S. dollar. The positive rating for the President is off its historic low, but still at levels that traditionally are traumatic for the dollar. Chances of a meaningful shift towards constructive cooperation between the White House and the new Congress, in addressing fundamental issues are nil. Issues such as non-recovered, faltering economic activity and the consumer liquidity crisis, and addressing the nation's long-range solvency issues should continue to devolve, into extreme political crisis.

- ***Mounting global political pressures contrary to U.S. interests.*** Downside pressures on the U.S. currency generally are mounting, or sitting in place, in the context of global political and military developments contrary to U.S. strategic, financial and economic interests. Current conditions include the ongoing situation versus Russia and extraordinarily-volatile circumstances in the Middle East. U.S. response to Russian activity in the Ukrainian situation likely was behind part of the recent strength in the U.S. dollar and related weakness in oil prices, with U.S. actions aimed at causing financial distress for Russia. These situations have yet to run their full courses, and they have the potential for rapid and massive negative impact on the financial and currency markets.

- ***Spreading global efforts to dislodge the U.S. dollar from its primary reserve-currency status.*** Active efforts or comments against the U.S. dollar continue to expand. In particular, anti-dollar rhetoric and actions have been seen with Russia, China, France, India and Iran, along with some regular rumblings in OPEC and elsewhere. Temporary, recent dollar strength may have bought

> some time versus those who have to hold dollars for various reasons. Nonetheless, developing short-term instabilities and a quick reversal in the dollar's strength should intensify the "dump-the-dollar" rhetoric rapidly.

When the selling pressure breaks massively against the U.S. currency, the renewed and intensifying weakness in the dollar will place upside pressure on oil prices and other commodities, boosting domestic inflation and inflation fears. Domestic willingness to hold U.S. dollars will tend to move in parallel with global willingness, or lack of willingness, to do the same. These circumstances will trigger the early stages of a hyperinflation, likely in the year ahead.

Both the renewed dollar weakness and the resulting inflation spike should boost the prices of gold and silver, where physical holding of those key precious metals remains the ultimate hedge against the pending inflation and financial crises. Investors need to preserve the purchasing power and liquidity of their wealth and assets during the hyperinflation crisis ahead. Again, see Chapter 10, *2014 Hyperinflation Report—Great Economic Tumble* for detailed discussion on approaches to handing the hyperinflation crisis and *No. 692 Special Commentary: 2015 - A World Out of Balance*, for other factors afoot in the current environment.

REPORTING DETAIL

NEW ORDERS FOR DURABLE GOODS (March 2015)

Consecutive Quarterly Contractions in Durable Goods Orders Have Signaled Two Quarters of GDP Downturn, or a Formal Recession. The headline reporting for March 2015 new orders for durable goods, a series with broad leading relationships to industrial production and general economic activity, had increasingly-negative implications for the U.S. economy, for both first- and second-quarter 2015 GDP, with new orders contracting on a quarterly basis for both fourth-quarter 2014 and first-quarter 2015, irrespective of considerations for aircraft orders and/or inflation adjustment.

The headline gain of 4.0% in March 2015 nominal durable goods orders was fully accounted for by surges in irregular orders for both nondefense (commercial) and defense aircraft, but the defense-aircraft orders rarely make that large a difference.

As usually assessed by ShadowStats, with the just the impact of commercial-aircraft orders removed, the March 2015 headline monthly increase of 4.0% slowed to 2.5%, following four straight months of month-to-month contractions, which set the stage for the back-to-back quarterly downturns in new orders. Net of inflation and ex-commercial aircraft orders, new orders for durable goods, rose at an annualized quarterly pace of 4.30% in third-quarter 2014, contracted at an annualized pace of 5.53% (-5.53%) in fourth-quarter 2014 and now have turned down at an annualized pace of 7.77% (-7.77%) in first-quarter 2015.

The ex-commercial aircraft number is the one to look at as an indicator of pending, broad economic activity, due to the extreme and irregular nature of the volume of aircraft orders, as well as the limited impact of those multi-year orders on near-term economic activity. Consider that including the commercial aircraft orders, real third-quarter total durable goods orders surged an annualized pace of 39.53%, fourth-quarter total durable goods tumbled at an annualized quarterly pace of 34.24% (-34.24%), and fell by 0.38% (-0.38%) in first-quarter 2015.

