Summary

Economic data for the week included the final edition of Q2 GDP growth coming in unrevised at a continued strong pace. PCE inflation was slightly improved, while durable goods orders were unchanged. House prices continued to see gains, while new home sales fell back for the month.

Equities were generally positive globally, led by foreign markets, and particularly Chinese stocks as government stimulus measures were announced. Bonds were flattish in the U.S., but positive abroad due to a weaker U.S. dollar. Commodities were mixed, with gains in metals especially from the Chinese stimulus, while energy prices fell with higher expected supplies.

Economic Notes

(+) The third and final **U.S. GDP** report for the 2nd quarter were unchanged from the second report, showing a growth rate of 3.0%. Contributions to the total continued to be led by personal consumption expenditures (2.8% annualized growth in the quarter, being 1.9% of the total 3.0%), although consumption, nonresidential fixed investment (-0.6%), residential fixed investment (-0.8%), and net exports were revised down. On the other hand, government spending and inventories were revised up a bit. The GDP Price index was unrevised for Q2 and continued to show deceleration from the 3.0% Q1 annualized pace down to 2.5% for Q2, and 2.6% for the trailing year.

There were other revisions, done annually to national accounts, which resulted in an upward revision for GDP in the first half of 2023, down for the second half, and a bit of an upward revision in Q1 this year. Gross domestic income (GDI) was revised up to close the gap between GDP and GDI, which some economists closely watching these had expected. For the most part, overall economic growth didn't change much, other than the timing of when it occurred, which is now less relevant.

The Atlanta Fed's **GDPNow** measure for Q3 currently shows a similar 3.1% reading, now being a high point for the past several months as the quarter comes to a close. This was driven by largely the same factors (strong consumer spending), and again pointing to a soft landing scenario. The Blue Chip economist consensus has remained less robust but has also drifted slightly higher to just under 2%, in line with longer-term trend.

(0) **Personal income** rose 0.2% in August, a tenth lower than expectations, although wages and rental income remained strong (at gains of half-percent or better). **Personal spending** also increased by 0.2% but fell two-tenths below consensus. The personal saving rate fell a bit to 4.8%, while personal income and spending grew 6% and 5% for the past year, respectively, showing 'real' after-inflation growth. The headline PCE inflation figure came in for the month rising 0.1% as did core, ex-food and energy. Year-over-year, headline PCE decelerated by three-tenths of a percent from the prior month to 2.2%, while core PCE picked up a tenth to 2.7%. The report was unexciting, but didn't offer any evidence that could push the Fed off-track from its current easing plan (although perhaps not to the continued -0.50% variety), which markets appeared to be most watchful of.

(-/+) The **S&P Global U.S. Manufacturing PMI** fell by -0.9 of a point to 47.0, further into contraction and below the increase to 48.6 expected. Details included new orders and employment down, further into contraction, while output rose a bit. The **S&P Global U.S. Services PMI** fell by a smaller -0.3 of a point to 55.4, exceeding the 55.2 consensus, and remaining in solid expansion. Here, new business ticked down a bit, while employment improved. Input and output prices for both indices remained solidly in expansion. As with the more well-known ISM index series, these continue to show the split direction between the two key segments of the economy.

(0) **Durable goods orders** were unchanged in August, compared to an expected decline of -2.6%. Removing transportation (where commercial aircraft orders fell -8%, being a choppy series) bumped this to a 0.5% increase, while core capital goods orders rose 0.2%. Overall, gains in electrical equipment, metal products, and machinery offset the transportation decline. Core capital goods shipments also rose 0.1%. Total orders are up 1.5% over the past year, continuing to show lackluster manufacturing activity.

(+) The **S&P/Case-Shiller 20-city home price index** for July rose 0.3% on a seasonally-adjusted basis. Year-over-year, the gain for the national index decelerated by -0.6% to 5.9%, but remains at a robust growth rate. By city, leaders for the year were Las Vegas (8%) and Los Angeles (7%), while Portland continued to lag with a small gain (1%).

(0) The **FHFA house price index** rose 0.1% in July, with an upward revision for the prior month, and a tenth below expectations. Regionally, East North Central (Great Lakes region) and New England (CT north to ME) each led for the month with 0.9% gains, while South Atlantic (DE south to FL) lagged with a -0.7% decline. On a year-over-year basis, national prices were up 4.5%; all regions were positive, with the East North Central division leading with a gain over 7%, while West South Central (OK/TX/AR/LA) lagged, with prices up less than 2%. The FHFA commented on the lack of movement for the third consecutive month, while "Gradually declining mortgage rates and relatively flat house prices may improve housing affordability."

(-) **New home sales** fell by -4.7% in August to a seasonally-adjusted annualized level of 716k, just above the expected -5.3% decline, including an upward revision for the prior month. Regionally, sales rose in the South by 12k, but declined elsewhere, with those in the West down -33k—some of these differentials were likely weather-related. Over the past year, new home sales are up 10% nationally, reflecting gains in construction activity to improve housing inventories, as well as 30-year mortgage rates falling back from peak to just over 6%. The median new home price, though, has fallen -5% to $420,600, largely being the result of changes in square footage to accommodate new buyers. The months' supply has risen to 7.8, along with a rise in inventories. Although the monthly series can be choppy, even on a seasonally-adjusted basis, the sales level has stayed in a fairly tight range over the past year and a half, after rebounding from lows in summer 2022.

