

## Economics Group

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### Recent Volatility in LEI Reflects Temporary Spike in Claims

*After a drop in November, the Leading Economic Index (LEI) increased 0.5 percent in December. Jobless claims, which had been the biggest drag in the prior month turned out to be the largest boost in December.*

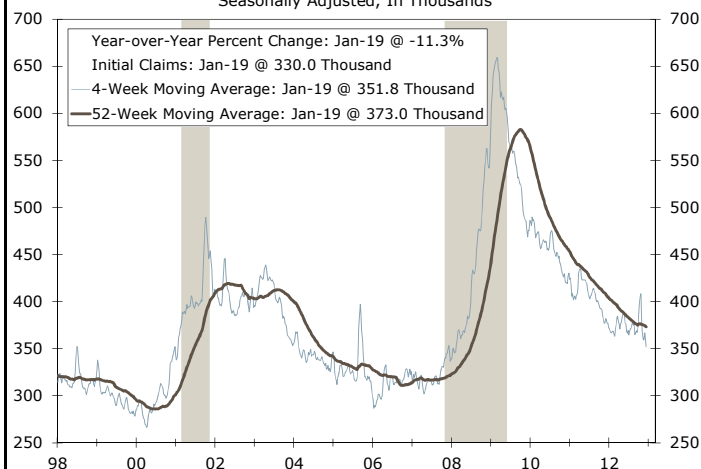
#### Unemployment Lines Are Getting Shorter

- In last month's report, we suggested the spike in the number of people filing claims for unemployment insurance in the second week in November would prove temporary. We were relieved to see claims fall to multi-year lows in subsequent weeks.
- For LEI, this bouncing around in the jobless claims figure means the November reading was dragged lower and today's "strong" report for December may be somewhat overstated.

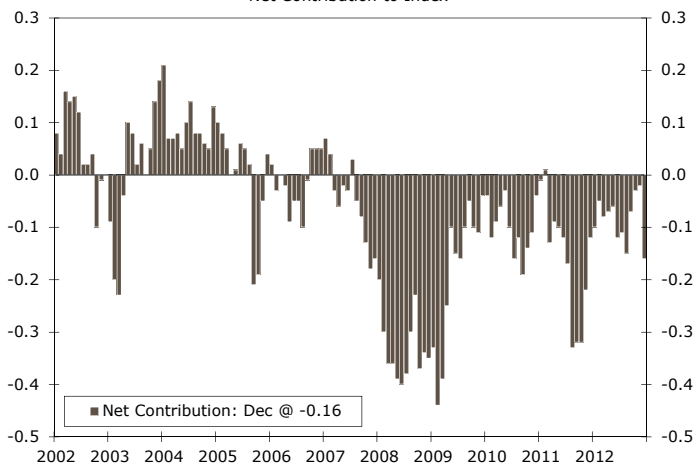
#### Still Not Out of the Woods

- While the trend in LEI is still slightly positive, a number of components remain weak. A general lack of confidence among consumers has been a drag on the index for the better part of the past four years. Consumer goods orders as well as manufacturers' orders have also been weak.
- The coincident-to-lagging ratio has weakened on trend in the past six months raising doubts about the pace of future growth.

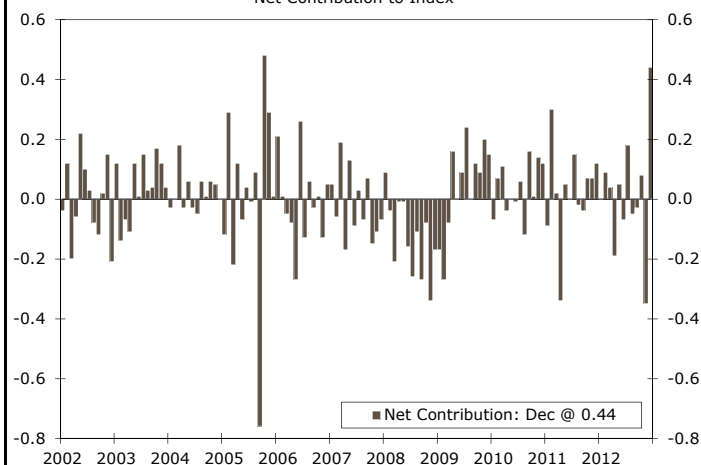
Initial Claims for Unemployment  
Seasonally Adjusted, In Thousands



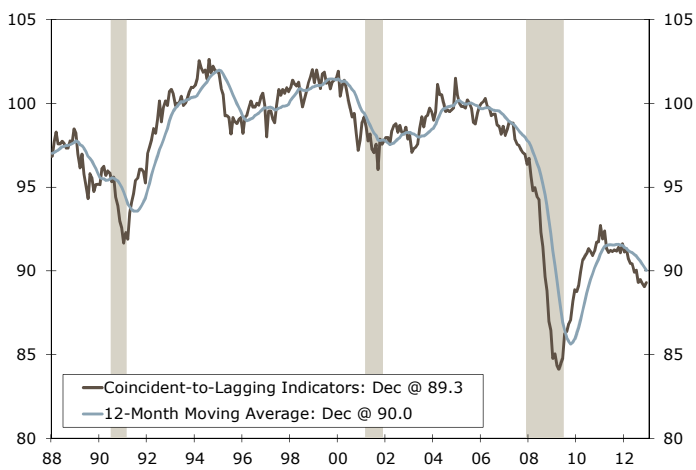
Consumer Confidence  
Net Contribution to Index



Unemployment Claims  
Net Contribution to Index



Coincident-to-Lagging Indicators



Source: U.S. Department of Labor, Conference Board and Wells Fargo Securities, LLC

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