

## MONDAY

Markets kicked off this Monday with a surge, setting the stage for a week brimming with critical economic data. Two significant indicators of inflationary pressure within the U.S. economy—namely, the Consumer Price Index and the Producer Price Index—hold the spotlight.

The impressive growth in today's markets, particularly in the tech sector, can be significantly attributed to Morgan Stanley's optimistic projections for Tesla. The financial giant foresees substantial growth for Tesla, triggering an impressive 10% surge in the electric vehicle company's stock.

This sets an intriguing tone for the week, where economic enthusiasts and investors will be keenly watching how developing news in various financial and economic markets influences the stock market.

### Major Stock Indices Performance Today...

S&P 500: 0.67%

Dow Jones: 0.25%

NASDAQ: 1.14%



## Survey of Consumer Expectations (August)

In this nationally representative survey, we delve into the thoughts and opinions of approximately 1,300 household heads. The survey covers three primary topics: inflation expectations, labor market expectations, and household finance expectations. While some questions within the survey focus on expectations over a more extended time horizon, such as 3-5 years, our spotlight is on short-term (1 year or less) expectations. This approach allows us to gain a better understanding of how the current economic and financial situation is impacting the near-future expectations of a diverse range of Americans.

Starting with inflation expectations, the median survey result regarding the expected inflation rate for the next year stands at 3.6%. This marks a 0.1% increase from the one-year ahead inflation expectations observed in July. The higher anticipation for inflation in the coming year is likely influenced by recent spikes in prices, particularly within the energy market. Recent inflation data, released later this week, shows a significant surge in gas prices, with the price of gasoline (all types) rising by over 10% from July to August.

Year-Over-Year Median Expected Inflation Rate over the last 5 Years





## Survey of Consumer Expectations (August)

It's no secret that home prices have witnessed a meteoric rise over the past few years—some for the better, others for the worse. In addition to the expectations of higher overall prices in the next year, households surveyed this August anticipate a 3.1% increase in home prices, compared to the 2.8% projected in July.

Shifting our focus to the labor market, earnings expectations for the year ahead bounced back from 2.8% in July to 2.9% in August. Throughout this year, earnings expectations have maintained relative stability, hovering around 3%. With inflation expectations at 3.6% and earnings expectations at 2.9%, surveyed households anticipate prices to outpace wage growth by approximately 0.7%.

A recent uptick in the unemployment rate likely influenced more households to anticipate higher unemployment rates by next August. Following a consecutive decline in the percentage of surveyed American households expecting an increase in the unemployment rate over the past 3 months, August saw a deviation from this downward trend. While 36.7% of surveyed households in July expected an increase in the unemployment rate in the next year, 38.5% anticipated the same in August. Put simply, more surveyed households this August foresee fewer hires and more layoffs by next August.

In the domain of household finance, expectations of higher inflation, increased unemployment, and reduced credit availability have led to a concerning trend. This August, a greater number of households expressed that their financial situation would worsen in the next year than those anticipating an improvement. This indicates a growing concern regarding the potential for financial strain in the coming months.



## TUESDAY

After experiencing robust gains on Monday, markets took a downturn on Tuesday, primarily due to a significant dip in the tech market, which nearly wiped out the gains made on the previous day.

Meanwhile, oil prices continue their upward trajectory, fueled by a persistently limited supply in the oil market. This consistent rise in oil prices has raised concerns regarding its potential impact on inflation. Given that a significant majority of Americans live paycheck to paycheck, price hikes are a major worry, particularly concerning fuel prices. Most individuals have no choice but to fill gas in order to drive to work, pick up their kids, etc., meaning that no matter how high prices soar, most Americans will inevitably have to grapple with the effects of steep gas prices.

