

September 30, 2024

Financial Services Group

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Economic Review



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- The Labor Department reported that **initial jobless claims** declined to a four month low last week, even as employers are slowing down their hiring. The rise in the unemployment rate is driven by an increased supply of workers, many of them undocumented and not eligible for unemployment insurance. First time claims in regular state programs recorded 218,000 for the week ending September 21st after the prior week's report of 222,000. The four-week moving average dropped to 224,750 from 228,250 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, increased 13,000 to 1,834,000 for the week ending September 14th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity climbed into above trend territory in August. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.12 in August after reporting a downwardly revised negative 0.42 in July. 36 of the indicators affected the index positively and 49 made negative contributions. A reading above zero indicates above-trend-growth in the national economy.
- The Federal Housing Finance Agency reported the **house price index** of purchase-only homes climbed 0.1% in July after remaining unchanged in June. The year-on-year change in the house price index was 4.5% in July. The HPI is estimated using repeated observations of housing values for single-family homes on which at least two mortgages were originated and subsequently sold to Freddie Mac or Fannie Mae. The use of repeat transactions on the same unit helps to control for differences in the quality of the houses.
- The **S&P CoreLogic CaseShiller home price index** rose 0.27% in July after gaining 0.47% in June. The index increased 5.92% from the same month in 2023. This is the seventeenth straight increase in prices. This index includes homes of all prices, while the sample for the FHFA index is based only on conforming mortgages, which leaves out much of the upper end of the housing market. The index tracks changes in the value of homes in 20 metropolitan regions.
- The Conference Board's **consumer confidence index** declined in September by the most in three years. Consumers have growing concerns about the labor market and the outlook for the broader economy. The index recorded a 98.7 in September from an upwardly revised 105.6 reading in August, previously reported as 103.3. The measure of expectations for the next six months fell to 81.7 in September from 86.3 in August. The present situation index decreased to 124.3 in September from 134.6 the previous month.
- The Commerce Department reported sales of new homes pulled back in August after the previous month's surge. There is a growing inventory of new homes, even as mortgage rates decline. Consumer attitudes toward home buying is dismal, keeping in check by high prices. **New home sales** declined 4.7% to a 716,000 annualized pace in August after climbing a revised 10.3% the prior month. The supply of new homes climbed to 467,000 during the month. The report also showed the median sales price of a new house declined to \$420,600, 2.0% lower than July. New home sales, which account for about 10% of the residential market, are accounted for when contracts are signed, which makes this data a more timely indicator than existing home transactions.
- The third and final estimate by the Commerce Department of the 2nd quarter **gross domestic product** was unrevised from the previous estimate. **Gross domestic product** expanded at a 3.0% annualized rate in the 2nd quarter that follows a 1.6% gain the first quarter. **Personal consumption**, which accounts for about 70% of the economy, rose at a 2.8% annualized pace that follows a 1.9% gain in the first quarter. The **GDP price index** gained 2.5% in the 2nd quarter after a 3.0% gain in the first quarter.
- The Commerce Department reported **durable goods orders**, which are bookings for goods and materials meant to last at least three years, stalled in August after surging 9.9% in July. Uncertainty about the November elections and a slowdown in consumer spending has caused many firms to be cautious about expansion plans. **Excluding transportation**, durable orders rose 0.5% in August

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after falling 0.1% in July. The non-military capital goods orders excluding aircraft, a proxy for business investment, increased 0.2% in August after declining 0.2% in July. The ratio of inventory to shipments increased to 1.83 in August from 1.82 in July.

- The National Association of Realtors reported the **index of pending home re-sales** edged higher in August from a record low as falling mortgage rates encourage some potential home buyers. Affordability continues to challenge buyers as high prices offset declining mortgage rates. The number of contract signings increased 0.6% in August after falling 5.5% in July. Pending home sales are based on houses under contract as reported by over 100 multiple listing services and 60 large real estate brokers. A sale is listed as pending when a seller accepts a sales contract on a property. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.
- The Commerce Department reported **personal income** climbed 0.2% in August after gaining 0.3% the prior month. **Personal spending** increased 0.2% in August after gaining 0.5% the prior month. Income growth is cooling and consumers are getting more discerning in their spending habits. Monthly **PCE inflation** climbed 0.1% in August after rising 0.2% in July and year-on-year PCE dropped to 2.2% from 2.5% in July. The **core PCE Deflator**, the preferred inflation gauge by the Federal Reserve, climbed 0.1% in August, bringing the year-on-year gain to 2.7%. **Disposable income**, or the money left over after taxes, increased 0.2% in August.
- The Commerce Department reported the **goods trade deficit** narrowed in August as imports declined and exports improved. The deficit decreased 8.6% to \$94.3 billion in August from \$102.8 billion the prior month. **Exports** increased 2.4% in August to \$177.0 billion and **imports** decreased 1.6% to \$271.3 billion.
- The **University of Michigan's final index of consumer sentiment** improved in September reaching a five-month high after the Federal Reserve cut its targeted interest rate. The final sentiment index for the month climbed to 70.1 in September from 67.9 in August. The long-term inflation expectations climbed to 3.1% from 3.0% the prior month. The one-year-ahead inflation expectations dropped to 2.7% from 2.8% in August. The **index of current conditions** increased to 63.3 from 61.3 the prior month while the **index of expectations** climbed to 74.4 from 72.1.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** surged 11.0% last week as mortgage rates continued to decline. **Refinancing** applications jumped 20.3% to 1,133 after a 24.2% gain the prior week. **Home purchase mortgage applications** increased 1.4% to 148.2. Refinancing made up 55.7% of applications with an average loan size of \$385,600, while purchases average loan size at \$447,700. The **average contract rate** on a 30-year fixed-rate mortgage declined 2 basis points to 6.13% from 6.15% the prior week.

BOND MARKET REVIEW

Rates edged higher last week as the market adjusts to the Fed's policy on cutting rates and the expected impact on inflation. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 3.56%, 3.51%, 3.75% and 4.10%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -5, 24, 35, and 54 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Tuesday	October 1	Aug Construction Spending (0.2%)	9:00 Central
		Aug JOLTS Job Opening (7,660k)	9:00 Central
		Sep ISM Manufacturing Index (47.6)	9:00 Central
Wednesday	October 2	Sep 27 th MBA Mortgage Applications	6:00 Central
		Sep ADP Employment Change (125k)	7:15 Central
Thursday	October 3	Sep 28 th Initial Jobless Claims (221k)	7:30 Central
		Aug Factory Orders (0.1%)	9:00 Central
		Aug Factory Orders Ex Transportation	9:00 Central
		Sep ISM Services Index (51.6)	9:00 Central
Friday	October 4	Sep Change in Nonfarm Payrolls (146k)	7:30 Central
		Sep Unemployment Rate (4.2%)	7:30 Central
		Sep Average Hourly Earnings-YOY (3.8%)	7:30 Central
		Sep Labor Force Participation Rate (62.7%)	7:30 Central

Source: Bloomberg Finance L.P.

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