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# THE ECONOMY AT A GLANCE

## ECONOMIC HIGHLIGHTS

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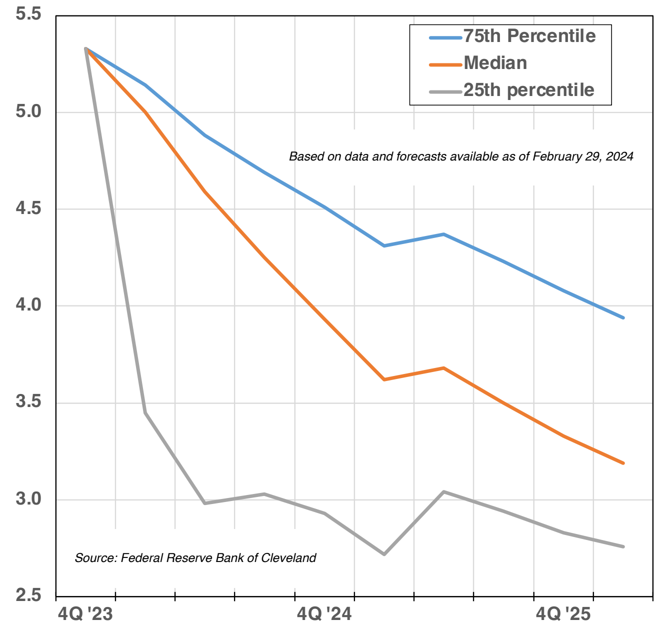
### SIMPLE RULES OFFER INSIGHTS ON FED POLICY

A systematic approach to understanding potential actions is more important than ever. The Fed's Monetary Policy Report contains a section on "Monetary Policy Rules." The March 2024 section says, "Policymakers regularly consult the prescriptions of a variety of simple interest rate rules without mechanically following the prescriptions of any particular rule." The report also says, "The policy rates prescribed by these rules have now declined to values that are close to the federal funds rate." In a 2016 speech, Loretta Mester, the president of the Cleveland Fed (and a current FOMC voting member) said "I believe in a systematic approach to monetary policy, but I don't believe we are at the state of knowledge where we can choose a single policy rule to set policy..." The Cleveland Fed's website provides seven "Simple Monetary Policy Rules" and three sets of forecasts for economic conditions. Our chart provides the median funds rate from these scenarios along with the seventy-fifth and twenty-fifth percentiles of estimates from the array. The current target range is 5.25%-5.5%. The best-known monetary policy rule is a formula developed by Stanford economist John Taylor. In a 2015 commentary for the Brookings Institution, former Fed Chair Bernanke offered the following. "The Taylor rule predicts that the FOMC will raise the federal funds rate by one half point: for each percentage point that inflation rises relative to the Fed's target, assumed to be 2 percent; or for each percentage that output rises relative to its potential." The Atlanta Fed's website has a Taylor Rule utility that can be customized. We expect the Fed to start reducing rates in the second half of this year.

**FED FUNDS RATES BASED ON SIMPLE MONETARY POLICY RULES**

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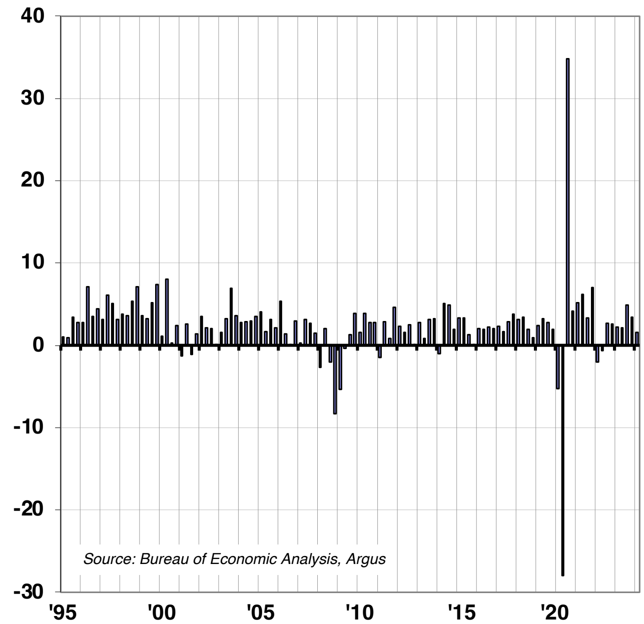
## GDP GROWTH SLOWS TO 1.6%

