Summary

The stock market rallied on Friday and ended in positive territory after a choppy trading week. The Dow Jones Industrial Average advanced 0.7%, the S&P 500 gained 1.3%, and the NASDAQ rose 2.4%.

The U.S. trade deficit widened more than expected in September to -$61.5 billion. Both imports and exports increased in September, but the former grew more, demonstrating the continued strength of the U.S. economy and a softening of global demand. To finance their spending, U.S. consumers are relying more on credit. Consumer credit increased $9 billion in September. Total mortgage application volume rose 2.5% for the week ending November 4th compared to the preceding week, according to the Mortgage Banker Association. This increase was driven by a recent drop in mortgage rates.

Initial jobless claims for the week ending November 4 decreased 3,000 to 217,000 from the previous week's revised level. The previous week's level was revised up 3,000 to 220,000. Continuing jobless claims for the week ending October 28 increased 22,000 to 1.834 million.

The preliminary reading of the University of Michigan Consumer Sentiment Index for November fell 3.4 points from October's final reading of 63.8. While the index remains higher than in the same period a year ago (56.7), November marks the fourth straight month that consumer sentiment has declined. The Current Economic Conditions Index, a component of the index, dropped to 65.7 from 70.6. The Index of Consumer Expectations fell to 56.9 from 59.3. Year-ahead inflation expectations increased to 4.4% from 4.2%, hitting their highest level since November 2022. Five-year inflation expectations rose to 3.2% from 3.0%, which is the highest reading since 2011.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Trade Balance (Sep – Tu 8:30)	-$61.5B	-$60.1B	
Consumer Credit (Sep – Tu 15:00)	+$9.0B	+9.0B	
MBA Mortgage Applications Index (11/04 – We 7:00)	+2.5%	NA	
Initial Claims (11/04 – Th 8:30)	217K	220K	
Continuing Claims (10/29 – Th 8:30)	1,834K	NA	
Consumer Sentiment – Prelim (Sep – Fr 10:00)	60.4	63.7	Year-ahead inflation expectations: +4.4%
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
Treasury Budget (Sep – Mo 14:00)	NA	-$171.0B	
CPI (Oct – Tu 8:30)	+0.1%	+0.4%	Core CPI: 0.3%
MBA Mortgage Applications Index (11/04 – We 7:00)	NA	+2.5%	
Retail Sale (Oct – We 8:30)	-0.3%	0.7%	Retail Sale ex-auto: 0.6%
PPI (Oct – We 8:30)	+0.1%	+0.5%	Core PPI: 0.3%
Initial Claims (11/11 – Th 8:30)	220K	217K	
Continuing Claims (11/04 – Th 8:30)	NA	1,834K	
Export Price Index (Oct – Th 8:30)	NA	+0.7%	Export Prices ex-ag.: 1.0%
Import Price Index (Oct – Th 8:30)	NA	+0.1%	Import Prices ex-oil: -0.2%
Industrial Production (Oct – Th 9:15)	-0.4%	+0.3%	
Housing Starts (Oct – Fr 8:30)	1,365 TUAR	1,358 TUAR	
Building Permits (Oct – Fr 8:30)	1,445 TUAR	1,473 TUAR	

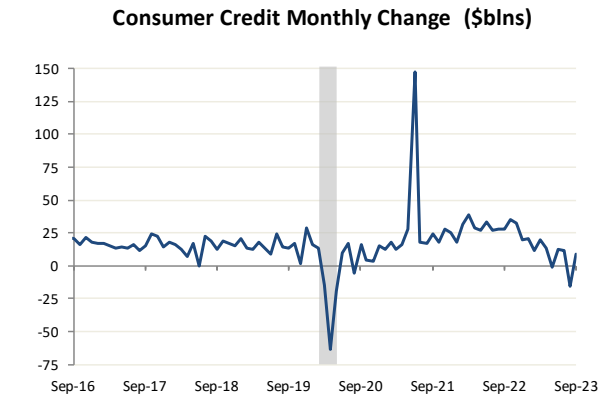
**Sources: www.briefing.com and www.federalreserve.gov*