### Major Stock Indices Performance Today...

S&P 500: -0.57%

Dow Jones: -0.05%

NASDAQ: -1.04%



## WEDNESDAY

The markets closed the day with a mix of results, reacting to the recently released inflation data from the CPI report, revealing a significant price increase in August. This surprising inflation report has raised concerns among some investors regarding the possibility of the Federal Reserve implementing another interest rate hike at its next meeting. However, it's important to note that the higher inflation figure in August was primarily influenced by the surge in gas prices, a factor not included in the Fed's primary measure of inflation.

The Fed's key measure of inflation, excluding the prices of food and energy, showed a more moderate increase of 0.3% in August. Thus, while prices experienced an uptick, they did not reach alarming levels. Consequently, the CME FedWatch Tool predicts a very high likelihood of interest rates remaining unchanged at the next Fed meeting.

### Major Stock Indices Performance Today...

S&P 500: 0.12%

Dow Jones: -0.21%

NASDAQ: 0.29%



## Consumer Price Index (August)

The Consumer Price Index (CPI), a gauge of price changes for various goods and services in the U.S., surged from July to August. Overall prices in August advanced by 3.7% year-over-year, indicating a notable acceleration in inflation. Moreover, within a single month, the prices represented by the CPI Index rose by 0.6%. This rapid monthly increase, the swiftest since June of last year, can be attributed to surging gas prices. In just a month, the cost of gasoline saw a significant spike, reflecting a 10.6% increase. Consequently, a sense of concern has settled in among investors, analysts, and consumers, fearing that inflation will continue its upward trajectory, further challenging affordability.

Being that gas prices are rising so quickly, it can be helpful to budget more income toward gas expenses.

Apart from gas, the majority of goods and services listed under the CPI Index saw varying degrees of price increases. Among all the major items in the CPI Index, only used cars and trucks experienced a price decrease in August. This decline in prices for used cars and trucks likely brought a smile to the faces of prospective used car buyers this August.

While most major items witnessed price increases over August, there's more variation when comparing price fluctuations over the last year. Here are the items with the most significant price fluctuations since last August:

<b>Goods/Services with the Greatest Price Increases</b>	<b>Percent Change</b>
<i>Transportation Services (e.g. Car Rentals, Repairs, Insurance)</i>	10.3%
<i>Shelter (e.g. Rent, Insurance, Home care expenses)</i>	7.3%
<i>Food away from Home (e.g. Food at restaurants, schools, employee sites)</i>	6.5%
<b>Goods/Services with the Greatest Price Decreases</b>	<b>Percent Change</b>
<i>Utility (piped) Gas Service</i>	-16.5%
<i>Fuel Oil</i>	-14.8%
<i>Used Cars and Trucks</i>	-6.6%



