



Summary

U.S. stocks continued their downward trend on Friday and ended the week in the red. Although less severe than the previous week's decline, investors are still showing signs of concern about economic indicators from last week. The Dow Jones Industrial Average fell 2.9%, the S&P 500 decreased 2.3%, and the NASDAQ dropped 2.7% for the week. Last week was a busy week for economic reports. Initial unemployment claims for

the week ending September 24 decreased 16,000 to 193,000. Durable goods orders fell 0.2% while the Conference Board's Consumer Confidence Index rose 4.4 points to 108.0. New home sales far exceeded expectations in August, with a total of 685,000 units sold at a seasonally adjusted annual rate. The third estimate of second quarter gross domestic product (GDP) showed the U.S. economy contracted 0.6%,

consistent with expectations, while the GDP Deflator advanced 9.0%. Personal income increased by 0.3% month-over-month and personal spending rose 0.4%. Year-over-year, the core-PCE Price Index for August climbed 4.9% versus a 4.7% increase in July.

ECONOMIC RELEASES

| Last Week: Indicator | Number Reported | Consensus Expectation* | Comment |
|---|------------------------|------------------------|---|
| Durable Orders (Aug – Tu 8:30) | -0.2% | -0.1% | Business spending holding up well despite circumstances |
| Consumer Confidence (Sep – Mo 10:00) | 108.0 | 105.0 | Stood at 109.8 in September 2021 |
| Durable Orders ex-transportation (Aug – Th 8 :30) | +0.2% | +0.3% | |
| New Home Sales (Aug – Tu 10:00) | 685 TUAR | 500 TUAR | Much higher than expected |
| Pending Home Sales (Aug – We 10 :00) | -2.0% | -0.5% | |
| Real Gross Domestic Product (Qtr 3 – Th 8 :30) | -0.6% | -0.6% | Unchanged from the 2 nd estimate |
| Chain Deflator (Qtr 3 – Th 8 :30) | +9.0% | +8.9% | |
| Initial Claims (9/24 – Th 8:30) | 193K | 213K | First drop below 200K since May |
| Continuing Claims (9/17 – Th 8:30) | 1,347K | NA | |
| Personal Income (Aug – Fr 8 :30) | +0.3% | +0.3% | |
| Personal Spending (Aug – Fr 8:30) | +0.4% | +0.2% | |
| PCE Prices – Core (Aug – Fr 8 :30) | +0.6% | +0.4% | |
| Upcoming Week: Indicator | Consensus Expectation* | Last Period | Comment |
| ISM Manufacturing Index (Sep – Mon 09:45) | 52.0% | 52.8% | |
| Construction Spending (Aug – Mon 10 :00) | -0.2% | -0.4% | |
| JOLTS – Job Openings (Aug – Tu 10:00) | NA | 11.239M | Not available |
| Trade Balance (Aug – We 08:30) | -\$67.9 Bil. | -\$70.6B | |
| ISM Non-Manufacturing Index (Sep – We 10:00) | 56.0% | 56.9% | |
| Initial Claims (10/01 – Th 08 :30) | 203 K | 193 K | |
| Continuing Claims (9/24 – Th 08 :30) | NA | 1,347 K | Not available |
| Nonfarm Payrolls (Sep – Fr 08 :30) | +250 K | +315K | |
| Nonfarm Private Payrolls (Sep – Fr 08:30) | +275 K | +308K | |
| Avg. Hourly Earnings (Sep – Fr 08:30) | +0.3% | +0.3% | |
| Unemployment Rate (Sep – Fr 08:30) | 3.7% | 3.7% | |
| Wholesale Inventories (Aug – Fr 10:00) | NA | +0.6% | Not available |
| Consumer Credit (Aug – Fr 10:00) | NA | +\$23.3B | |

