



## US Middle Class Is Shutting Down As Spending By The Rich Remains Robust

### Description

After dismal earnings by such mammoth retailers as Walmart, Targets and this morning's "horror report" by Abercrombie and Fitch, on Tuesday afternoon we actually got a solid report by Nordstrom, which not only printed strong earnings but also hiked guidance sending the stock higher as much as 12%.



What was behind the divergence? Simple: as JPMorgan writes in its trading desk market recap, JWN earnings highlighted the divergence among consumer spending by income brackets.

Picking up on this, Bloomberg's Felice Maranz writes that the latest earnings and comments from big-bank executives reinforce the view that while spending by lower and middle America may be falling off a cliff, spending by well-off US consumers is still robust, with scant sign of a pull-back.

Bloomberg also points to department store Nordstrom which is jumping after the bell after boosting its revenue and earnings outlook. The company, unlike so many of its peers who have seen their stocks

crater following Q1 earnings, said core categories in 1Q — including men's and women's apparel and shoes — saw strong growth with shoppers "refreshing" wardrobes for social events, travel and going back to offices.

And since the wealthy are far less impacted by rising prices in the core staples basket, there were no signs of a hit from inflation either, as merchandise margins for the likes of Nordstromg improved due to pricing and lower markdowns. That followed an earlier beat from that other upper/aspirational-class targeting retailer, Ralph Lauren, which was also able to raise prices, helped by resilient, affluent customers, as well as from electronics retailer Best Buy.

Meanwhile over in Davos, BofA CEO Brian Moynihan said US consumers (at least the rich ones) have money to spend and were unlikely be deterred by inflation and economic gloom. That's similar to JPMorgan chief Jamie Dimon's reassuring remarks on Monday.

The price of a new home — also a type of a luxury good — rose in April as well as prices surged while transactions tumbled as the middle (and lower) class is increasingly shut out of home purchases...



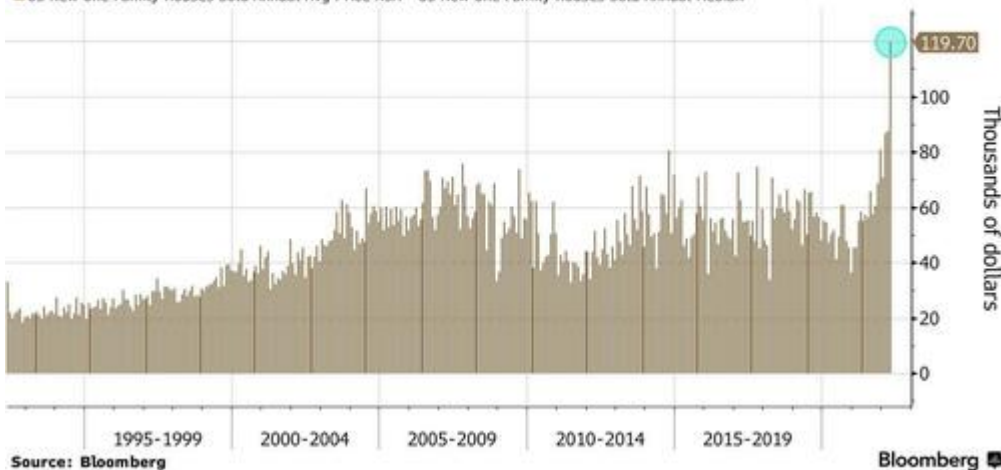
.... with the bulk of buying taking place at the ultra high end as seen by the record divergence between average and median home prices...



## Fair Housing

### Average new home sales price soars above the median

■ US New One Family Houses Sold Annual Avg Price NSA - US New One Family Houses Sold Annual Median



... though as Bloomberg warns, there are questions about how long that divergence can continue as inflation and higher mortgage rates squeeze all American households.

by Tyler Durden

## Category

1. Economy-Business-Fin/Invest
2. Main

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