

On the Economic, Business & Political Landscape

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***May 7, 2024
Isle of Palms, SC***

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Topic #1:

In the post-Covid world, was the “recession talk” premature?

Contributions to GDP Growth

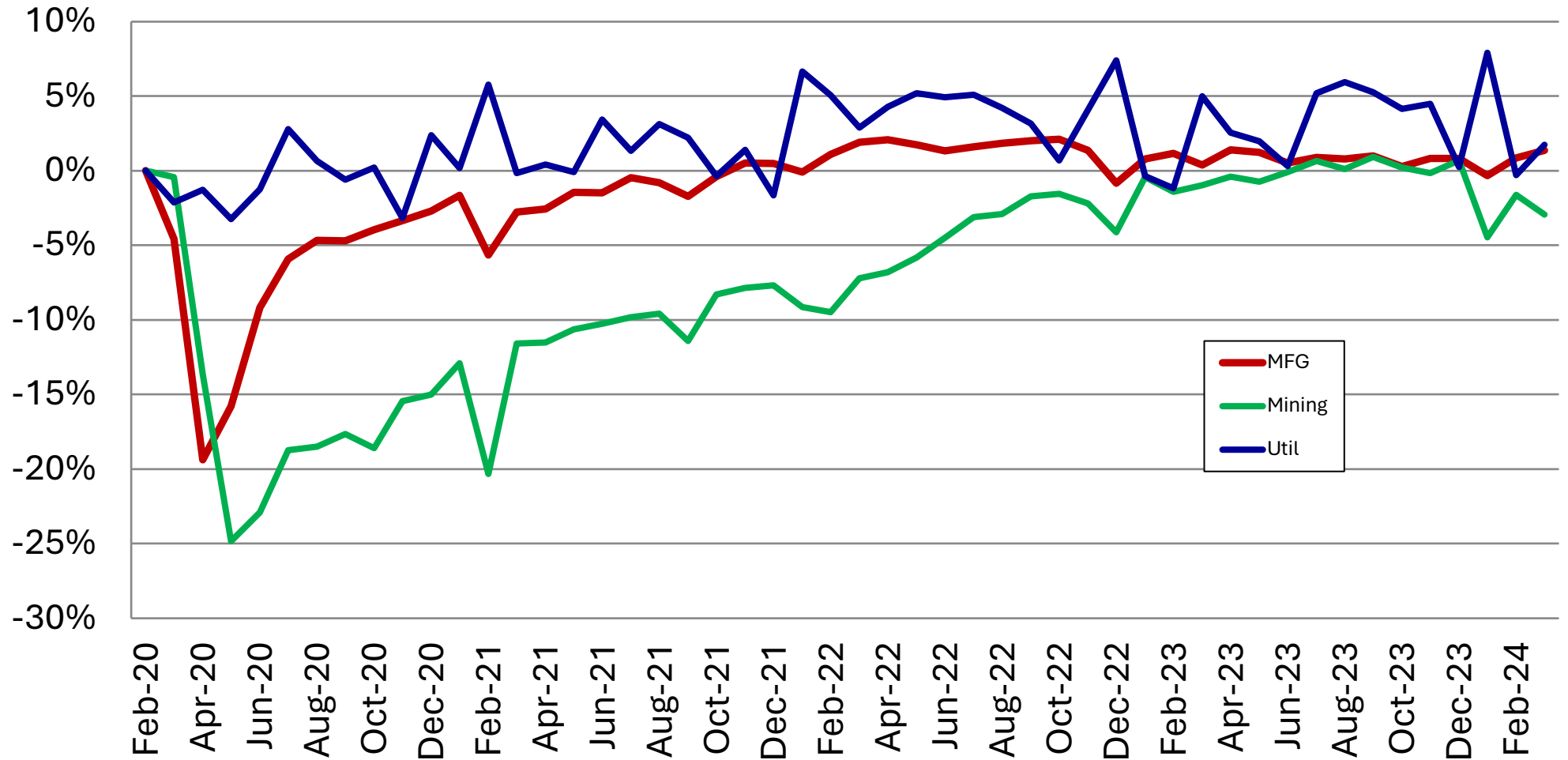
(source: Bureau of Economic Analysis; Gross Domestic Product)