## THURSDAY

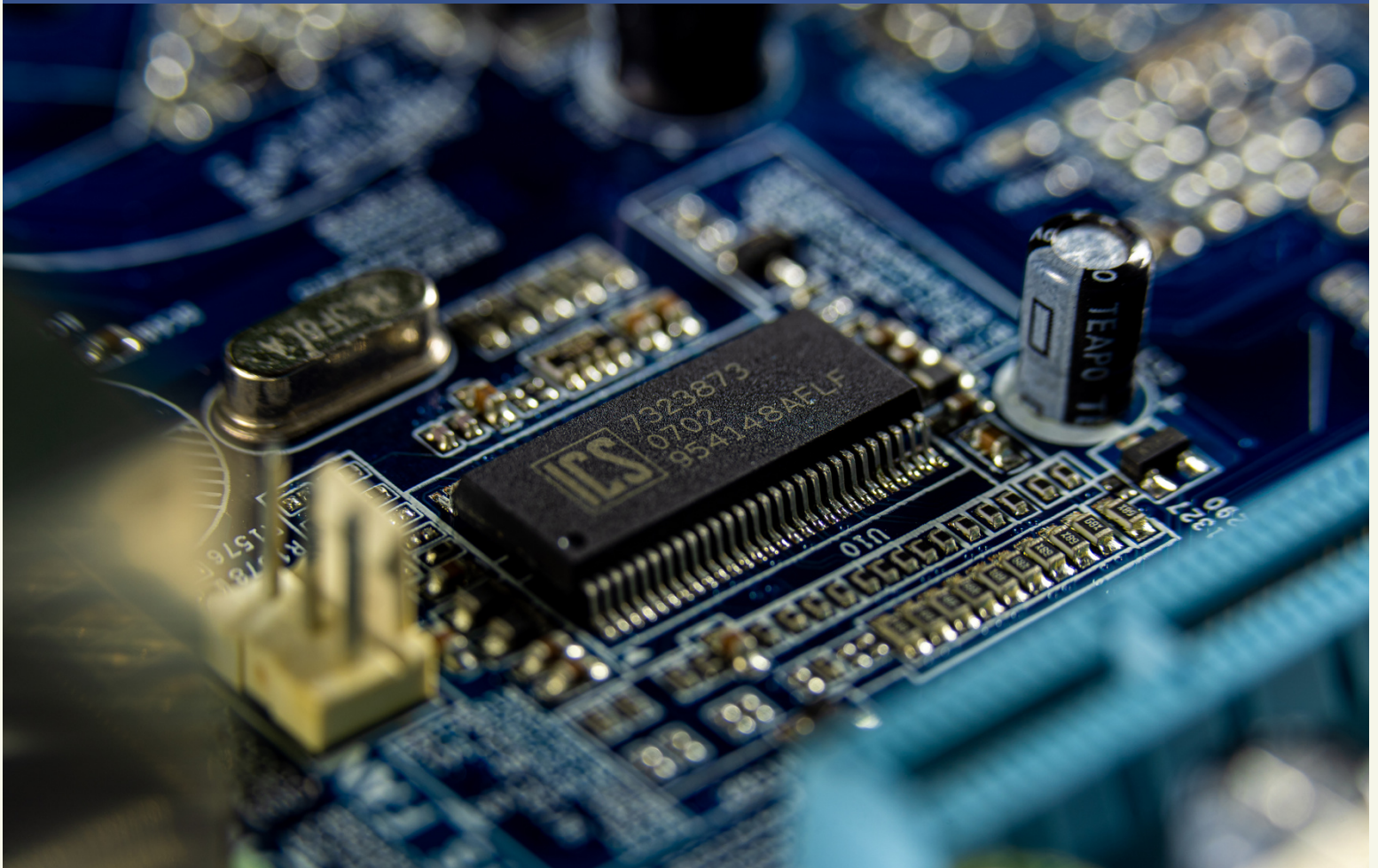
Overall, markets showcased remarkable gains in response to robust retail sales, hinting that the U.S. economy might be surpassing initial expectations. Adding to the optimism was the tech market, ignited by the Initial Public Offering (IPO) of the British chip design company, Arm. The IPO pegged the company's stock value at a staggering \$54.5 billion, generating considerable excitement and anticipation within the tech industry.

### Major Stock Indices Performance Today...

S&P 500: 0.84%

Dow Jones: 0.96%

NASDAQ: 0.81%



## Advance Retail and Food Services Sales (August)

Released by the U.S. Census Bureau, this report estimates retail and food service sales for the month of August by surveying approximately 4,800 firms across the U.S. It provides valuable insights into sales trends, encompassing a wide array of businesses such as gas stations, pharmacies, grocery stores, clothing stores, and department stores, among others. While it offers a good estimation of sales in August, it's important to note that the data may not be entirely precise.

According to the survey data, seasonally adjusted retail and food services sales surged to \$697.6 billion, reflecting a notable 0.6% increase compared to the previous month and an impressive 2.5% increase compared to the same period last year. This growth signifies a robust expansion in the retail and food services sector, driven largely by heightened consumer demand.

Moreover, this growth is a pivotal factor contributing to overall GDP growth. It underlines that the upswing in retail and food sales is playing a crucial role in propelling economic growth, underscoring the importance of this sector in the broader economic landscape.