Activity in aggregate new orders for durable goods is irregularly volatile**,** usually due to the extreme and unstable patterns in nondefense- or commercial-aircraft orders. Even so, related commercial-aircraft order swings in July and August 2014 (third quarter) reporting were the most-extreme events of recent years, up by 315.6%, and down by 74.0% (-74.0%), respectively. They were followed by a smaller commercial-aircraft order decline in September of 16.0% (-16.0%), a negligible order gain of 0.8% in October, a decline of 11.0% (-11.0%) in November, a revised December decline of 58.1% (-58.1%), a revised January 2015 monthly gain of 122.3%, a revised February decline of 2.2% (-2.2%) and today's headline monthly gain of 30.6% for March 2015.

Both before and after consideration of volatility in commercial-aircraft (and defense-aircraft) orders, headline March durable goods orders remained well within the normal reporting variations of this highly unstable series, consistent with a pattern of down-trending stagnation. The inflation-adjusted real series, and that same series corrected for understatement of the official inflation series, also are discussed and graphed in the *Opening Comments* section. They remain broadly stagnant with a developing downtrend of a nature that commonly precedes or coincides with a recession or a deepening business downturn.

Headline Nominal (Not-Adjusted-for-Inflation) March 2015 Reporting. The Census Bureau reported today, April 24th, that the regularly-volatile, seasonally-adjusted, nominal level of March 2015 new orders for durable goods rose month-to-month by 4.01%, following a revised decline of 1.43% (-1.43%) [previously down by 1.35% (-1.35%)] in February, and a revised gain of 1.93% [previously up by 2.02%, initially up by 2.83%] in January. Net of prior-period revisions, aggregate new orders for March rose by 3.84% for the month, instead of the headline gain of 4.01%.

Year-to-year and seasonally-adjusted growth in March 2015 durable goods orders was 0.74%, versus a revised 0.46% [previously 0.62%] gain in February 2015, and a revised annual gain of 4.58% [previously up by 4.67%, initially up by 5.42%] in January 2015.

Detail Net of Volatility in Commercial-Aircraft Orders. The reporting of extreme contractions and surges in commercial-aircraft orders is seen commonly in an irregularly-repeating process throughout the year and 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.

Net of a headline monthly gain of 30.60% in March 2015 commercial-aircraft orders, aggregate orders rose by 2.49%. Net of a revised decline of 2.23% (-2.23%) [previously down by 8.80% (-8.80%)] in February 2015 commercial-aircraft orders, aggregate orders declined by 1.39% (-1.39%) [previously down by 0.92% (-0.92%)]. Net of a revised gain of 122.29% [previously up by 122.24%, initially up by

128.50%] in aircraft orders, aggregate orders fell by a revised 1.15% (-1.15%) [previously down by 1.06% (-1.06%), initially down by 0.38% (-0.38%)] in January 2015. Year-to-year and seasonally-adjusted, March orders (net of commercial aircraft) were up by 1.04%, versus a revised 1.42% gain in February 2015, and a revised 2.87% in January 2015.

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 are brought into balance, temporarily, with an annual benchmark revision to durable goods orders—last seen on May 15, 2014—subsequent reporting already has made all historical reporting prior to December 2014 inconsistent with the current headline numbers. The next benchmark, scheduled for May 14, 2015, will be a major one, updating and recasting historical new orders activity back to January 1997.

Real (Inflation-Adjusted) Durable Goods Orders—March 2015. ShadowStats uses the PPI aggregated inflation measure "Durable Manufactured Goods" for deflating the new orders for durable goods series. Published only on a not-seasonally-adjusted basis, the related PPI series reflected a headline 0.06% gain in the headline pace of inflation in March 2015. Prior to that, there had been three months of "unchanged" headline monthly inflation, through February 2015, with headline annual inflation at 0.72% in March 2015, 0.60% in February 2015, 0.72% in January 2015, and 1.09% in December 2014.

Adjusted for that 0.06% monthly inflation in March, and again as reflected in the graphs of the *Opening Comments* section, real month-to-month aggregate orders rose by 3.95%, with February real orders down by 1.43% (-1.43%), and January real orders up by 1.93%. Ex-commercial aircraft, real orders rose month-to-month by 2.43% in March 2015, fell by a 1.39% (-1.39%) in February, and were down by a 1.15% (-1.15%) in January.

Real year-to-year aggregate orders rose by just 0.01% in March 2015, versus a revised annual decline of 0.14% (-0.14%) in February 2015, and a revised gain of 3.83% in January 2015. Ex-commercial aircraft, real orders rose year-to-year by 0.31% in March 2015, rose by a revised 0.82% in February 2015, and by a revised 2.14% in January 2015.

