

State of the Economy:

Leading, Lagging, and Coincident Indicators

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Economic
INSIGHT



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Executive Summary

Despite the market's disbelief, Federal Reserve (Fed) Chairman Jerome Powell reiterated the possibility of a further backup in the federal funds target rate should concerns over inflation remain. Of course, recent events overseas have at the very least complicated the timing for any such action, as the impact of the conflict on monetary policy remains – like the war itself – uncertain. Additionally, as longer-term rates continue to ascend, with the 10-year Treasury breaching 5% for the first time since 2007, many officials do not believe there is a need for a further tightening in policy, and in fact, may be inappropriate given the change in market metrics.

Of course, while persistently elevated rates, or an organic change in credit conditions, may help to do some of the Fed's work in terms of reaching a collective terminal policy level, higher rates may also compound the need for further Fed action, if the backup reflects a change in expectations for Fed policy. In this case, the only way to ensure higher yields is for the Fed to follow through with such expectations, implementing an additional rate hike or hikes.

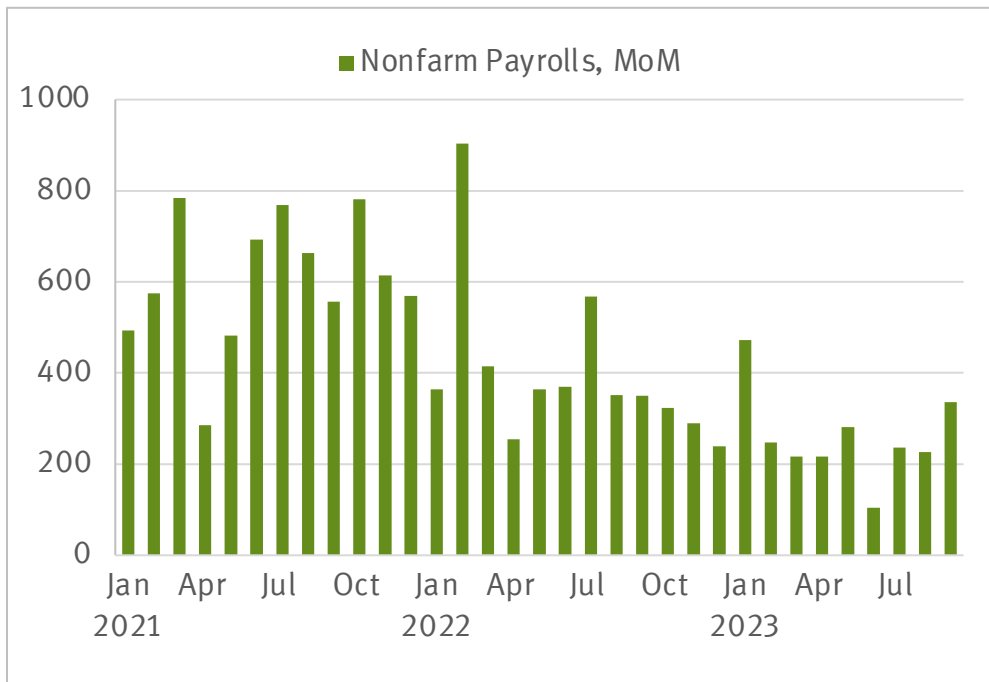
International uncertainty, slower global growth prospects, and ongoing volatility in the rates market aside, topline activity with third quarter (Q3) GDP initially reported at 4.9%, the consumer and housing market as well as financial market conditions continue to prove surprisingly resilient. However, with headline inflation reversing course as of late, threatening at least a portion of the disinflationary improvement, it remains unclear whether or not policy makers have done enough to sufficiently slow spending and investment to ensure more benign inflation.

Going forward additional firming will result in – or exacerbate – hardship on households and businesses. Thus, without additional support for the consumer – either organic or otherwise – further monetary policy restrictions – however justified – will eventually result in more meaningful weakness, undermining the current trend of positivity looking out to 2024.

