

CAPITAL MARKETS REPORT - SEPTEMBER 3, 2024



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SERVICE BEYOND COMPARISON

Market Movers:

- The US economy grew at a slightly stronger pace in the second quarter than initially reported. An upward revision to consumer spending offset weaker activity in other categories. Treasury prices held losses after a sale of seven-year notes was soft. Swaps traders are still expecting around 100 basis points of cuts for 2024.
- Last week, traders kept a close eye on US policymakers, with Fed Bank of San Francisco President Daly saying she believes it's appropriate to begin cutting rates. Her Richmond counterpart, Thomas Barkin, says he still sees some upside risks for inflation, though supports "dialing down" rates in the face of the cooling labor market.
- Tech shares got hit on Tuesday as Nvidia's sales forecast disappointed. The popular stock fell 7%. The NASDAQ lost 1.2%, the VIX surged and 10 year yields rose modestly.
- In the bond market, the recent rise in yields left the closely watched 2 year vs. 10 year yield spread just shy of regaining a more normal, positive slope. The margin by which 2 year yields exceed 10 year yields dwindled to around three basis points. A year ago the 2 year was around 80 basis points higher than the 10 year.
- US consumer sentiment improved for the first time in five months as slower inflation and prospects for Fed rate cuts helped lift expectations about personal finances. The Fed's preferred measure of underlying US inflation, the core personal consumption expenditures price index, rose at a mild pace.
- Federal Reserve Chairman Jerome Powell said last week the time has come for the central bank to cut its key policy rate, affirming expectations that officials will begin lowering borrowing costs next month and making clear his intention to prevent further jobs softening. **US JOBS REPORT THIS FRIDAY**

Market Last Week

	8/23/24 Close	8/30/24 Close	Weekly Change
2 yr. Note	3.92%	3.92%	unch
5 yr. Note	3.65%	3.70%	+5 bps
10 yr. Note	3.80%	3.91%	+11 bps
30 yr. Bond	4.09%	4.20%	+11bps
SOFR Rate	5.33%	5.32%	-1bp

Data This Week

Date/Time (EDT)	Economic Data	Market Estimate	Prior Report
9/3/24 9:45 AM	US Manufacturing	48.0	48.0
9/3/24 10:00 AM	ISM Manufacturing	47.5	46.8
9/4/24 7:00 AM	MBA Mortgage Applications	n/a	0.5%
9/4/24 8:30 AM	Trade Balance	-\$79.0b	-\$73.1b
9/4/24 10:00 AM	Factory Orders	4.7%	-3.3%
9/4/24 10:00 AM	Durable Goods Orders	9.9%	9.9%
9/5/24 8:15 AM	ADP Employment Change	142k	122k
9/5/24 8:30 AM	Initial Jobless Claims	230k	231k
9/5/24 8:30 AM	Continuing Claims	1866k	1868k
9/5/24 10:00 AM	ISM Services Index	51.1	51.4
9/6/24 8:30 AM	Change in Nonfarm Payrolls	165k	114k
9/6/24 8:30 AM	Unemployment Rate	4.2%	4.3%

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