Macro Overview / August 2024

Volatility returned to the equity markets in July as earnings became a focal point for technology and other growth oriented sectors. A weaker than expected jobs report along with an increase in the unemployment rate to 4.3% ushered in a flurry of worry surrounding the continuation of economic expansion.

The ongoing conflict in the Middle East, should it escalate, may further impede on critical shipping routes and oil transports, affecting the delivery and price of goods and commodities worldwide. There is a remote possibility that the Fed may actually lower rates sooner than September and perhaps even more than anticipated should economic data and market dynamics warrant it.

Data complied by the Federal Reserve Bank of New York found that consumers are increasingly falling behind on debt payments, with delinquency rates on credit cards rising above 3% in the first quarter, the highest level since 2011. The initial rate cut is highly anticipated as economists believe that consumers can only endure so much more.

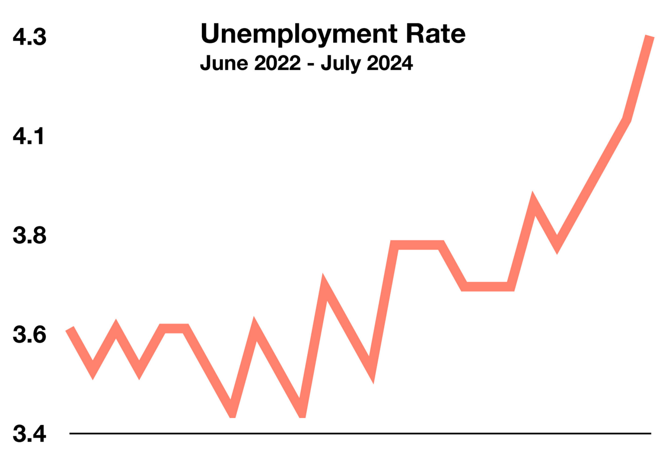
Unemployment claims rose for the ninth consecutive week in July, the longest stretch since 2018. The data suggests that people are having rising difficulty in finding a job, as companies pare back on hiring and initiating layoffs.

A closely tracked consumer sentiment index eased in July to an eight-month low as high prices continued to weigh on attitudes about personal finances. The University of Michigan Sentiment Index fell to 66.4 in July, down from 68.2 in June. The drop in sentiment reflects the continued high costs of borrowing as well as ongoing inflationary pressures with food, energy, insurance, and medical expenses.

U.S. economic growth expanded at a 2.8% rate in the second quarter, fueled in part by the coming summer months and continued consumer spending. Yet the Fed's favored measure of inflation, Core Personal Consumption Expenditures (PCE) came in lower than expected in July, signaling a slowdown in inflation, further incentivizing the Fed to lower rates in September.

The yield curve, a measure of where interests are headed, is starting to show higher long term rates, signaling long term growth prospects for the U.S. economy. Shorter term one year treasury yields fell below 5% in July, as the expectation that the Fed will lower rates in September has increased.

In a sign that economic conditions are contracting in China, the Chinese government cut both short term and long term rates in July with the intent to boost growth as the country's economy has rapidly slowed down. China is currently struggling with deflationary pressures as well as a significant real estate property crisis.



A major malfunction with a widely used software platform caused widespread outages and disruption among various industries in July, The outage exposed the vulnerability to global software platforms and systems affecting various industries and companies worldwide.

Elevated interest rates continue to place pressure on the nation's deficit, costing the U.S. government billions in additional interest as Treasury rates have risen. In 2023, the interest payments reached approximately $1 trillion, driven by high interest rates and a national debt of $34 trillion.

Sources: Treasury Dept., Federal Reserve Bank of New York, University of Michigan, Labor Dept.