Leading Indicators

NONFARM PAYROLLS RISE MORE THAN EXPECTED IN SEPTEMBER

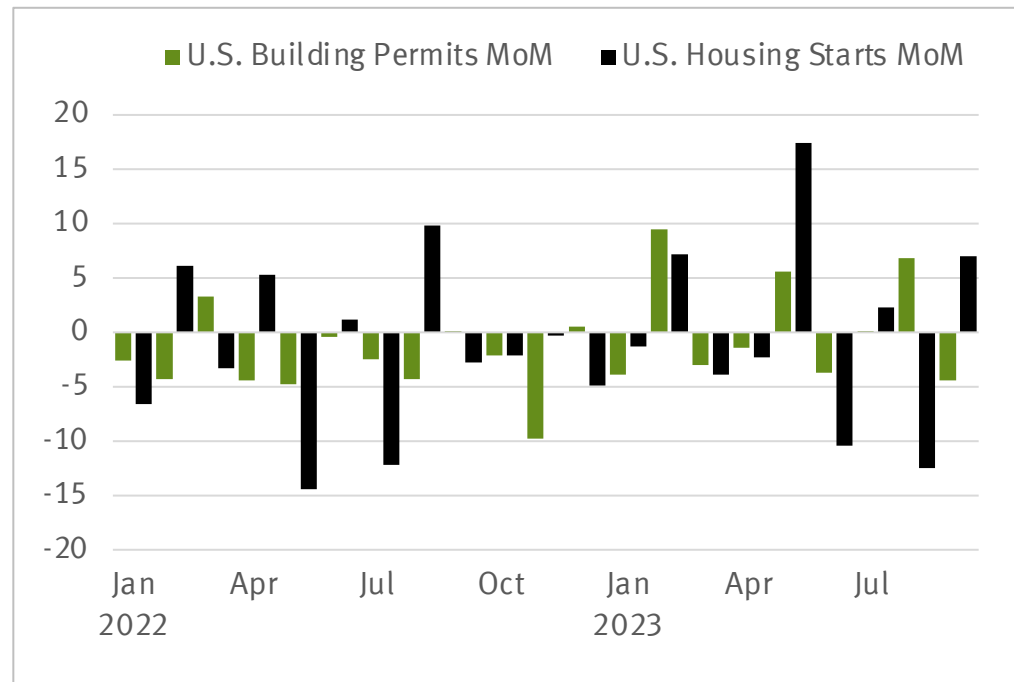
Nonfarm payrolls rose by 336,000 in September, more than the 170,000 gain expected and the strongest pace of monthly job growth since January.



NFP TCH Index (U.S. Employees on Nonfarm Payrolls Total MoM Net Change SA) Nonfarm Payrolls Monthly
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BUILDING PERMITS FALL/HOUSING STARTS RISE IN SEPTEMBER; REMAIN SLUGGISH

On a month-over-month (MoM) basis, building permits fell 4.4%, while housing starts rose 7.0% in September.



NHCHATCH Index (Private Total Housing Authorized by Building Permits MoM SA) Housing Permits/Starts Monthly
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Leading Indicators

MANUFACTURING ACTIVITY REMAINS IN CONTRACTIONARY TERRITORY

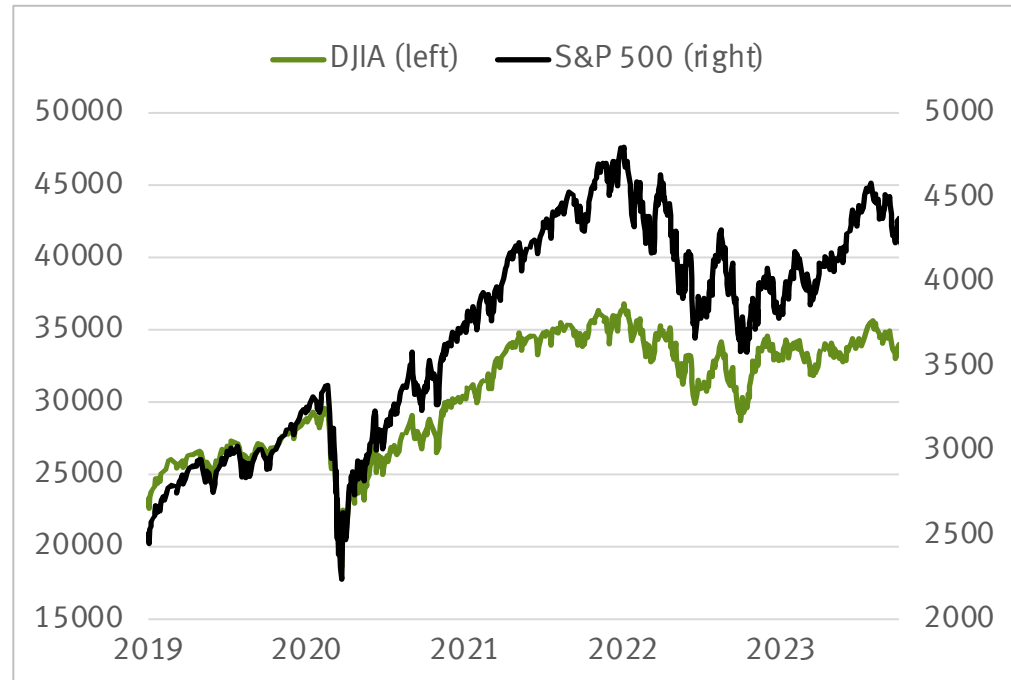
The ISM Manufacturing Index ticked up from 47.6 to 49.0 in September, a 10-month high, albeit the eleventh consecutive month in contractionary territory (a reading below 50).