	GDP =	Consumption	Gross Investment	Net Exports	Government
2022: Q1	-2.00%	-0.03%	1.16%	-2.59%	-0.52%
2022: Q2	-0.60%	1.32%	-2.10%	0.56%	-0.34%
2022: Q3	2.70%	1.05%	-1.45%	2.58%	0.49%
2022: Q4	2.60%	0.79%	0.62%	0.26%	0.90%
2023: Q1	2.20%	2.54%	-1.69%	0.58%	0.82%
2023: Q2	2.10%	0.55%	0.90%	0.04%	0.57%
2023: Q3	4.90%	2.11%	1.74%	0.03%	0.99%
2023: Q4	3.40%	2.20%	0.15%	0.25%	0.79%
2024: Q1	1.60%	1.68%	0.56%	-0.86%	0.21%

	Gross Investment	Nonresidential	Residential	Inventory
2022: Q1	1.16%	1.32%	-0.09%	-0.07%
2022: Q2	-2.10%	0.68%	-0.73%	-2.05%
2022: Q3	-1.45%	0.62%	-1.41%	-0.66%
2022: Q4	0.62%	0.24%	-1.23%	1.61%
2023: Q1	-1.69%	0.76%	-0.22%	-2.22%
2023: Q2	0.90%	0.98%	-0.09%	0.00%
2023: Q3	1.74%	0.21%	0.26%	1.27%
2023: Q4	0.15%	0.50%	0.11%	-0.47%
2024: Q1	0.56%	0.39%	0.52%	-0.35%