According to the advance estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product expanded in the first quarter at an annualized rate of 1.6%, well below the 3.4% growth in the fourth quarter. Personal consumption expenditures were up 2.5%, but was carried by the huge services category, which was up 4.0%. Consumer spending on goods declined 0.4%. Within goods, nondurable goods were flat but durables were down 1.2%. We believe weakness in big-ticket categories is a sign that many consumers are feeling the weight of still-high food prices and record credit-card rates. Within this context, it may seem surprising that residential fixed investment (housing) was up 13.9%. We believe the answer is that the Millennial generation is coming of age and forming households. The GDP report also contains data on inflation, which, consistent with recent reports, came in hotter than we hoped. The PCE Price Index increased 3.4% in the first quarter, compared with an increase of 1.8% in the fourth quarter. Excluding food and energy, the index increased 3.7%, compared with an increase of 2.0% in the previous quarter. In our view, the report indicates that many consumers are feeling the weight of inflation that is lingering the after Fed's 11 rate hikes.

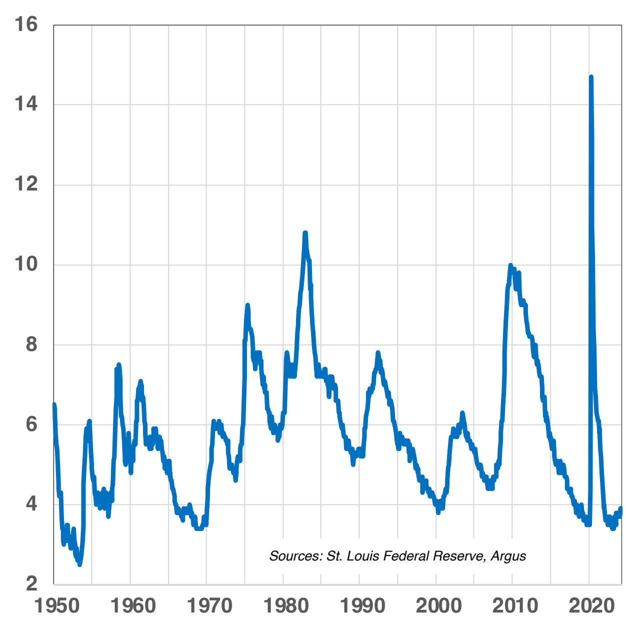
REAL GDP (% GROWTH/QTR)




## COOLER JOBS SUGGEST SEPTEMBER RATE CUT

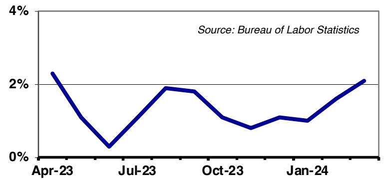
The Bureau of Labor Statistics (BLS) reported that the U.S. economy generated 175,000 new jobs in April, below the consensus of 243,000. April's increase in payrolls and revisions to the March and February results took the three-month average to 242,000, which is in line with the 12-month average of 242,000 and signals a healthy-but-cooling job market. The unemployment rate rose to 3.9% from 3.8%, which remains below the threshold for triggering the widely followed Sahm Rule recession indicator. The four-week average of initial jobless claims is 210,000, well below the 300,000 that would trigger our concerns about a potential recession. Average hourly earnings increased seven cents month-to-month and are now 3.9% higher year-over-year (compared to 4.1% in March). The average workweek dipped to 34.3 hours in April from 34.4 hours in March. Job gains occurred in healthcare, social assistance, and transportation and warehousing. Employment showed little change over the month in construction; government; mining; quarrying, oil and gas extraction; manufacturing; wholesale trade; information; financial activities; professional and business services; leisure and hospitality; and other services.

U.S. UNEMPLOYMENT RATE (%)

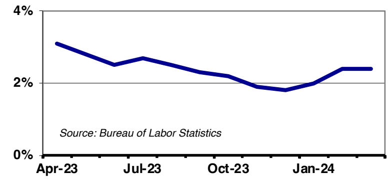


# ECONOMIC TRADING CHARTS & CALENDAR

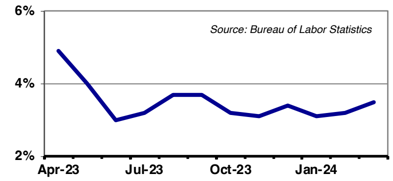
Release: **PPI Final Demand**
Date: 5/14/2024
Month: April
Previous Report: 2.1%
Argus Estimate: 2.2%
Street Estimate: NA



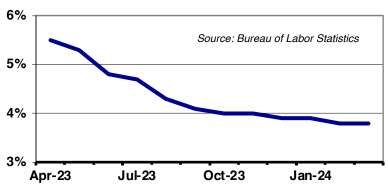

Release: **PPI ex-Food & Energy**
Date: 5/14/2024
Month: April
Previous Report: 2.4%
Argus Estimate: 2.4%
Street Estimate: NA