NAPMPMI Index (ISM Manufacturing PMI SA) Manufacturing Monthly
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STOCKS END LOWER IN SEPTEMBER

Stocks ended lower in September. The S&P 500 started at 4,507.66, sliding 4.9% during the month. The Dow Jones Industrial Average (DJIA), which started at 34,721.91, fell 3.5% in September.

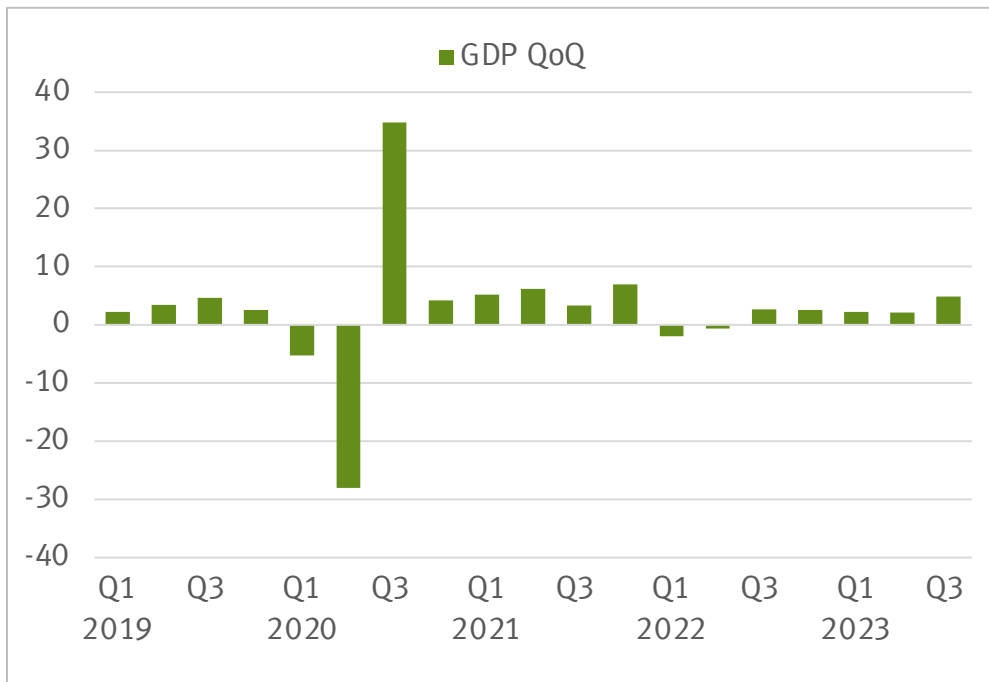


SPX Index (S&P 500 Index) SP500/DJIA Daily
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Lagging Indicators

GDP RISES 4.9% in Q3, MORE THAN EXPECTED

Q3 GDP rose 4.9% in the preliminary report, the fastest pace in nearly two years.



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars QoQ SAAR) GDP Bar Chart Quarterly
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U.S. EMPLOYMENT RATE STEADY AND REMAINS HISTORICALLY LOW

The U.S. unemployment rate remained at 3.8% in September for the second consecutive month, near a five-decade low.

