Summary

The stock market finished last week mixed. Strong earnings in the tech industry lifted the NASDAQ (+0.2%), but both the Dow Jones Industrial Average and the S&P 500 lost ground on disappointing results for the banking sector. The Conference Board's Leading Indicators dipped 0.5% in September, flashing recession signs, although the agency suggested that this contraction may be pointing to a slowdown rather than a downturn for the economy. The housing market continues to be mostly stagnant. Existing home sales decreased 1.0% month-over-month to a seasonally adjusted annual rate of 3.84 million, the lowest since October 2010. Mortgage applications dropped another 6.7% on the week ending October 10, after plunging 17% the week before. Some relief came from new home sales that were up 4.4% in September from the previous month, beating analysts' expectations. New home sales currently account for only 16% of the entire housing market. The labor market is recovering from the effect of the hurricanes. Initial jobless claims for the week ending October 19 decreased by 15,000 while analysts expected claims to increase by 5,000. Continuing jobless claims for the week ending October 12 increased by 28,000 to 1.897 million. Durable goods orders declined 0.8% month-over-month, in line with expectations. Excluding transportation goods, orders were better than expected. The final reading for the October index of Consumer Sentiment was adjusted to 70.5 from its 68.9 preliminary level, marking its third consecutive month-over-month improvement.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Leading Indicators (Sep – Mon 10:00)	-0.5%	-0.3%	
MBA Mortgage Applications Index (10/19 – Wed 07:00)	-6.7%	NA	Previous week: -17%
Existing Home Sales (Sep – Wed 10:00)	3.84 Mil.	3.90 Mil.	
EIA Crude Oil Inventories (10/19 – Wed 10:30)	+5.47 Mil.	NA	
Initial Claims (10/19 – Thu 08:30)	227K	246K	
Continuing Claims (10/12 – Thu 08:30)	1,897K	NA	
New Home Sales (Sep – Thu 10:00)	738K	713K	
Durable Orders (Sep – Fri 08:30)	-0.8%	-0.9%	
Durable Goods ex-transportation (Sep – Fri 08:30)	+0.4%	-0.1%	
U. of Michigan Consumer Sentiment - Final (Oct – Fri 10:00)	70.5	68.9	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
FHFA Housing Price Index (Aug – Tue 09:00)	NA	+0.1%	
S&P Case-Shiller Home Price Index (Aug – Tue 09:00)	5.1%	+5.9%	
Consumer Confidence (Oct – Tue 10:00)	99.0	98.7	
JOLTS - Job Openings (Sep – Tue 10:00)	NA	8.040M	
MBA Mortgage Applications Index (10/26 – Wed 07:00)	NA	-6.7%	
Chain Deflator-Adv. (Q3 – Wed 08:30)	+2.3%	+2.5%	
GDP-Adv. (Q3 – Wed 08:30)	+3.0%	+3.0%	
Pending Home Sales (Sep – Wed 10:00)	+2.5%	+0.6%	
Initial Claims (10/26 – Thu 08:30)	229K	227K	
Continuing Claims (10/19 – Thu 08:30)	NA	1,897K	
PCE Prices (Sep – Thu 08:30)	+0.2%	+0.1%	
PCE Prices - Core (Sep – Thu 08:30)	+0.2%	+0.1%	
Personal Income (Sep – Thu 08:30)	+0.4%	+0.2%	
Personal Spending (Sep – Thu 08:30)	+0.4%	+0.2%	
Nonfarm Payrolls (Oct – Fri 08:30)	120K	254K	
Nonfarm Private Payrolls (Oct – Fri 08:30)	105K	223K	
Avg. Hourly Earnings (Oct – Fri 08:30)	+0.3%	+0.4%	
Unemployment Rate (Oct – Fri 08:30)	4.1%	4.1%	
Construction Spending (Sep – Fri 10:00)	0.0%	-0.1%	
ISM Manufacturing Index (Oct – Fri 10:00)	47.6%	47.2%	

