



Economics Group

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Consumer Sentiment Jumps in Early October

The University of Michigan's Consumer Sentiment Index jumped 6.0 points in early October to a new cycle high of 101.1. The surge appears to be driven by increased optimism about employment and income prospects.

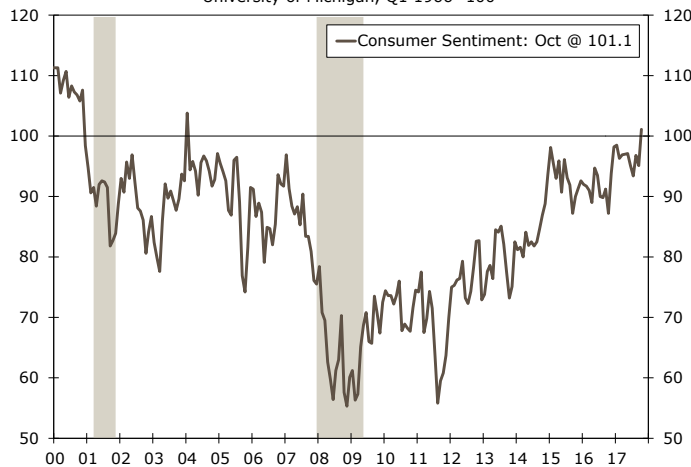
Consumer Sentiment Surges in Early October

- Consumer Sentiment showed surprising strength in early October. The proportion of consumers stating the country will have continuous 'good times' rose by 8 percentage points, while the proportion that expects 'bad' times fell 6 points.
- The Consumer Sentiment Survey tends to focus more on financial questions and is likely being pulled higher by the roaring stock market.

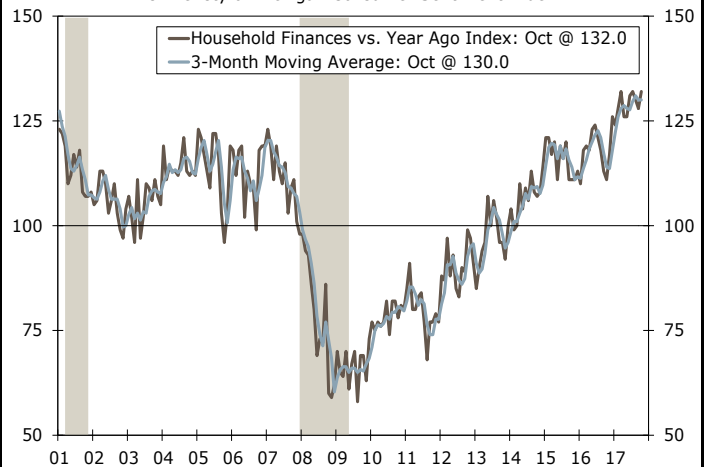
Job & Income Gains Are Driving Sentiment Higher Too

- The proportion of consumers expecting their income to rise over the next year jumped 3.4 points to 54.6 percent, while concerns about job security remained near cycle lows.
- Inflation expectations for the next 12 months plunged to just 2.3 percent, which may raise a red flag at the Fed. The drop may simply reflect lower gasoline prices following the earlier hurricane-driven spike.

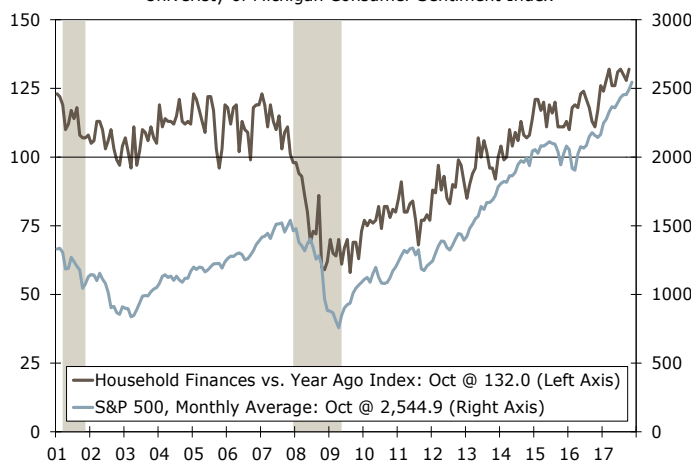
Consumer Sentiment Survey
 University of Michigan, Q1 1966=100



Household Finances vs. A Year Ago
 University of Michigan Consumer Sentiment Index

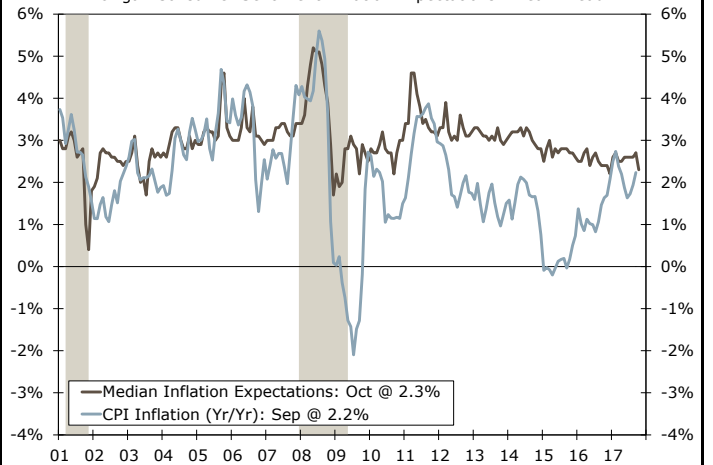


Household Finances vs. S&P 500
 University of Michigan Consumer Sentiment Index



Consumer Inflation Expectations

Michigan Consumer Sentiment Inflation Expectations 1 Year Ahead



Source: University of Michigan, Bloomberg LP and Wells Fargo Securities

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