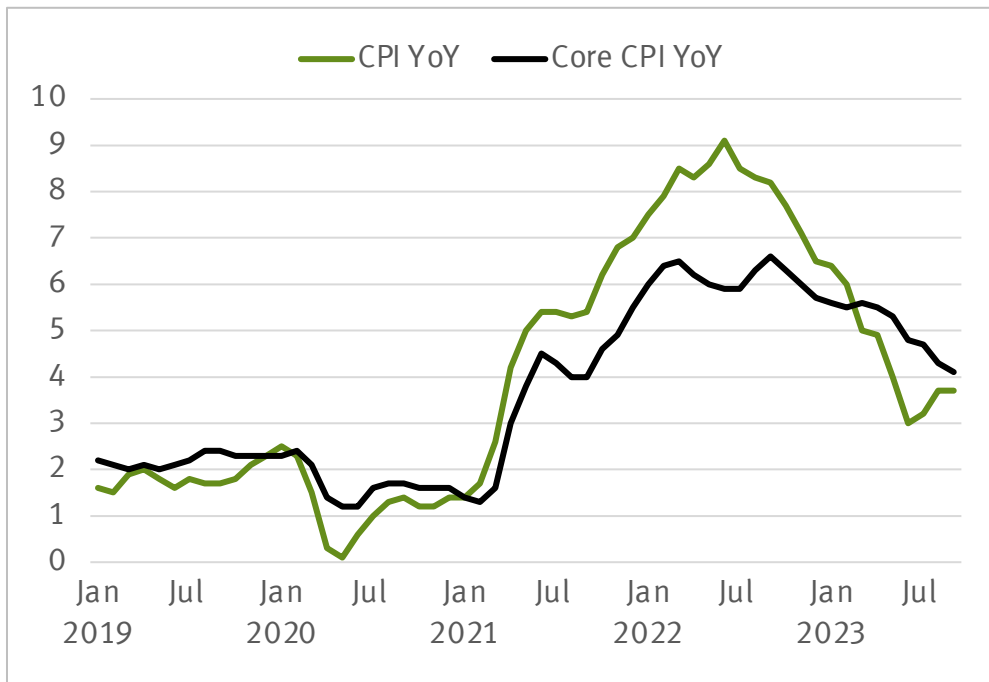


USURTOT Index (U-3 U.S. Unemployment Rate Total in Labor Force Seasonally Adjusted) Unemployment and Wages Monthly
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Lagging Indicators

INFLATION REMAINS ELEVATED IN SEPTEMBER

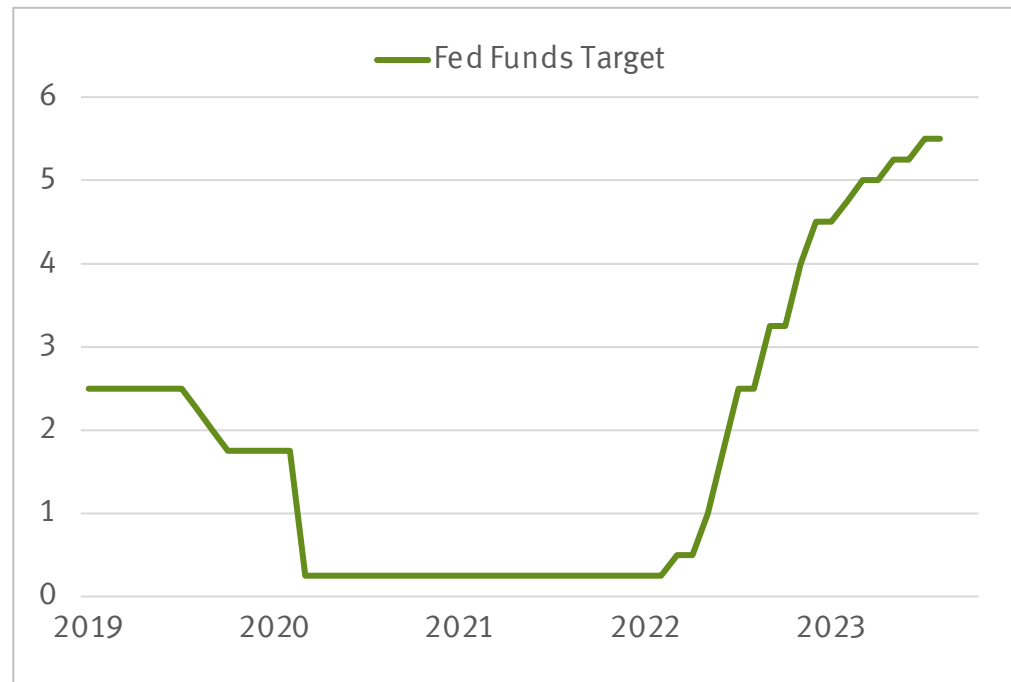
The Consumer Price Index (CPI) rose 0.4% in September and 3.7% over the past 12 months. Excluding food and energy, the core CPI rose 0.3% for the month and 4.1% year-over-year (YoY).