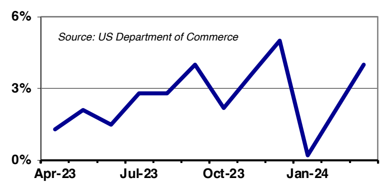

Release: **Consumer Price Index**
Date: 5/15/2024
Month: April
Previous Report: 3.5%
Argus Estimate: 3.5%
Street Estimate: NA



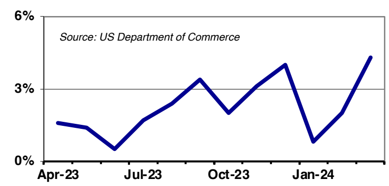

Release: **CPI ex-Food & Energy**
Date: 5/15/2024
Month: April
Previous Report: 3.8%
Argus Estimate: 3.7%
Street Estimate: NA



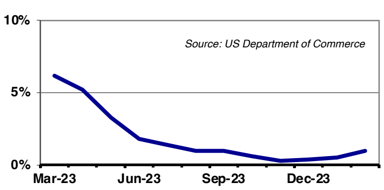

Release: **Retail Sales**
Date: 5/15/2024
Month: April
Previous Report: 4.0%
Argus Estimate: 1.9%
Street Estimate: NA



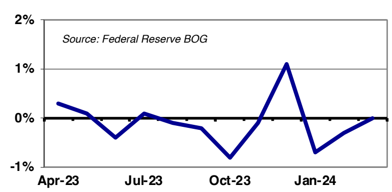

Release: **Retail Sales ex-autos**
Date: 5/15/2024
Month: April
Previous Report: 4.3%
Argus Estimate: 1.7%
Street Estimate: NA



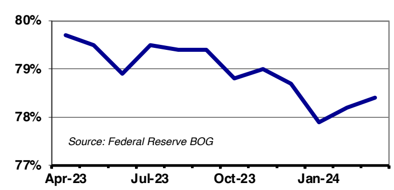

Release: **Business Inventories**
Date: 5/15/2024
Month: March
Previous Report: 1.0%
Argus Estimate: 1.1%
Street Estimate: NA




Release: **Industrial Production**
Date: 5/16/2024
Month: April
Previous Report: 0.0%
Argus Estimate: -0.1%
Street Estimate: NA



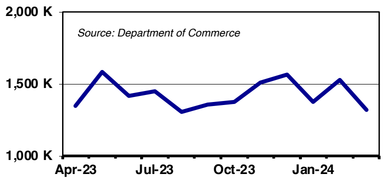

Release: **Capacity Utilization**
Date: 5/16/2024
Month: April
Previous Report: 78.4%
Argus Estimate: 78.2%
Street Estimate: NA



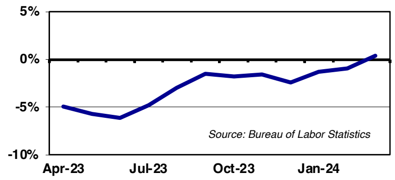

*Previous Week's Releases and Next Week's Releases on next page.*

# ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

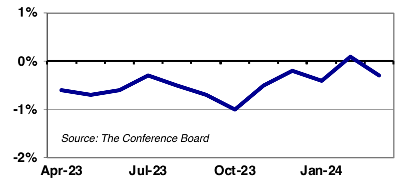
Release: **Housing Starts**
Date: 5/16/2024
Month: April
Previous Report: 1,321 K
Argus Estimate: 1,400 K
Street Estimate: NA




Release: **Import Price Index**
Date: 5/16/2024
Month: April
Previous Report: 0.4%
Argus Estimate: 0.0%
Street Estimate: NA




Release: **Leading Index**
Date: 5/17/2024
Month: April
Previous Report: -0.3%
Argus Estimate: -0.3%
Street Estimate: NA




## Previous Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|---|---|---|---|---|---|---|
| 6-May | Total Vehicle Sales | April | 15.56 mln. | 15.70 mln. | NA | 15.74 mln. |
| 8-May | Wholesale Inventories | March | -1.5% | -2.1% | NA | NA |
| 10-May | U. of Michigan Sentiment | May | 77.2 | 76.0 | NA | NA |

## Next Week's Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|---|---|---|---|---|---|---|
| 22-May | Existing Home Sales | April | 4.19 Mln. | NA | NA | NA |
| 23-May | New Home Sales | April | 693 K | NA | NA | NA |
| 24-May | Durable Goods Orders | April | -2.3% | NA | NA | NA |