*Sources: www.briefing.com and www.federalreserve.gov



Economic Review

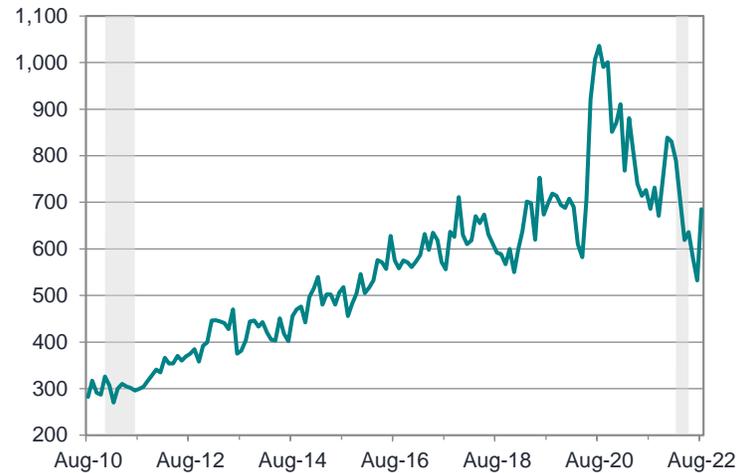
NEW HOME SALES shot up 28.8% in August to 685,000 units sold at a seasonally adjusted annual rate. The August results are still down 0.1% from last August's rate. The median sales price for a new home in August was \$436,000 (an 8% increase from a year earlier) and the average sales price was \$521,800. At the August rate, there was an 8.1-month inventory of new homes for sale. This is up from an average of 6.1 months in August 2021, which is a rate more closely associated with a balanced housing market. The Northeast region saw the largest increase in sales with sales up 66.7% from July. Increasing mortgage rates over the past several months will likely lead to a decrease in new home sales in the months ahead.

DURABLE GOODS ORDERS fell 0.2% after a downwardly revised decline of 0.1% in July. Durable goods excluding transportation increased 0.2% month-over-month after a downwardly revised increase of 0.3% increase in July. New orders for primary metals advanced 0.4%, new orders for fabricated metals fell 0.7%, and new orders for machinery rose 0.3% in August. The biggest news out

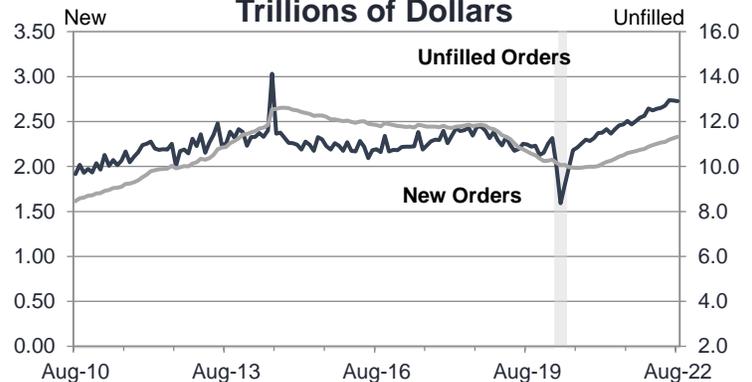
of this sector was that non-defense capital goods (excluding aircraft) rose another 1.3% in August after climbing 0.6% in July. Non-defense capital goods (excluding aircraft) are part of GDP computations and thus represent a positive boost for third quarter GDP.

PERSONAL INCOME increased 0.3% in August and **PERSONAL SPENDING** rose 0.4%. The PCE Price Index climbed 0.3% month-over-month while the core-PCE Price Index (which excludes food and energy) jumped 0.6%. Real personal spending increased a modest 0.1% from July. Wages and salaries jumped 0.3%, although this was down from the 0.8% increase in July. Rental income was up 0.4% from July and the personal savings rate as a percentage of disposable income held steady at 3.5%.

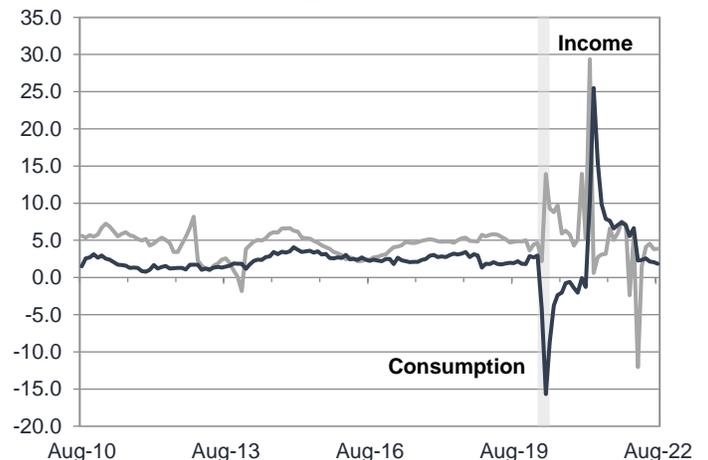
New Home Sales Thousands



Durable Goods Orders Trillions of Dollars



Personal Income and Consumption Percent Change, Year-Over-Year





Fed Speeches

Tom Barkin, the President of the Federal Reserve Bank of Richmond, gave a speech last week at George Mason University regarding the driving factors behind inflation in the United States and the expected timeline for recovery. Barkin mentioned the quick recovery following the 2020 recession but acknowledged the struggles which Americans now endure and will continue to face:

Supply chains remain strained as firms struggle to meet ever-shifting levels of demand with unstable production capacity. Employers are short workers, partly due to lower immigration and excess retirements. The war in Ukraine and widespread drought conditions are affecting commodity supply. And, of course, for the first time in a generation, we are grappling with high, broad-based and persistent inflation. The Consumer Price Index is at 8.3 percent. The Fed's preferred metric, the Personal Consumption Expenditures Price Index, is 6.2 percent headline and 4.9

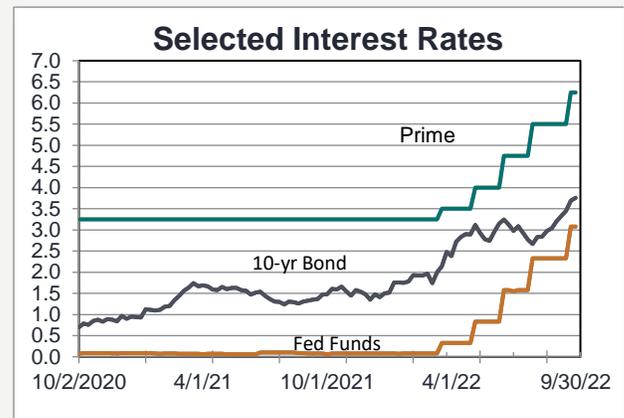
percent core. Both are near 40-year highs.

Barkin stated that the Fed is "moving expeditiously" as it tries to control inflation with its recent rate hikes and balance sheet shrinkages. He stated that the impacts of such remedies, however, will take much longer to materialize:

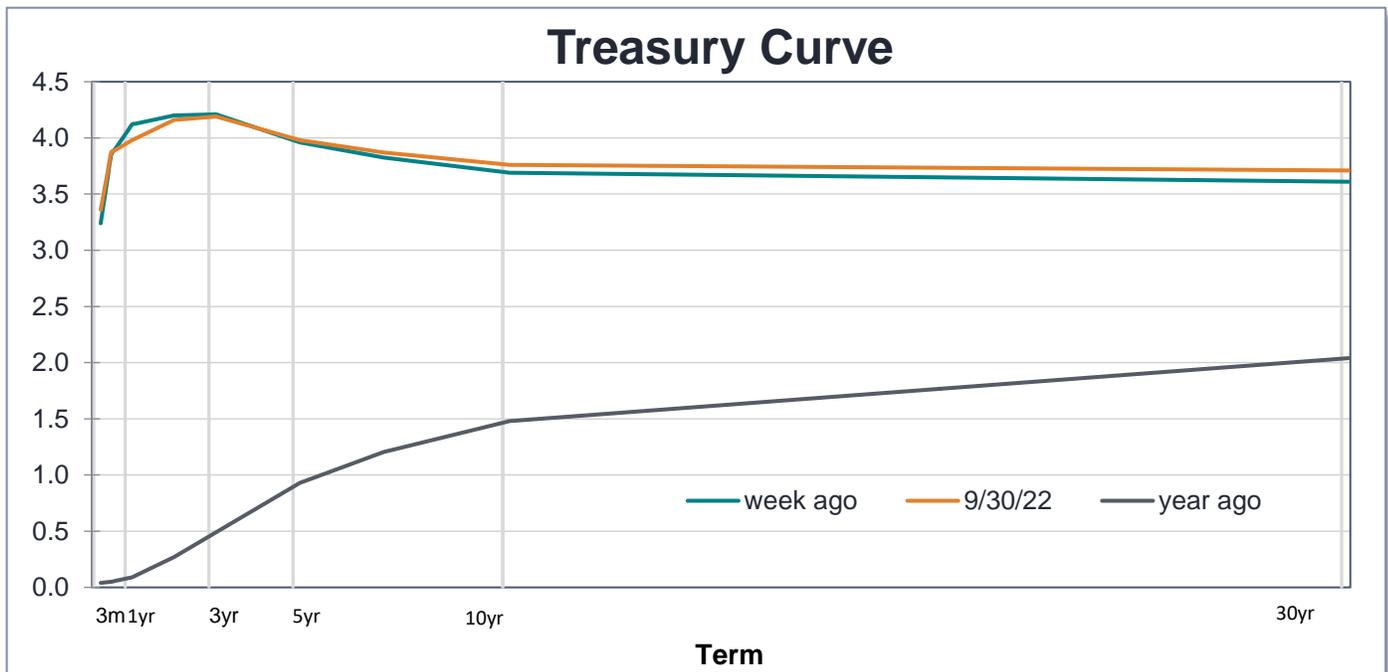
I don't expect its drop to be immediate nor predictable. We've been through multiple shocks, as I've discussed, and significant shocks simply take time to dampen. On the business side, I still hear firms facing wage pressure, especially for merit pay in the face of this year's cost-of-living pressures. And while margins remain healthy overall, I've heard from many businesses still working to recover costs not yet passed through. On the consumer side, while lower-income consumers are facing stress, higher-income ones seem to be continuing revenge spending.