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars QoQ SAAR) GDP Bar Chart Quarterly
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FEDERAL RESERVE HOLDS RATE STEADY IN SEPTEMBER

The Federal Reserve kept rates steady at a range of 5.25% to 5.50% at its September meeting after raising rates 25 basis points in July.

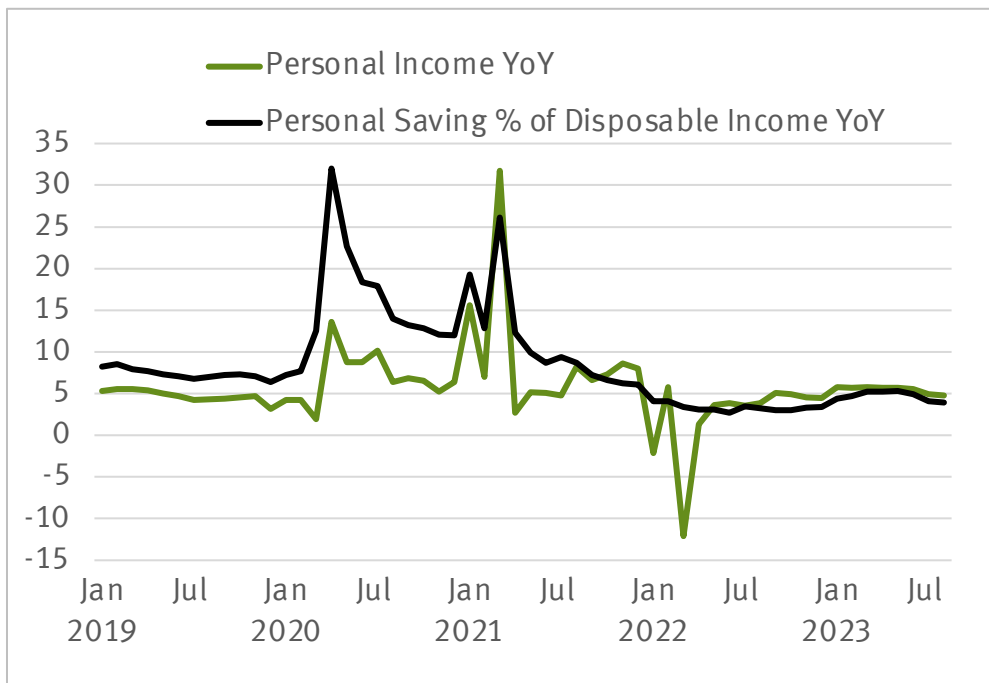


FDTR Index (Federal Funds Target Rate – Upper Bound) Fed Funds Tgt/Effective Daily
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Coincident Indicators

INCOME AND SAVINGS DOWN FROM PEAK

Personal income rose 4.8%. Personal savings as a percent of disposable personal income rose 3.9% in August, down from a 4.1% gain in July.



PITLYOY Index (U.S. Personal Income YoY SA) Personal Income/Saving Daily
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U.S. INDUSTRIAL PRODUCTION REMAINS LACKLUSTER

Industrial production rose 0.08% in September from a year prior following a similar rise in August.