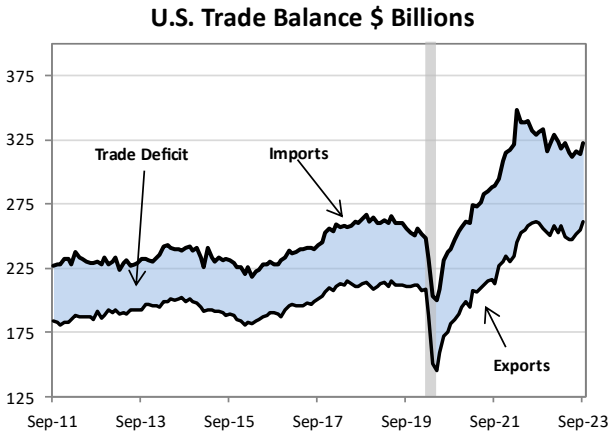
Economic Review

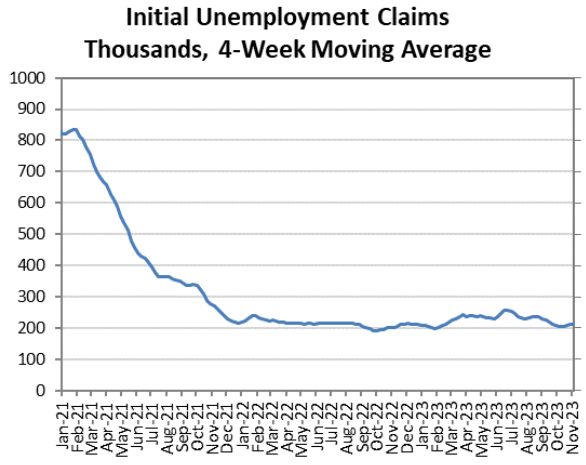
CONSUMER CREDIT increased $9.0 billion. Although this represents a rebound from the August decline, consumer credit remain restrained compared to a year ago. Tighter lending standards and reduced spending in the face of higher interest rates have slowed the pace of credit expansion. Revolving credit climbed $3.1 billion in September to $1.288 trillion. Nonrevolving credit rose $6.0 billion to $3.689 trillion. Year-over-year, total consumer credit decreased at a seasonally adjusted rate of 2.2% down from 3.8% in August. Revolving credit increased at an annual rate of 8.6% and nonrevolving credit decreased at an annual rate of 2.4%.

The September TRADE DEFICIT expanded 4.9% from -$58.7 billion in August, the lowest level since September 2020. September exports increased $5.7 billion month-over-month, but imports grew even faster (+$8.6 billion), leading to a widening deficit. The September increase reflected an increase in the goods deficit of $1.7 billion to $86.3 billion and a decrease in the services surplus of $1.2 billion to $24.8 billion. Year-to-date, the goods and services deficit decreased $147.4 billion, or 20.0%, from the same period in 2022. Exports increased $22.7 billion or 1.0%. Imports decreased $124.8 billion or 4.2 percent. The increase in imports reflected more inbound shipments of consumer goods (cars and cell phones) as well as capital goods like computer parts. Exports of petroleum and agricultural products also rose.

There were 217,000 new INITIAL UNEMPLOYMENT CLAIMS for the week ending November 4th, bringing the four-week moving average up by 1,500 to 212,250. Auto manufacturing states saw the largest increases in initial claims: Michigan (+2,227), North Carolina (+1,303), and California (+842), while the largest decreases were in New York (-1,942), Oregon (-405), Georgia (-348), Florida (-302), and Ohio (-299). The four-week moving average for continuing claims increased 32,250 to 1,789,000, their highest level since April.







Fed Speeches

Federal Reserve Chair Jerome Powell opened the conference on Monetary Policy Challenges in a Global Economy, hosted by the IMF on November 9th. In this speech, Chair Powell explained that a combination of demand and supply distortion contributed to price increases during the pandemic. Most of the supply chain disruptions have now been resolved, but inflation remains above the Fed's target rate.

> *"Going forward, it may be that a greater share of the progress in reducing inflation will have to come from tight monetary policy restraining the growth of aggregate demand."*

Although there have been noteworthy improvements in getting inflation under control, the Chair does not believe that the job of the Fed is done:

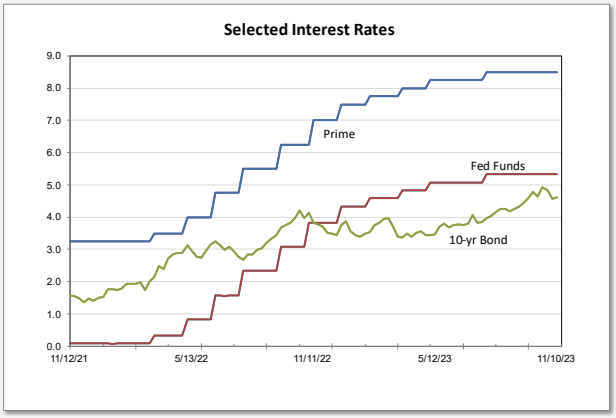
> *"We will continue to move carefully, however, allowing us to address both the risk of being misled by a few good months of data, and the risk of overtightening."*