Financial Markets

U.S. stocks closed sharply lower last week with the Dow Jones Industrial Average falling 2.9%, the S&P 500 decreasing 2.3%, and the NASDAQ declining 2.7%. Treasury yields were generally higher across the curve with the 10-year yield rising 7 basis points (bps) to 3.76% and the 30-year yield increasing 10 bps to 3.71%. Oil prices decreased 7.1% and ended the week at \$79.09 per barrel. The U.S. dollar rose 1.0% against the Japanese yen while the euro increased 1.1% against the greenback last week.



Treasury Curve





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) raised the federal funds rate target to 3.0% to 3.25% at the Fed's September policy meeting. In the statement released following the September meeting, the FOMC said, "Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months and the unemployment rate has remained low.

Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy

prices, and broader price pressures." The statement went on to say that the Committee "anticipates that ongoing

increases in the target range will be appropriate."

| Avg. for: | Prime | Fed Funds | 3-Mo. LIBOR | 6-Mo. T-Bill | 2-Yr. Note | 10-Yr. Treasury | 30-Yr Bond | 30-Yr Mortgage |
|-------------------------|-------|-----------|-------------|--------------|------------|-----------------|------------|----------------|
| 3 rd Qtr '22 | 5.28 | 2.13 | 2.08 | 3.02 | 3.12 | 2.84 | 3.09 | 5.20 |
| 4 th Qtr | 6.50 | 3.38 | 3.38 | 3.90 | 3.88 | 3.69 | 3.75 | 5.53 |
| 1 st Qtr '23 | 7.50 | 4.38 | 4.41 | 4.56 | 4.65 | 4.58 | 4.65 | 6.11 |
| 2 nd Qtr | 7.50 | 4.38 | 4.41 | 4.41 | 4.51 | 4.55 | 4.58 | 6.01 |
| 3 rd Qtr | 7.50 | 4.38 | 4.41 | 4.32 | 4.38 | 4.42 | 4.45 | 5.94 |

*Forecast as of August 29, 2022

FINANCIAL MARKET SUMMARY

| | As of 9/30/2022 | As of 9/23/2022 | Weekly Change | 4-Week Change | 13-Week Change |
|---|-----------------|-----------------|---------------|---------------|----------------|
| MONEY MARKETS (Changes in BPs) | | | | | |
| Prime | 6.25 | 6.25 | 0 | 75 | 150 |
| LIBOR Index Base Rate (1Month) | 3.12 | 3.08 | 4 | 56 | 145 |
| Fed Funds (Wed close) | 3.08 | 3.08 | 0 | 75 | 153 |
| TREASURIES (BE) (Changes in BPs) | | | | | |
| 3 Months | 3.36 | 3.24 | 12 | 42 | 164 |
| 6 Months | 3.87 | 3.85 | 2 | 54 | 136 |
| 1 Year | 3.98 | 4.12 | (14) | 51 | 118 |
| 2 Years | 4.16 | 4.20 | (4) | 76 | 124 |
| 5 Years | 3.98 | 3.96 | 2 | 68 | 97 |
| 10 Years | 3.76 | 3.69 | 7 | 56 | 78 |
| 30 Years | 3.71 | 3.61 | 10 | 36 | 57 |
| MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs) | | | | | |
| 2-Year Muni | 3.07 | 2.90 | 17 | 72 | 117 |
| 5-Year Muni | 3.13 | 2.96 | 17 | 75 | 91 |
| 10-Year Muni | 3.26 | 3.10 | 16 | 88 | 56 |
| 30-Year Muni | 3.95 | 3.83 | 12 | 49 | 75 |
| 30-Year Conventional Mortgage | 6.70 | 6.29 | 41 | 104 | 100 |
| MARKET INDICATORS (Changes in %) | | | | | |
| DJIA | 28,728.08 | 29,590.41 | (2.9) | (8.3) | (7.6) |
| S&P 500 | 3,606.48 | 3,693.23 | (2.3) | (8.1) | (5.7) |
| NASDAQ | 10,575.62 | 10,867.93 | (2.7) | (9.1) | (5.0) |
| CRB Futures | 288.12 | 288.13 | (0.0) | (5.5) | (7.4) |
| Oil (WTI Crude) | 79.09 | 85.11 | (7.1) | (14.9) | (26.5) |
| Gold | 1,669.00 | 1,652.10 | 1.0 | (3.0) | (7.4) |
| Yen / Dollar | 144.77 | 143.34 | 1.0 | 3.7 | 7.1 |
| Dollar / Euro | 0.98 | 0.97 | 1.1 | (1.6) | (5.9) |



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