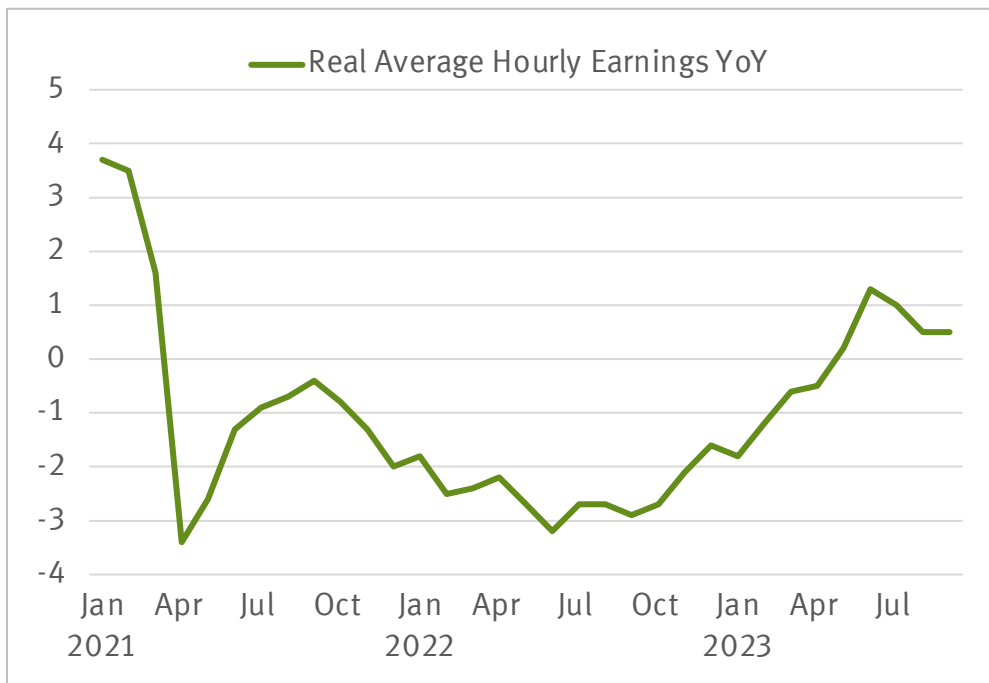


IP YOY Index (U.S. Industrial Production YOY SA) Industrial Production Daily
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Coincident Indicators

REAL EARNINGS TRENDING LOWER

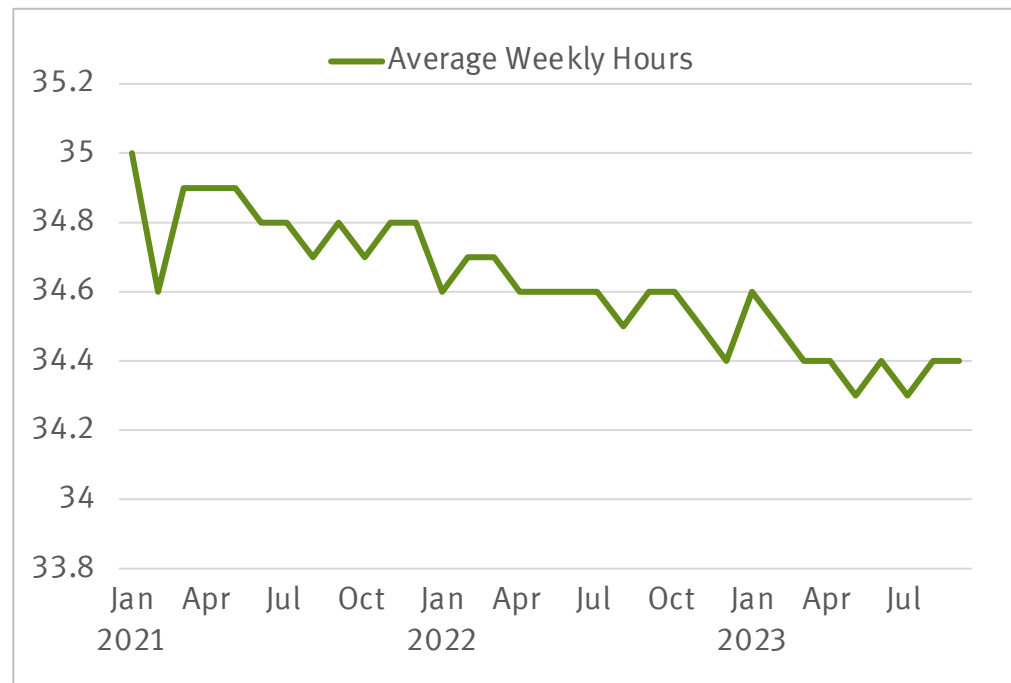
Real average hourly earnings increased by 0.5% in September from a year ago following a similar gain in August.



REALYRAW Index (U.S. Real Average Hourly Earnings 1982-1984 USD YoY SA) Real Average Earnings Daily
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WEEKLY HOURS TICKING DOWN

Average weekly hours ticked remained at 34.4 in September for the second consecutive month.



AWH TOTL Index (U.S. Average Weekly Hours All Employees Total Private SA) Average Weekly Hours Monthly
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The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market.

The Standard & Poor’s 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The ISM Manufacturing Index is a composite diffusion index created to monitor employment, production inventories, new orders, and supplier deliveries in national manufacturing based on surveys of more than 300 manufacturing firms by the Institute of Supply Management.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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