Graphs of Inflation-Adjusted and "Corrected" Smoothed Durable Goods Orders. Three sets of inflation-adjusted graphs are displayed in the *Opening Comments* section. The first set shows the monthly as well as a six-month moving-average activity for both the aggregate new orders series and the series net of the unstable commercial-aircraft order sector. The moving-average levels in both series had been holding in a pattern of near-stagnation, with some recent downturn prior to the extreme movements in July and August of 2014. Please note that due to the extreme July 2014 number, the six-month moving average for the aggregate series had been showing a large upside bump, which recently worked its way out of the system. Orders generally have been in decline in recent months

The second and third sets of graphs in the *Opening Comments* section show the patterns of historical real new durable goods orders net of official inflation, as well as those patterns "corrected" for the understatement of that inflation (overstatement of official, inflation-adjusted growth), for the aggregate series and net of commercial aircraft orders.

NEW-HOME SALES (March 2015)

Unstable Headline Reporting Continued to Suggest Low-Level Sales Stagnation. Headline new-home sales reporting remained worthless. Although March 2015 sales fell by 11.4% (-11.4%) month-to-month, and rose by 19.4% year-to-year, neither of those headline numbers was statistically significant. The best that can be said for this otherwise meaningless monthly series is that the smoothed, six-month moving average continued to show a broad pattern of low-level general stagnation.

The ShadowStats approach with this unstable series is to consider the monthly gyrations in the context of a six-month moving average of headline activity. Such is graphed in the *Opening Comments*, along with the headline monthly detail for new-home sales and single-unit housing starts.

Graphed either way, the various housing series generally 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. Housing never recovered with the purported GDP recovery. Headline March 2015 new-home sales activity still was down by 65.3% (-65.3%) from the pre-recession peak of July 2005 for the series, while March 2015 single-unit housing starts were down by 66.0% (-66.0%) from the January 2006 high of that series.

Discussed along with updated median household income and the housing graphs in the *Opening Comments*, and as detailed in *Commentary No. 711*, there has been no improvement in underlying consumer liquidity conditions. Correspondingly, with no fundamental growth in liquidity to fuel increasing consumer activity, there is no basis here for expecting an imminent recovery in the housing market.

Headline March 2015 Reporting. As reported by the Census Bureau on April 23rd, in the context of a small upside revision to February 2015, March 2015 headline new-home sales (counted based on contract signings) fell by a statistically-insignificant 11.4% (-11.4%) +/- 21.8% (all confidence intervals are at the 95% confidence level). That followed a revised monthly gain of 5.6% [previously up by 7.8%] in February. Net of prior-period revisions, March 2015 sales fell by 10.8% (-10.8%), instead of the headline decline of 11.4% (-11.4%).

Year-to-year, March 2015 sales rose by a statistically-insignificant 19.4% +/- 25.5%, following a revised 25.7% (previously 24.8%) annual gain in March 2015.

New-Home Sales Graphs. The regular monthly graph of new-home sales activity is included in the *Opening Comments* section, along with a six-month moving average version of those sales. The raw and six-month moving-average version of March 2015 housing starts for single-unit construction (*Commentary No. 713*), and March 2015 existing-home sales, also are included for comparison.

EXISTING-HOME SALES (March 2015)

Existing Home Rose for Second Month but Still Contracted by 7.2% (-7.2%) for the Quarter. Headline March 2015 existing home sales rebounded for the month, but remained down for the quarter. Moving off an annualized quarter-to-quarter contraction of 18.8% (-18.8%) in first-quarter 2014, subsequent activity rebounded by 19.2% in an annualized second-quarter 2014 sales surge. Growth since then has slowed markedly, returning to a contraction in first-quarter 2015 activity. Annualized third-quarter 2014 growth slowed to 14.7%, dropping to a minimal 0.3% annualized gain in fourth-quarter 2014 sales, and now contracting at an annualized pace of 7.2% (-7.2%) in first-quarter 2015 reporting of existing home sales.

The March 2015 headline annualized sales pace of 5,190,000 (a monthly pace of 432,500) also remained below the June 2005 pre-recession peak in sales by a simple 28.6%.

Headline Detail for March Existing-Home Sales. The April 22nd release of March 2015 existing-home sales (counted based on actual closings, National Association of Realtors [NAR]) showed a seasonally-adjusted headline monthly gain of 6.1%, following a revised 1.5% [previously 1.2%] monthly gain in February. The March headline gain was 6.4%, net of prior-period revisions.

On a year-to-year basis, March 2015 sales increased by 10.4%, following revised annual gain of 4.9% [previously 4.7%] in February 2015.

The headline March sales data remained well within the regular scope of reporting for this series. Smoothed for irregular distortions, the series remained statistically consistent with a period of broad stagnation that recently had reflected a renewed downturn, as seen in the graph displayed in the *Opening Comments*. The quality of data for this series also remains highly questionable.

