Slight Pick-Up in Consumer Sentiment Going into the Holidays

*It has been 20 months since consumer sentiment peaked in this cycle, but the bottom has not fallen out. Solid gains in household finances are still on track to sustain spending going into the crucial holiday season.*

### Still Range-Bound, Equity Gains Could Lift Finances
- The University of Michigan Index of Consumer Sentiment climbed slightly to 96.8, though it remains well-below its pre-trade war high of 101.4, reached in March of 2018.
- The wealth effect—the link between stocks and households’ assessment of their finances—has been on display throughout this cycle. If the recent equity market gains hold, there could be scope for further improvement.

### We Still Expect a Decent Finish to 2019
- The top chart plots the 3-month moving averages of consumers’ assessment of their current and expected financial situation. In a rare dynamic, households are actually feeling slightly better about their current situation than they do about the future.
- That supports our forecast for a decent finish to the year for PCE and an above-consensus call for holiday sales. But barring a swift end to the trade war, PCE in 2020 will likely moderate.

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Source: University of Michigan, U.S. Department of Commerce, IHS Markit and Wells Fargo Securities