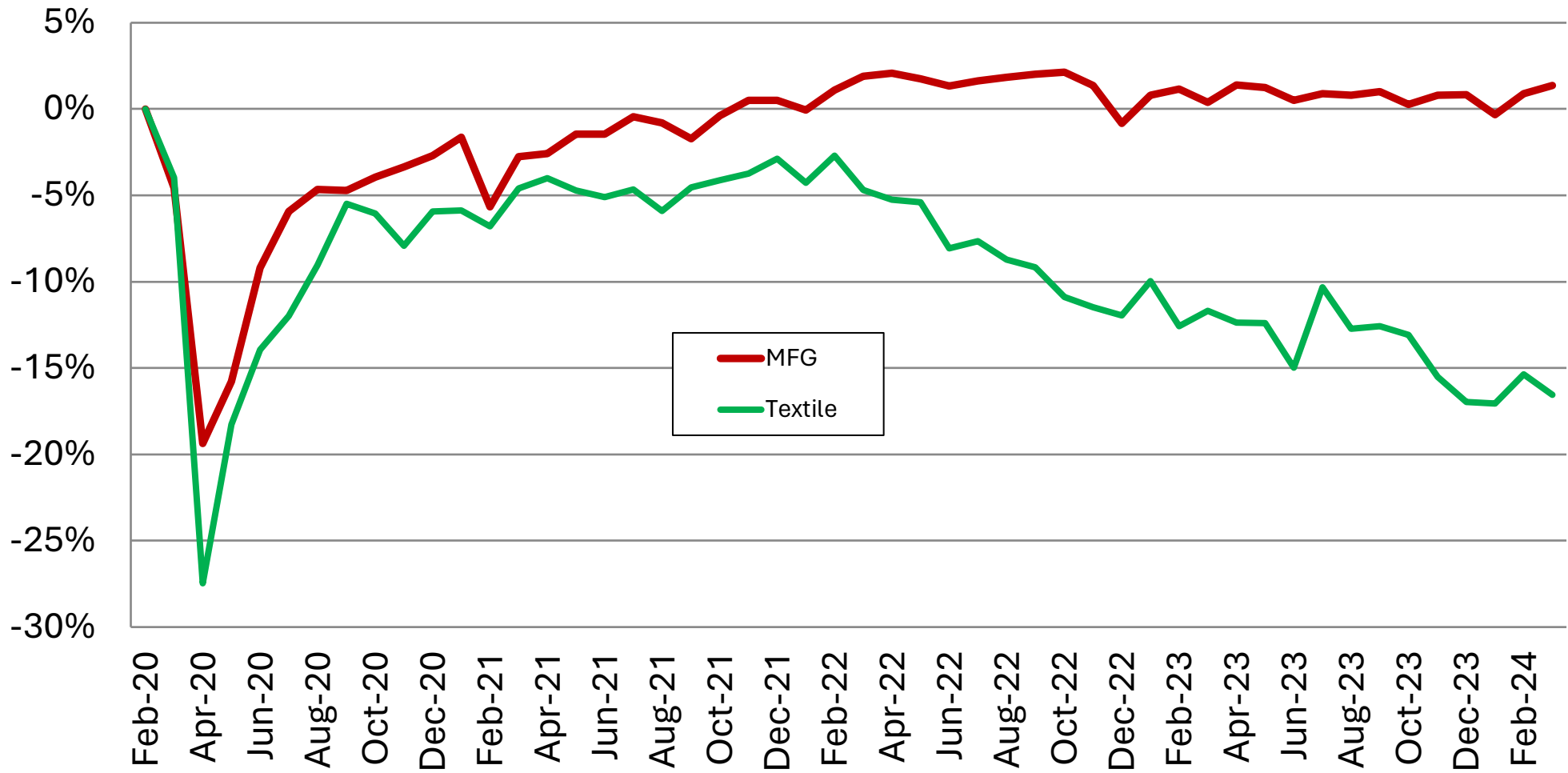
Industrial Production: From Peak

(source: Federal Reserve)



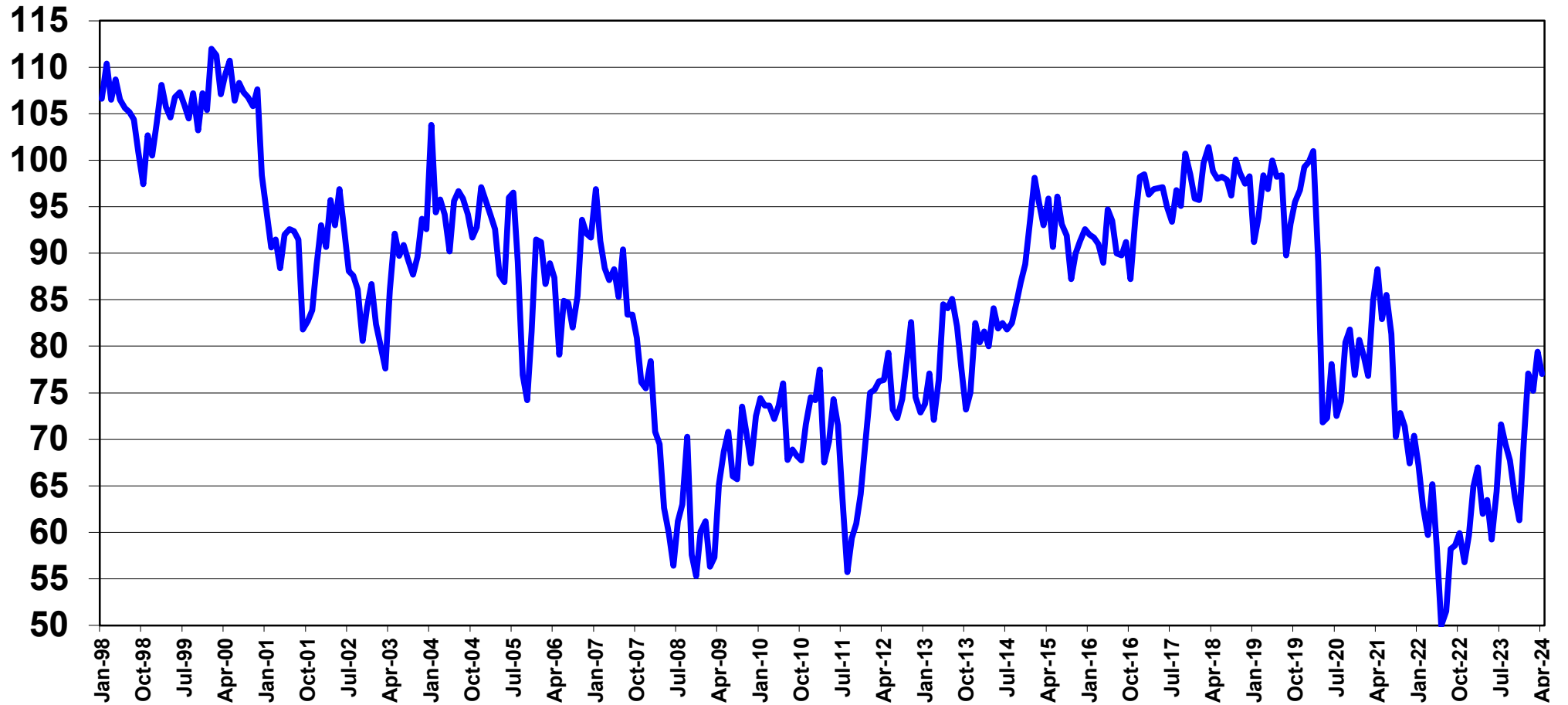
Industrial Production: From Peak

(source: Federal Reserve)