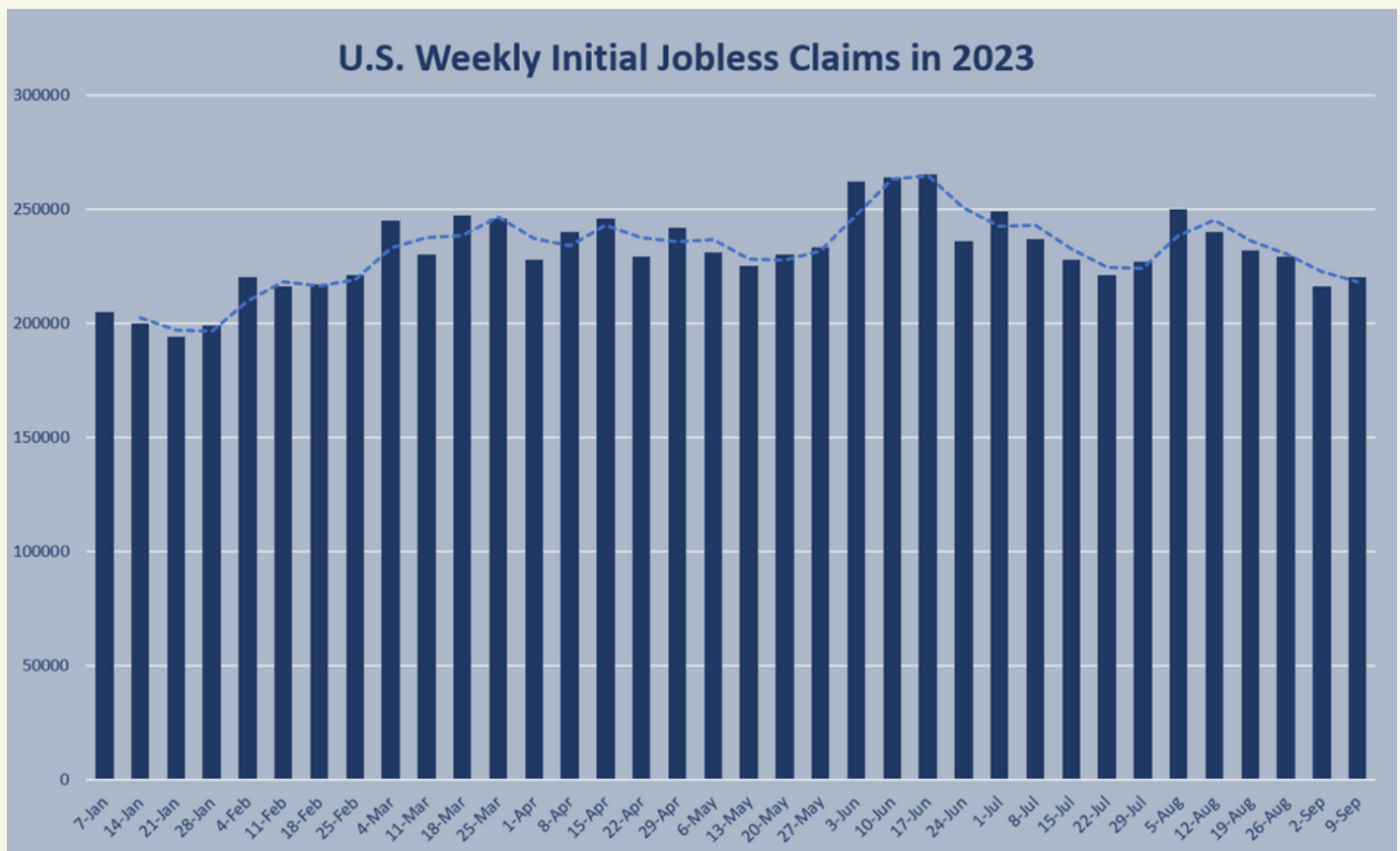




## U.S. Initial Jobless Claims (Week ending September 9)

Weekly initial claims for unemployment tallied at 220,000, marking a modest increase of 3,000 compared to the previous week. While we observed a consecutive decline in initial jobless claims over the previous 4 weeks, this week saw a deviation from the trend, with more individuals filing for unemployment. However, it's important to note that despite this slight uptick, the number of initial jobless claims this week remains significantly lower than the year's average, which hovers around 230,000 per week.

