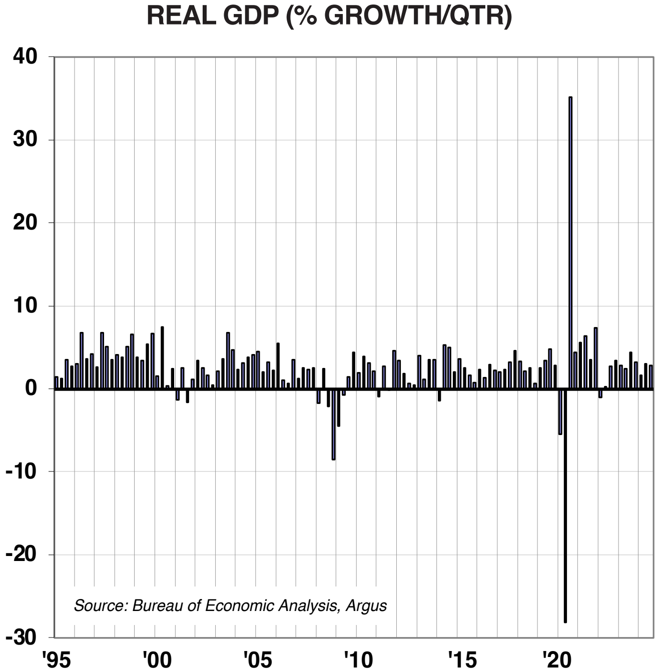
# THE ECONOMY AT A GLANCE

## ECONOMIC HIGHLIGHTS

November 4, 2024
Vol. 91, No. 158

### GDP GROWS 2.8%

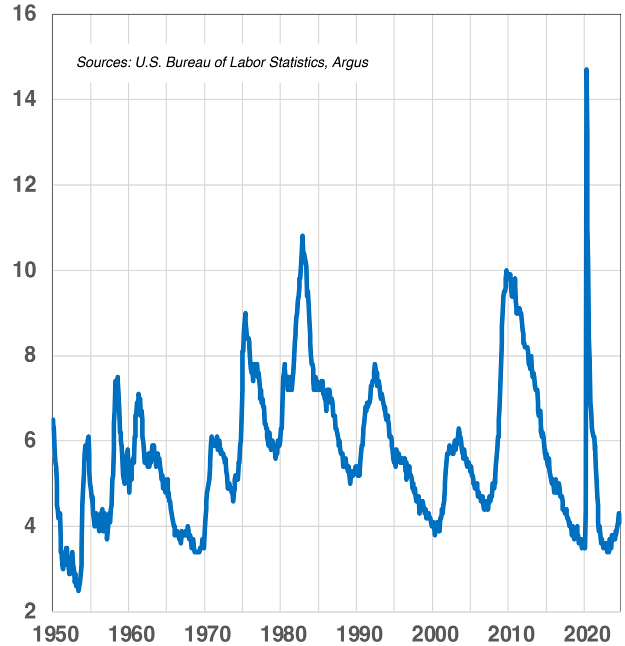
According to the advance estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product expanded in the third quarter at an annualized rate of 2.8%. That's just below the 3.0% consensus and 3.0% growth in the second quarter. Solid growth with easing inflation is good news. Spending by consumers and the federal government drove the expansion. Consumer spending on goods rose a whopping 6.0%. Within goods, durables jumped 8.1%. Nondurables were up 4.9%. The huge services category was up a solid 2.6%. Government consumption and investment rose 5.0%, led by 9.7% growth at the federal level, with national defense spending up 14.9%. Private domestic investment grew, but at a slower rate than in 2Q. Spending on equipment remained strong, up 11.1%, but residential fixed investment (housing) was down 5.1% as high home prices and elevated mortgage rates kept prospective buyers on the sidelines. The report also contains data on inflation, which continued to ease. The PCE Price Index increased 1.5% in the third quarter, compared with an increase of 2.5% in the second quarter. Excluding food and energy, the index increased 2.2%, compared with an increase of 2.8% in the previous quarter. In our view, the report this morning indicates that consumers remain strong and the Federal Reserve has been effective in reducing inflation. After the report, there was little change in the nearly-unanimous expectation that the Fed will reduce its 4.75%-5.0% policy target by a quarter point when it meets in early November.