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

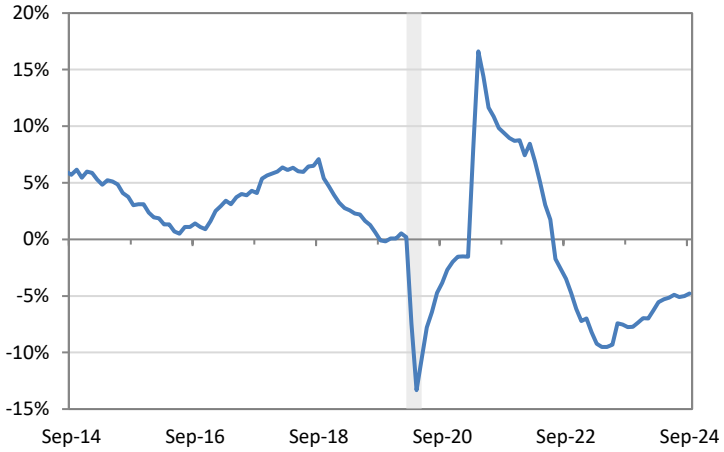
Economic Review

The Conference Board LEADING ECONOMIC INDEX (LEI) for the U.S. fell by 0.5 percent in September to 99.7, following a 0.3 percent decline in August. Over the past six months, the LEI decreased by 2.6 percent, a faster rate of decline compared to the 2.2 percent drop in the previous six-month period. Weakness in new factory orders remained a significant drag on the index, reflecting the ongoing global manufacturing slump. Other contributing factors included the inverted yield curve, a decline in building permits, and weak consumer expectations for future business conditions. While there were gains in other LEI components, they were insufficient to offset these negative indicators. The LEI's continued decline suggests uncertainty for economic activity ahead, aligning with The Conference Board's outlook for moderate growth through the end of 2024 and into early 2025.

EXISTING HOME SALES decreased 1.0% month-over-month in September to a seasonally adjusted annual rate of 3.84 million, down from an upwardly revised 3.88 million in August. Sales were also down 3.5% compared to the same period a year ago. The inventory of homes for sale at the end of September was 1.39 million units, up 1.5% from August and 23.0% from a year earlier. Despite the increase in supply, the market remains tight, as evidenced by the fifteenth consecutive month of year-over-year price increases. The median existing home price for all housing types rose 3.0% year-over-year to $404,500, with single-family home prices rising by 2.9% to $409,000. While more inventory is becoming available, with unsold inventory now at a 4.3-month supply (up from 4.2 months in August and 3.4 months a year ago), it remains below the 6.0-month supply typically associated with a balanced market.

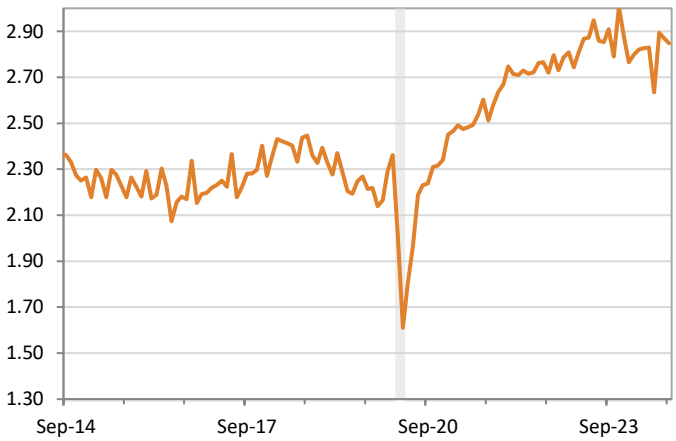
DURABLE GOODS ORDERS declined 0.8% month-over-month in September, following a downwardly revised 0.8% decrease in August. Excluding the volatile transportation category, durable goods orders rose 0.4%, building on a 0.6% increase in August. Transportation equipment new orders dropped by 3.1% in September, following a 3.4% decline in August, reflecting the high volatility of this sector. Notably, new orders for nondefense capital goods excluding aircraft—a proxy for business spending—rose by 0.5%, signaling an uptick in business investment. However, shipments of these goods, which factor into GDP calculations, declined 0.3%, following a 0.1% decline in August and a 0.4% decline in July.