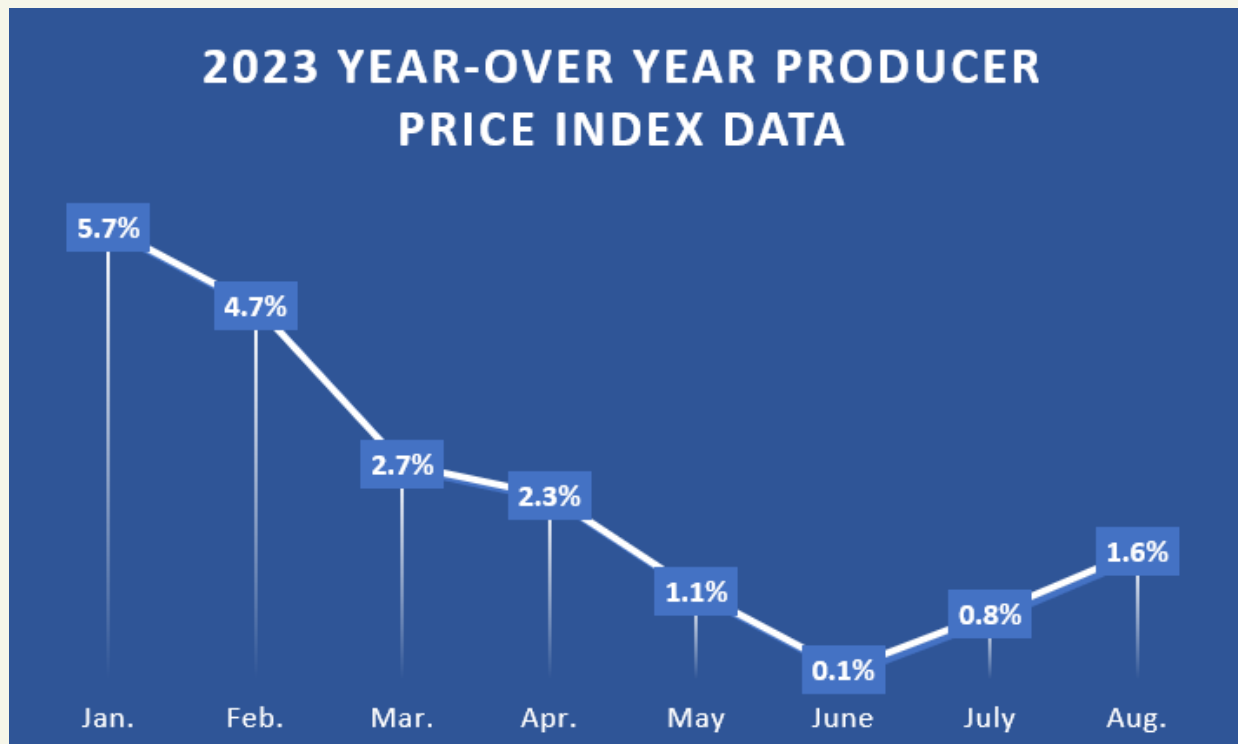
In fact, thanks to this ongoing trend of reduced unemployment claims, the 4-week average has hit its lowest point since February. This encouraging development suggests that the labor market might be on the path to regaining strength.



## Producer Price Index (August)

While the Consumer Price Index (CPI) sheds light on price fluctuations affecting consumers, the Producer Price Index (PPI) hones in on price shifts impacting producers. Understanding the trends in the PPI can provide insights into potential fluctuations in consumer goods and services. Here's why: if operational costs for a business increase, they are likely to adjust their prices to maintain their previous profit margins. As a result, many businesses tend to pass on these increased costs to consumers through price adjustments.