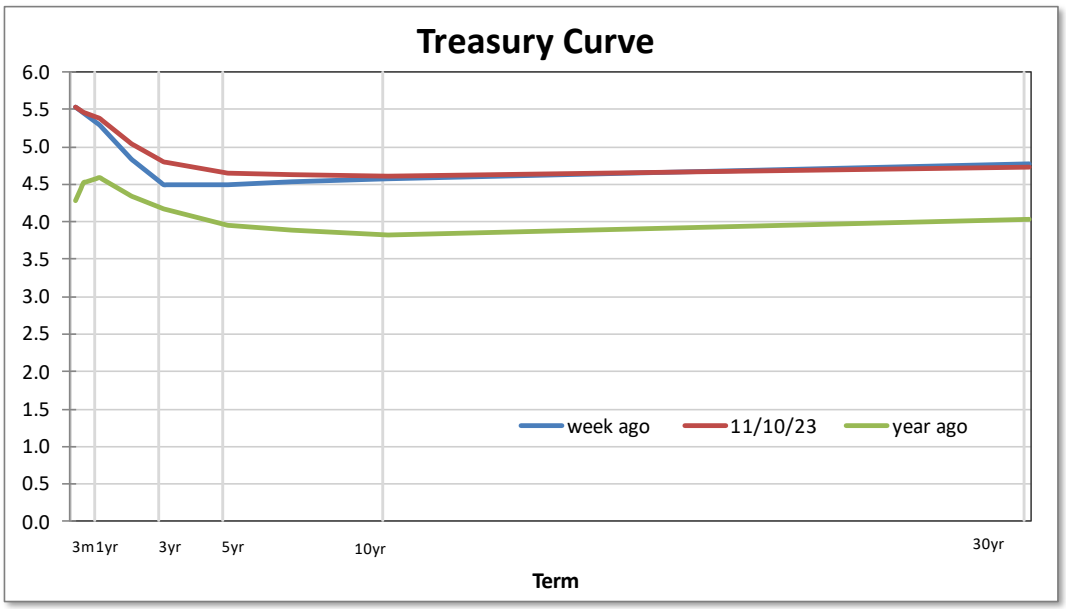
Chair Powell shared some concluding remarks about interest rates and whether they are likely to reverse back to their low levels of the 2010s:

> . *"Among the questions we will consider is the degree to which the structural features of the economy that led to low interest rates in the pre-pandemic era will persist."*

Financial Markets

Stocks gained for a second straight week last week. The Dow Jones Industrial Average rose 0.7%, the S&P 500 1.3%, and the NASDAQ 2.4%. Yields on government securities advanced except for the 30-year bond, which lost 4 basis points. The 30-year conventional mortgage dropped 26 basis points (the largest one-week drop in a year), finishing at 7.5%. The price of gold dropped 2.8%. Crude oil also traded lower (-4.2%), finishing the week at $77.39 per barrel. On the Forex market, the U.S. dollar lost ground against the Japanese Yen (-0.2%) but traded 0.4% higher against the euro.





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) kept the federal funds rate target at 5.25% to 5.50% during the Fed's November policy meeting. In the statement released following the November meeting, the FOMC said, "In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
4th Qtr '23	8.6	5.4	5.41	5.7	5.2	4.9	5.0	7.6
1st Qtr '24	8.8	5.6	5.60	5.8	5.4	5.1	5.3	7.6
2nd Qtr	8.7	5.5	5.52	5.7	5.7	5.3	5.5	7.6
3rd Qtr	8.3	5.2	5.19	5.5	5.6	5.4	5.7	7.2
4th Qtr	7.9	4.8	4.77	5.1	5.3	5.4	5.6	6.8

**Forecast as of October 27, 2023*

FINANCIAL MARKET SUMMARY

	As of 11/10/2023	As of 11/03/2023	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	8.50	8.50	0	0	0
Secured Overnight Financing Rate (SOFR)	5.32	5.32	0	1	2
Fed Funds (Wed close)	5.33	5.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	5.53	5.53	0	(9)	(1)
6 Months	5.46	5.45	1	(11)	(6)
1 Year	5.38	5.29	9	(3)	2
2 Years	5.04	4.83	21	0	15
5 Years	4.65	4.49	16	0	34
10 Years	4.61	4.57	4	(2)	45
30 Years	4.73	4.77	(4)	(5)	46
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	3.41	3.51	(10)	(17)	32
5-Year Muni	3.19	3.29	(10)	(15)	42
10-Year Muni	3.27	3.37	(10)	(7)	56
30-Year Muni	4.28	4.38	(10)	(9)	53
30-Year Conventional Mortgage	7.50	7.76	(26)	(7)	54
MARKET INDICATORS (Changes in %)					
DJIA	34,283.10	34,061.32	0.7	1.8	(2.8)
S&P 500	4,415.24	4,358.34	1.3	2.0	(1.1)
NASDAQ	13,798.11	13,478.28	2.4	2.9	1.1
CRB Futures	310.05	319.25	(2.9)	(3.3)	(0.9)
Oil (WTI Crude)	77.39	80.82	(4.2)	(6.5)	(6.6)
Gold	1,936.86	1,992.73	(2.8)	0.4	1.2
Yen / Dollar	149.38	149.66	(0.2)	0.1	5.4
Dollar / Euro	1.07	1.07	(0.4)	1.7	(2.4)