U.S. Leading Economic Index



Existing Home Sales
Million of Units, Annualized Rate

New Durable Goods Orders
Trillions of Dollars



Fed Speeches

Mary Daly, Federal Reserve Bank of San Francisco President and voting member of the FOMC, expected the U.S. central bank to continue cutting interest rates at the next monetary policy meeting. On Monday October 21, at the *Wall Street Journal's* TechLive conference in Laguna Beach, California she said:

> "*So far, I haven't seen any information that would suggest we wouldn't continue to reduce the interest rate. This is a very tight interest rate for an economy that already is on a path to 2% inflation, and I don't want to see the labor market go further."*

On the same day, Federal Reserve Bank of Kansas City President Jeffrey Schmid said he favors a slower pace of interest-rate reductions compare to September jumbo cut moving forward:

> "*While I support dialing back the restrictiveness of policy, my preference would be to avoid outsized moves, especially given uncertainty over the eventual destination of policy and my desire to avoid contributing to financial market volatility.*"

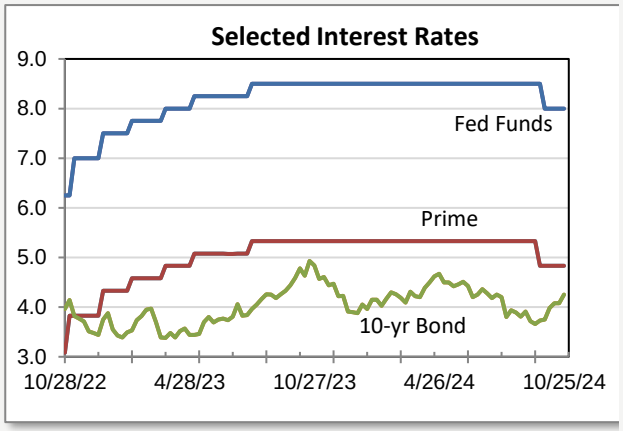
Lowering interest rates quickly stimulates the demand for borrowing and liquidity, complicating the Fed's efforts to reduce the amount of money in circulation by selling off its assets. President Schmid is pressing for a reduction in Fed's assets because the large Fed balance sheet is distorting credit allocation:

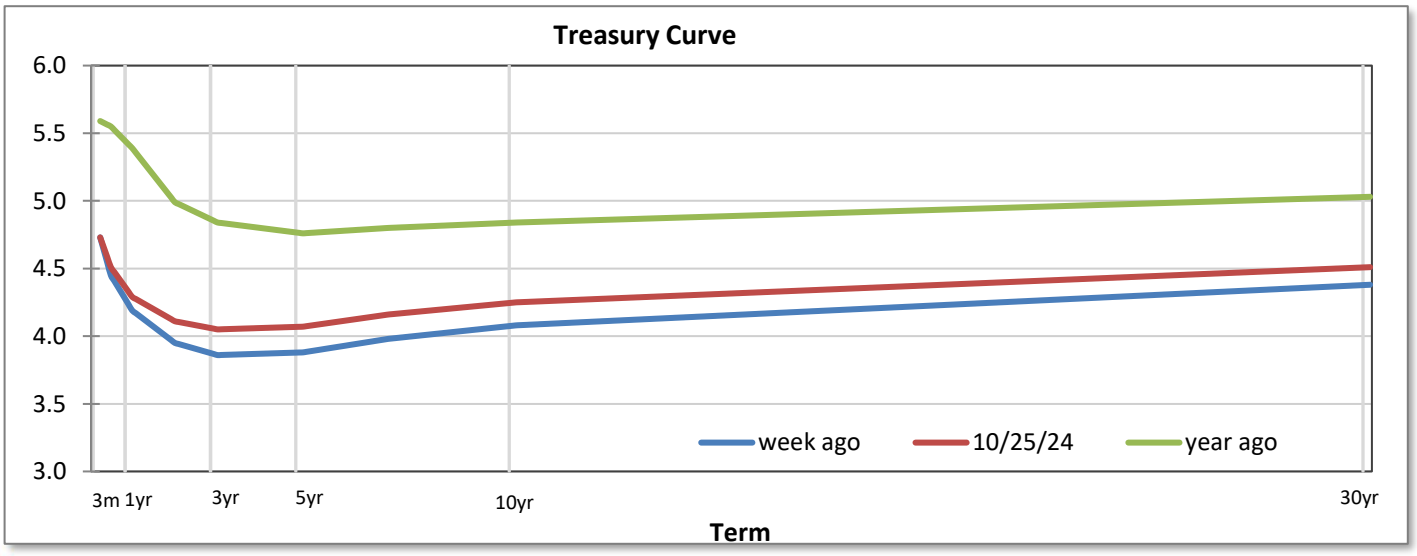
> "*A smaller balance sheet concentrated in shorter duration securities would lessen our impact on the slope of the yield curve.*"