In August, the prices of goods and services purchased by producers saw a notable 1.6% increase compared to the same period last year, underscoring the heightened costs faced by producers. Much like how CPI inflation was significantly influenced by a surge in energy prices, PPI inflation was also heavily impacted by the spike in energy costs. These elevated costs are likely to continue affecting the prices of consumer goods and services, amplifying concerns about overall inflation.



## FRIDAY

Wrapping up an incredibly turbulent week, markets took a hit due to a strike initiated by the United Auto Workers Union. The strike was a response to General Motors, Ford, and Stellantis failing to reach an agreement on increased employee wages, prompting nearly 13,000 workers to participate in the strike. The pressure is mounting on these three automakers as they grapple with the repercussions of a massive workforce refusing to work.

As the strike prolongs, there's a high likelihood that production levels at these companies will dwindle. This reduction in production can significantly impact the supply of cars, potentially leading to a surge in prices for consumers. The ongoing situation bears close watching as it unfolds, and its outcomes could have notable implications for both the automotive industry and the broader market.

### Major Stock Indices Performance Today...

S&P 500: -1.22%

Dow Jones: -0.83%

NASDAQ: -1.56%

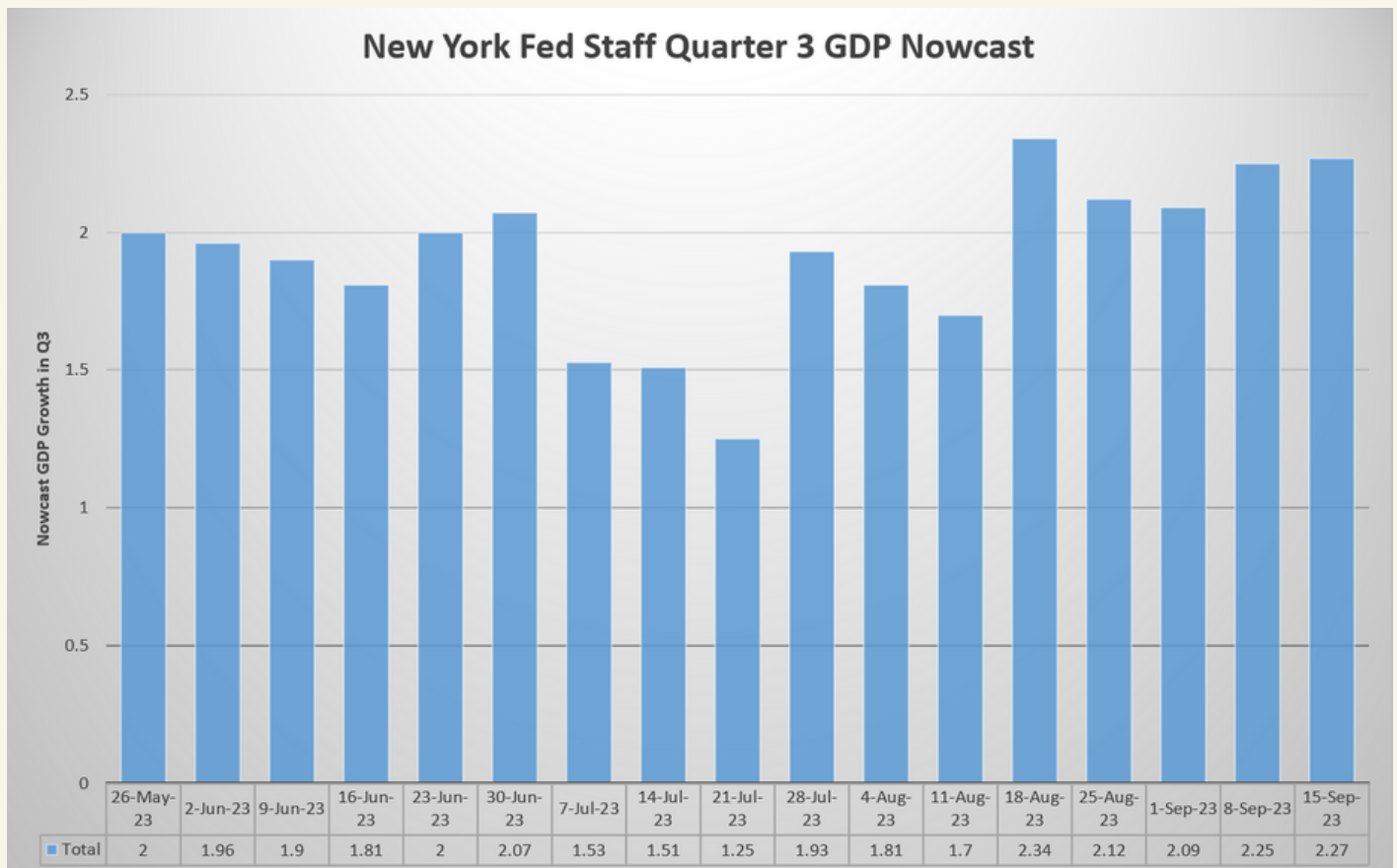




## New York Fed Staff Nowcast

Summarizing the impact of this week's economic data is the Nowcast, a report that estimates GDP growth for the current quarter (Quarter 3) by analyzing the potential effects of various economic indicators on economic growth. In this week's assessment, the GDP estimate was slightly raised from 2.25% to 2.27%, signifying a marginal increase. A significant portion of this increase can be attributed to robust growth in industrial production, manufacturing output, retail and food services sales, and escalating demand within the New York manufacturing sector.