## UNEMPLOYMENT RATE HOLDS AT 4.1%

The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 12,000 new jobs in October, well below the consensus of 110,000. Our forecast was 60,000 and reflected our baseline forecast of 160,000 offset by a temporary reduction of 100,000 from hurricanes and the strike at Boeing. The BLS noted that strike activity reduced manufacturing employment, but said that it couldn't quantify the net effect of the hurricanes. September's payrolls were revised lower by 31,000 to 223,000. August was revised down by 81,000 to 78,000. Overall revisions to past results took the three-month average down to 104,000. The 12-month average was 203,000 before this morning's release. This report holds additional gravity because it is the last major economic indicator before the presidential election and next week's Fed meeting. The October unemployment rate was unchanged at 4.1%, in line with our estimate and consensus. Average hourly earnings increased 13 cents month to month and are 4.0% higher year over year (compared to 3.9% in September). The average workweek was unchanged at 34.3 hours. Job gains continued to trend higher in healthcare and government. Employment showed little or no change in mining, quarrying, and oil and gas extraction; wholesale trade; retail trade; transportation and warehousing; information; financial activities; leisure and hospitality; and other services. Employment declined in manufacturing due to strike activity.

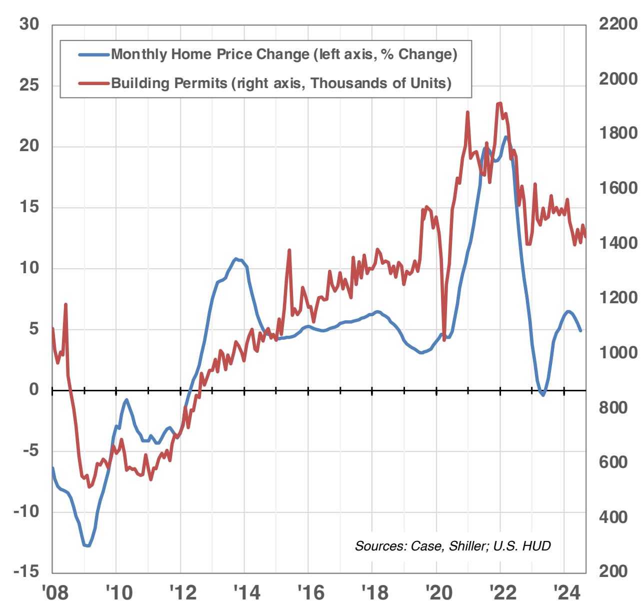
U.S. UNEMPLOYMENT RATE (%)




## WILL HOUSING BOUNCE THIS SPRING?

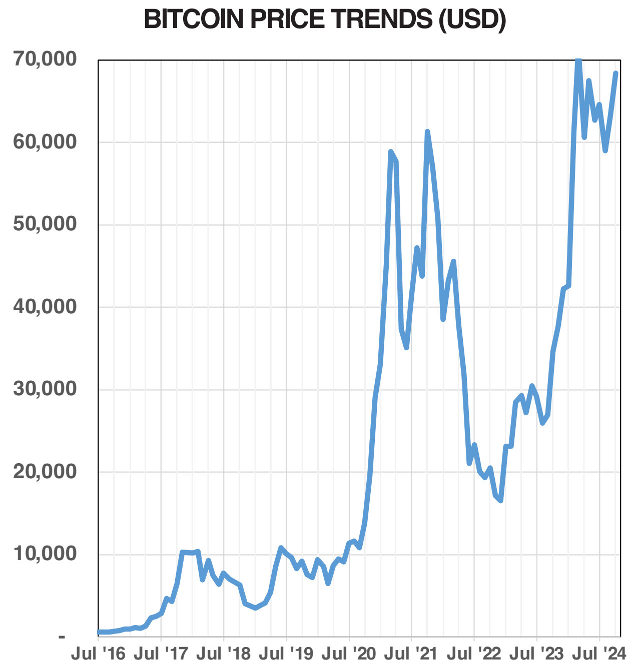
With a strong economy and prospects for inflation to recede further, home builders appear optimistic about the spring selling season despite an uptick in mortgage rates. The National Association of Homebuilders/Wells Fargo Housing Market Index rose for a second month in October, adding two points to 43. Traffic from prospective buyers and current sales conditions each edged up by two points. Expectations for the next six months, rose by four points for a second straight month to a solid 57. A reading below 50 indicates that more builders see conditions as poor than good, so there is plenty of room for improvement in the headline number. "While housing affordability remains low, builders are feeling more optimistic about 2025 market conditions," said NAHB Chairman Carl Harris. Still, it may be hard for sentiment to keep rising unless mortgage rates fall back towards 6%.