Since May 2022, the Fed has sold almost $2 trillion of its assets.

Financial Markets

Wall Street ended a six-week winning streak on Friday. The Dow Jones Industrial Average edged down 2.7% while the S&P 500 lost 1%. Strong tech earnings kept the NASDAQ in positive territory (+0.2%) The Treasury curve shifted up, with larger gains for long-term yields. The 30-year conventional mortgage followed suit and now sits at 6.54%, 10 bps above the previous week. Gold prices continue to climb, finishing the week 0.9% up after hitting a new intra-week record high on Tuesday. Oil prices rose 3.2%, settling at $71.58 per barrel. On the forex market, the U.S. dollar gained 0.7% against the euro following the ECB interest rate cut by 25 bps on October 17. The green back also appreciated 1.8% against the Yen.





Interest Rate Forecast*

During the Fed's September policy meeting, the Federal Open Market Committee (FOMC) cut the federal funds target rate down by 50 bps to 4.75% to 5.00% while continuing to reduce its holding of Treasury securities. In the statement released following the meeting, the FOMC said, "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
3rd Qtr. '24	7.75	4.61	4.61	4.36	3.80	3.93	4.09	6.23
4th Qtr	7.16	4.04	4.03	4.06	3.61	3.78	3.89	6.02
1st Qtr '25	6.83	3.71	3.70	3.86	3.54	3.73	3.91	5.82
2nd Qtr	6.42	3.29	3.28	3.42	3.39	3.58	3.89	5.71
3rd Qtr	6.25	3.13	3.11	3.26	3.28	3.52	3.89	5.67

October 2024

FINANCIAL MARKET SUMMARY

	As of 10/25/2024	As of 10/18/2024	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	8.00	8.00	0	0	(50)
Secured Overnight Financing Rate (SOFR)	4.83	4.85	(2)	(1)	(52)
Fed Funds (Wed close)	4.83	4.83	0	0	(50)
TREASURIES (BE) (Changes in BPs)					
3 Months	4.73	4.73	0	5	(65)
6 Months	4.51	4.45	6	16	(67)
1 Year	4.29	4.19	10	39	(50)
2 Years	4.11	3.95	16	56	(25)
5 Years	4.07	3.88	19	57	1
10 Years	4.25	4.08	17	50	5
30 Years	4.51	4.38	13	41	6
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.66	2.50	16	27	(20)
5-Year Muni	2.70	2.48	22	33	(7)
10-Year Muni	3.01	2.74	27	64	23
30-Year Muni	3.85	3.65	20	30	14
30-Year Conventional Mortgage	6.54	6.44	10	46	(24)
MARKET INDICATORS (Changes in %)					
DJIA	42,114.40	43,275.91	(2.7)	(0.5)	3.8
S&P 500	5,808.12	5,864.67	(1.0)	1.2	6.4
NASDAQ	18,518.61	18,489.55	0.2	2.2	6.7
CRB Futures	339.53	333.12	1.9	(0.1)	3.9
Oil (WTI Crude)	71.58	69.37	3.2	(0.5)	(10.8)
Gold	2,744.83	2,721.46	0.9	3.4	15.0
Yen / Dollar	152.27	149.53	1.8	5.9	(3.3)
Dollar / Euro	1.08	1.09	(0.7)	(3.3)	(0.6)