However, despite these factors that positively influenced the GDP estimate this week, there were other data points that exerted a downward pull on the estimate. Notably, this data came from the CPI report, which surpassed expectations, triggering concerns about continuous inflationary pressures.



# MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones	Nasdaq
Percent Change (Monday)	0.67%	0.25%	1.14%
Percent Change (Tuesday)	-0.57%	-0.05%	-1.04%
Percent Change (Wednesday)	0.12%	-0.21%	0.29%
Percent Change (Thursday)	0.84%	0.96%	0.81%
Percent Change (Friday)	-1.22%	-0.83%	-1.56%
Weekly Change	-0.16%	0.12%	-0.39%

# U.S. TREASURY SECURITY YIELDS (IN PERCENT)

	1 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
Monday	5.52	5.56	5.55	5.58	5.51	5.40	4.97	4.64	4.40	4.37	4.29	4.56	4.37
Tuesday	5.52	5.56	5.56	5.58	5.53	5.42	4.98	4.66	4.41	4.36	4.27	4.54	4.35
Wednesday	5.53	5.56	5.55	5.60	5.51	5.42	4.96	4.64	4.39	4.34	4.25	4.52	4.34
Thursday	5.52	5.57	5.55	5.59	5.50	5.42	5.00	4.68	4.42	4.38	4.29	4.57	4.39
Friday	5.51	5.56	5.56	5.60	5.49	5.43	5.02	4.72	4.45	4.41	4.33	4.59	4.42



# **LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK**

## **Survey of Consumer Expectations (August)**

<https://www.newyorkfed.org/microeconomics/sce#/>

## **Consumer Price Index (August)**

<https://www.bls.gov/news.release/cpi.nr0.htm>

## **U.S. Initial Jobless Claims (Week ending September 9)**

<https://www.dol.gov/ui/data.pdf>

## **CME FedWatch Tool**

<https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

## **Advance Retail and Food Services Sales (August)**

[https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf)

## **Producer Price Index (August)**

<https://www.bls.gov/pPI/>

## **New York Fed Staff Nowcast**

<https://www.newyorkfed.org/research/policy/nowcast#/nowcast>



# WEEKLY MARKET UPDATE

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