HOUSING MARKET TRENDS



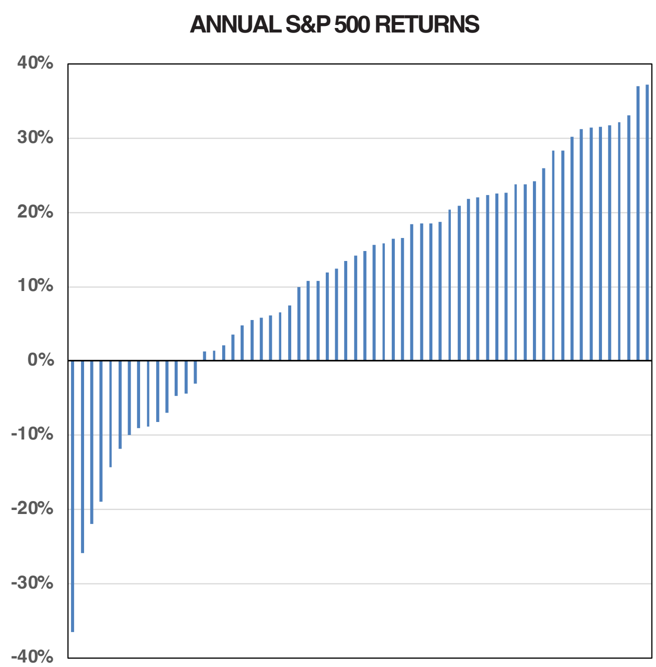
## BITCOIN ETFS: IS IT TIME TO INVEST?

Not long ago, the only way to gain exposure to Bitcoin was to invest in it directly. The process was arduous and required self-service in an unregulated market. But investing in Bitcoin has come a long way thanks to the January debut of spot Bitcoin ETFs. This new type of security gives investors exposure to Bitcoin without the need to buy, store, or manage it. In less than a year, investors have shown their support by collectively pouring over $65 billion into these securities. Convenience isn't the only advantage. Bitcoin ETFs operate in regulated financial markets that provide a degree of security and transparency. Like the underlying asset, Bitcoin ETFs come with volatility. The same funds that outperformed the S&P 500 on a year-to-date basis underperformed the index on a three-month and six-month basis. Should you invest in Bitcoin ETFs? While we expect the volatility of the underlying security to decline over time, that expectation remains speculative. The recent results demonstrate that Bitcoin ETFs may offer attractive returns for investors with a long-term investment horizon and high tolerance for risk.

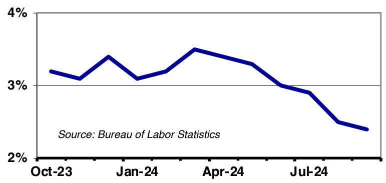



## LONG-TERM PATTERNS POSITIVE FOR STOCKS

The long-term trend in the U.S. stock market has been higher. Since 1960, stocks have shown positive annual performances almost 75% of the time. The average annual gain has been 11%, with a standard deviation of 17%. By these numbers, 2024 is a good-but-not-yet exceptional year, as the S&P 500 is up 23% year to date. The strongest return of any one year was the 37% advance in 1995. 2008, during the Great Recession, was the lowest-performing year in which the S&P 500 fell 37%. By deciles, annual returns most often fall in the 10-20% range. This has occurred 16 times. In second place, perhaps surprisingly, is returns in the 20-30% range. This has occurred 13 times, including in 2023. What does this say for 2025? Well, returns aren't exactly random, and patterns do emerge. There have been eight instances since 1960 in which the stock market has risen at least three years in a row, including long runs of eight years in the 1980s, nine years in the 1990s, and eight years from 2009-2017. Thus the historical trends seem to back another positive year for equities next year. What's more important, of course, will be the fundamentals -- and we think the current bull market, now in its second year, has more room to run.



| | |
|---|---|
| Release: | **Consumer Price Index** |
| Date: | 11/13/2024 |
| Month: | October |
| Previous Report: | 2.4% |
| Argus Estimate: | 2.6% |
| Street Estimate: | 2.5% |

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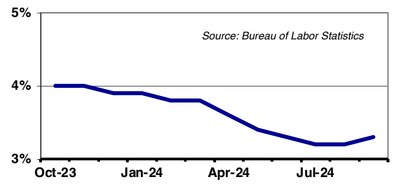
|---|---|
| Release: | **CPI ex-Food & Energy** |
| Date: | 11/13/2024 |
| Month: | October |
| Previous Report: | 3.3% |
| Argus Estimate: | 3.4% |
| Street Estimate: | 3.3% |

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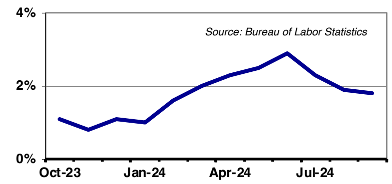
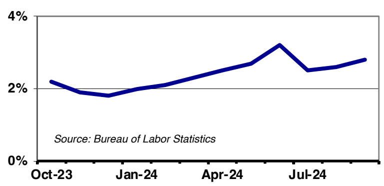
|---|---|
| Release: | **PPI Final Demand** |
| Date: | 11/14/2024 |
| Month: | October |
| Previous Report: | 1.8% |
| Argus Estimate: | 2.0% |
| Street Estimate: | NA |




| | |
|---|---|
| Release: | **PPI ex-Food & Energy** |
| Date: | 11/14/2024 |
| Month: | October |
| Previous Report: | 2.8% |
| Argus Estimate: | 2.8% |
| Street Estimate: | NA |