(+) **Pending home sales** rose 0.6%, led by gains in the West and Midwest of 3%, while the Northeast fell -5%. Year-over-year, the national figure fell by -3%, although this is perhaps less meaningful relative to existing and new home sales; it's best used as a predictor of existing home sales trends for the next few months.

(-) The Conference Board's **index of consumer confidence** for September fell by -6.9 points to 98.7, below expectations of a slight decline to 104.0. Assessments of the present situation fell by -10 points, while expectations for the future fell less dramatically, by -5 points. The labor differential fell -3 points with jobs appearing slightly less plentiful and slightly harder to get, and now stands well below levels earlier in the year as well as the average level for the year prior to the pandemic. The perceived likelihood of a recession in the next year ticked up a half-percent to 66.5%.

(+/0) The final September **Univ. of Michigan index of consumer sentiment** for September rose by 1.1 point from the early report and 2.2 from the prior month to 70.1, above the unchanged 69.0 reading expected. Assessments of current conditions and expectations for the future were largely similar. Inflation expectations for the coming year were unchanged at 2.7%, as were those for the coming 5-10 years at 3.1%.

(0) **Initial jobless claims** for the Sep. 21 ending week fell by -4k to 218k, below the 223k median forecast. Continuing claims for the Sep. 14 week rose by 13k to 1.834 mil., a bit above the 1.828 mil. expected. In the state-supplied content, layoffs were specifically noted in TX, NY, and GA, in a variety of industries, while MA saw a drop in claims. The uninsured employment rate was steady at 1.1%, where it was a year ago. Overall, claims continue to run at normal levels, and don't point to either worsening or improving labor conditions, aside from a pattern of residual seasonality that has been similar to the summer pattern seen last year.

Market Notes

Period ending 9/27/2024	**1 Week %**	**YTD %**
DJIA	0.59	13.89
S&P 500	0.64	21.55
NASDAQ	0.96	21.37
Russell 2000	-0.13	10.85
MSCI-EAFE	3.75	14.73
MSCI-EM	6.21	17.23
Bloomberg U.S. Aggregate	-0.01	4.69

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2023	5.40	4.23	3.84	3.88	4.03
9/20/2024	4.75	3.55	3.48	3.73	4.07
9/27/2024	4.68	3.55	3.50	3.75	4.10

U.S. stocks gained last week on the heels of benign U.S. economic data and announced stimulus measures in China. Results by sector were mixed, with the strongest gains in materials (with items such as copper and certain chemicals seen as a direct beneficiary of greater Chinese activity), consumer discretionary, and communications, while health care, energy, and financials experienced small declines. Real estate was also down slightly, with interest rates little changed.

Foreign stocks fared especially well last week, with gains in Europe and the U.K. outpacing the U.S., as both services and manufacturing activity fell and raised hopes for rate cuts sooner. (In fact, central banks in Sweden and Switzerland did cut another quarter-percent last week.) Japan lagged with minor declines. Emerging markets were the key story, with gains of over 15% in China leading all other nations by a large degree, with next highest in Taiwan and South Korea, which tend to be related. The Chinese central bank announced a series of policy easing measures last week, including a -0.20% cut in primary 7-day policy rates, as well as a -0.50% cut in bank reserve requirements that loosen up liquidity for lending, and a -0.50% cut in outstanding mortgage rates. It also included more property reforms, lower down payments, and liquidity facilities to help the stock market, with support for refinancings and stock buybacks. Some measures had been expected, other than the timing of when they might happen, as officials move to stimulate towards the 5% GDP growth target. This initial phase of support was not as dramatic as some may have hoped, but was thought to perhaps open the door for further moves (the central bank is 'studying' other possible stimulus measures on both the monetary and fiscal side) and perhaps put a 'floor' of sorts on what was internally tolerable for the economy and financial markets. It also did not directly address one of the key underlying issues in the Chinese economy, domestic consumer demand, which remains lackluster and is a key reason for gradually declining long-term growth forecasts when coupled with slowing demographic influences.

Bonds experienced an extremely flattish week, in keeping with minimal change in U.S. Treasury yields across the curve. High yield earned a few basis points more than Treasuries for a slight lead, while foreign bonds fared more positively, with help from a weaker U.S. dollar.

Commodities were mixed for the week, with gains in industrial metals and agriculture were offset by declines in energy. Metals gained specifically due to expected pickup in demand from China, with gains in copper and aluminum. Crude oil declined by -4% last week to $68/barrel, following reports that Saudi Arabia is interested in taking back market share by abandoning its $100 oil price target. Natural gas prices continued to spike, with Hurricane Helene bearing down on the Gulf Coast states.

Have a good week.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

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Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.