Portion of Sales in Foreclosure Notched Lower. The NAR estimated that the portion of total March 2015 sales in "distress" was at 10% (7% foreclosures, 3% short sales), versus the 11% (8% foreclosures, 3% short sales) that had held for the three months through February 2015, and down from 14% (10% foreclosures, 4% short sales) in March 2014. Reflecting continued lending problems, related banking-industry and consumer-solvency issues, and the ongoing influx of speculative investment money into the existing-housing market, the NAR estimated that all-cash sales in March 2015 represented 24% of total activity, versus 26% in February 2015 and 33% in March 2014.

Bleak Outlook Continues for Home Sales, Based on Impaired Consumer Liquidity Conditions. Discussed along with updated median household income and the housing graphs in the *Opening Comments*, and as discussed and detailed in *Commentary No. 711*, there has been no improvement in underlying consumer liquidity conditions. Correspondingly, with no fundamental growth in liquidity to fuel increasing consumer activity, there has not been a basis here for a recovery in the housing market, past or present, and there is no basis for expecting a recovery in the housing market in the near future.

Existing-Home Sales Graph. The regular monthly graph of existing-home sales activity is included in the *Opening Comments* section. For comparison purposes, graphs on both raw- and smoothed-data bases are included of March 2015 new-home sales (see the prior section) and March 2015 housing starts for single-unit construction (from *Commentary No. 713*).

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WEEK AHEAD

Headline Reporting and Revisions Should Trend Much Weaker versus a Still Overly-Optimistic Economic Consensus; Inflation Will Rise Anew, Following the Bottoming of Oil-Prices. Shifting more to the downside, amidst increasingly-negative fluctuations in the numbers, market expectations for business activity have been, and still remain, overly optimistic. They still exceed any potential, underlying economic reality, even though downside corrective revisions and an accelerating pace of downturn in broad-based, monthly headline economic reporting already have begun to hammer those expectations. Recent GDP excesses will not face downside revisions until the July 30, 2015 GDP benchmark revision, but expectations for headline growth estimates of first- and second-quarter 2015 increasing should shift quickly to the downside, into negative territory (see *Commentary No. 711*).

Headline CPI-U consumer inflation—recently driven lower by collapsing prices for gasoline and other oil-price related commodities—likely is close to its near-term, year-to-year low, having shown monthly declines in annual inflation of less than a full 0.1% (-0.1%) in the three months through March 2015. Significant upside inflation pressures should resume as oil prices rebound, a process that already may be underway, tentatively, and one that would accelerate rapidly with the eventual sharp downturn in the exchange-rate value of the U.S. dollar. These areas, the general economic outlook and longer range reporting trends are reviewed broadly in *No. 692 Special Commentary: 2015 - A World Out of Balance*.

A Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. Beyond gimmicked changes to reporting methodologies of the last several decades, ongoing headline reporting issues are tied largely to systemic distortions of seasonal adjustments. Data instabilities were induced partially by the still-evolving economic turmoil of the last eight years, which has 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, when concurrent seasonal adjustments are used (as with retail sales, durable goods orders, employment, and unemployment data, see the prior labor data related *Commentary No. 695*). Combined with recent allegations of Census Bureau falsification of data in its monthly Current Population Survey (the source for the Bureau of Labor Statistics' 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*).

PENDING RELEASE:

Gross Domestic Product—GDP (First-Quarter 2015, First or "Advance" Estimate). The Bureau of Economic Analysis (BEA) will publish its first estimate of first-quarter 2015 GDP on Wednesday, April 29th. Discussed in the *Opening Comments* (also see *Commentary No. 713*), first-quarter 2015 GDP most likely contracted sharply, quarter-to-quarter, both before inflation- (nominal) and after inflation-adjustment (real). Yet, with the consensus outlook still holding on the upside of 1.0% [*MarketWatch* indicates a consensus of 1.2%] annualized quarterly growth, the BEA well may keep the "advance" growth estimate for the first-quarter at minimally above zero. The BEA did that with last-year's "advance" estimate for first-quarter 2014 GDP, which turned negative with the first revision, after the BEA effectively so signaled the consensus and the markets with its initial below-consensus (but not negative) estimate.

As usually is the circumstance with the first reporting of GDP for a given quarter, initial estimates of the broader GNP measure, and the theoretical income-side GDI equivalent of the GDP will not be published for another month (May 29th), due to the lack of availability of meaningful underlying detail. Lack of good data also is a serious issue for the headline "advance" GDP, which does get published. GDP is a component of the broader Gross National Product (GNP) measure, which includes the trade balance in factor income (interest and dividend payments). GDP also is the consumption-side equivalent of the income-side estimate of economic activity, Gross Domestic Income (GDI).