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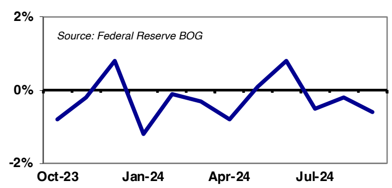
|---|---|
| Release: | **Industrial Production** |
| Date: | 11/15/2024 |
| Month: | October |
| Previous Report: | -0.6% |
| Argus Estimate: | -0.1% |
| Street Estimate: | NA |

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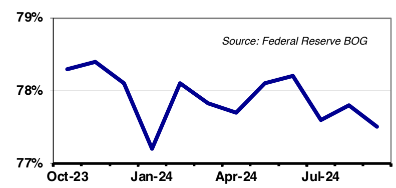
|---|---|
| Release: | **Capacity Utilization** |
| Date: | 11/15/2024 |
| Month: | October |
| Previous Report: | 77.5% |
| Argus Estimate: | 77.4% |
| Street Estimate: | 77.3% |

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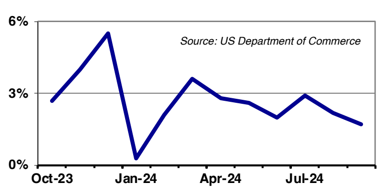
|---|---|
| Release: | **Retail Sales** |
| Date: | 11/15/2024 |
| Month: | October |
| Previous Report: | 1.7% |
| Argus Estimate: | 2.4% |
| Street Estimate: | NA |

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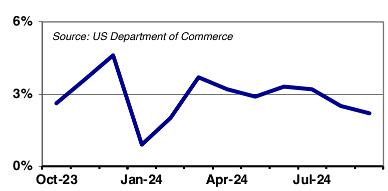
|---|---|
| Release: | **Retail Sales ex-autos** |
| Date: | 11/15/2024 |
| Month: | October |
| Previous Report: | 2.2% |
| Argus Estimate: | 2.6% |
| Street Estimate: | NA |

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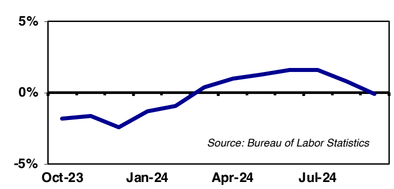
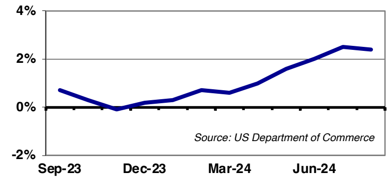
|---|---|
| Release: | **Import Price Index** |
| Date: | 11/15/2024 |
| Month: | October |
| Previous Report: | -0.1% |
| Argus Estimate: | 0.2% |
| Street Estimate: | NA |




*Previous Week's Releases and Next Week's Releases on next page.*

Release: **Business Inventories**
Date: 11/15/2024
Month: September
Previous Report: 2.4%
Argus Estimate: 2.2%
Street Estimate: NA




## Previous Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|---|---|---|---|---|---|---|
| 4-Nov | Factory Orders | September | **0.3%** | -1.6% | NA | **-1.6%** |
| 5-Nov | ISM Services Index | October | 54.9 | 55.0 | 53.0 | **56.0** |
| | Trade Balance | September | **-$70.8 Bil.** | -$69.0 Bil. | -$72.7 Bil. | **-$84.4 Bil.** |
| 7-Nov | Nonfarm Productivith | 3Q | 2.5% | 2.8% | 2.3% | NA |
| | Unit Labor Costs | 3Q | 0.4% | 0.3% | 0.5% | NA |
| | Wholesale Inventories | September | 0.6% | 0.7% | NA | NA |
| | Total Vehicle Sales | October | 15.77 mln. | 15.80 mln. | 15.77 mln. | NA |
| 8-Nov | U. of Michigan Sentiment | October | 70.5 | 69.0 | NA | NA |

## Next Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|---|---|---|---|---|---|---|
| 19-Nov | Housing Starts | October | 1,354K | NA | NA | NA |
| 21-Nov | Existing Home Sales | October | 3.84 Mln. | NA | NA | NA |
| | Leading Index | October | -0.5% | NA | NA | NA |

## Disclaimer