Macro Economic Overview – Oct 2024

Uncertainty among global markets rose as conflict in the Middle East elevated tensions and roiled energy markets. Oil and fuel prices spiked as the threat of supply constraints and the disruption of shipping routes imposed duress on an already fragile environment.

The aftermath of Hurricane Helene is estimated to result in roughly $34 billion in losses, after dumping a staggering 42 trillion gallons of rainfall and becoming one of the most destructive hurricanes on record. The massive destruction of homes, businesses and coastal areas is expected to possibly take years to repair and revitalize. The Federal Emergency Management Agency (FEMA) which has already been stretched thin by record-setting wildfires and other extreme weather events, has warned that the agency doesn't have enough funding to make it through the 2024 hurricane season.

The port workers strike affected every port and major maritime trade gateway from Boston to Houston, where billions of dollars of imported and exported products flow. Economists believe that the damage from the supply-chain disruption may be widespread, especially hindering the nation's retail sector. Union workers voted on postponing the strike and resuming work until January 15th, in order to allow for negotiations between employers and the International Longshoremen's Association union.

A price war has emerged among restaurants and the fast-food industry for increasingly cost-conscious consumers, announcing promotions on popular menu items in order to help increase sales. Consumers have been cutting back and have been evading pricy restaurants and food items as budgets tighten up. The results of increasing promotional activity and cost-conscious consumers are considered to be deflationary.

The Federal Reserve reduced its key rate, the Fed Funds Rate, by half of a percent or 50 bps to 4.75% - 5.00%, from 5.25% - 5.50%. It was the first rate cut by the Fed since March 2020, during the onset of the pandemic. The Fed made it clear that it was not easing rates because of a crisis as it did in 2020, but rather to counter growing weakness in the labor market.

The initial rate cut by the Fed received a lukewarm response by domestic and international equity markets, as the Fed announced that rate cuts such as the initial reduction should not be expected to continue at generous as it was. The Fed's reduction immediately affected consumer interest rates from mortgages to auto loans. The Fed can only control short term rates, while the fixed income market dictates intermediate, and long term maturities. Mortgage rates fell to their lowest levels in over a year in September.

Consumer confidence fell in September by the most in three years as concerns surrounding the labor market weighed on consumers and those seeking jobs. Eroding confidence was further induced by stubborn inflation and a Fed rate reduction that may have come too late to alleviate high consumer interest rates.

Insurance premiums are expected to rise even further in the wake of the damage caused by Hurricane Helene, prompting some homeowners to sell or relocate because of unaffordable insurance. The insurance industry is on edge as rising claims progress as a result of the unpredictable hurricane season.

The tremendous demand for energy driven by Artificial Intelligence (A.I.) has for the first time in decades, garnered support to reopen and expand existing nuclear facilities, including the infamous Three Mile Island nuclear plant in Pennsylvania.

Sources: Federal Reserve, Treasury Dept., FEMA, Bloomberg, Dept. of Energy