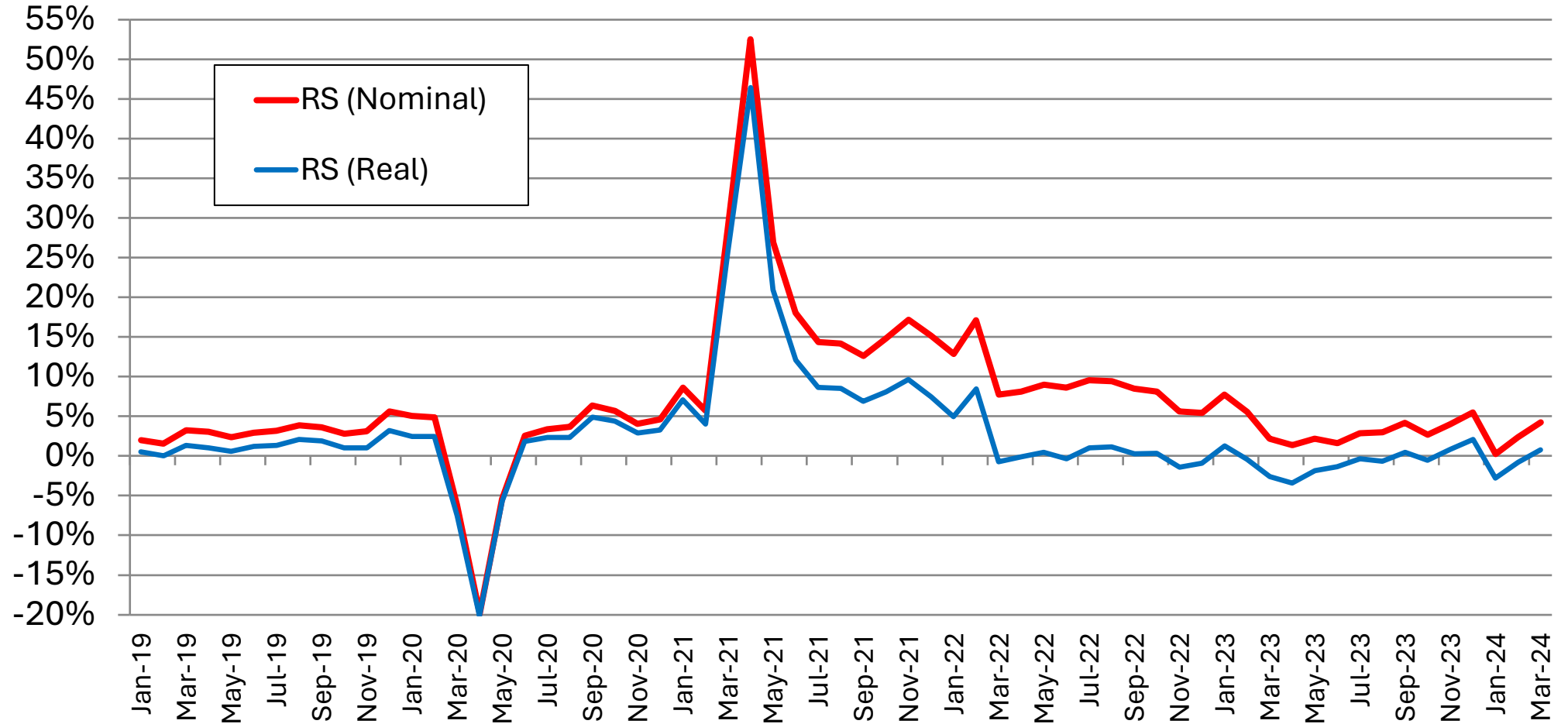
Consumer Sentiment

(source: University of Michigan, Survey Research Center)



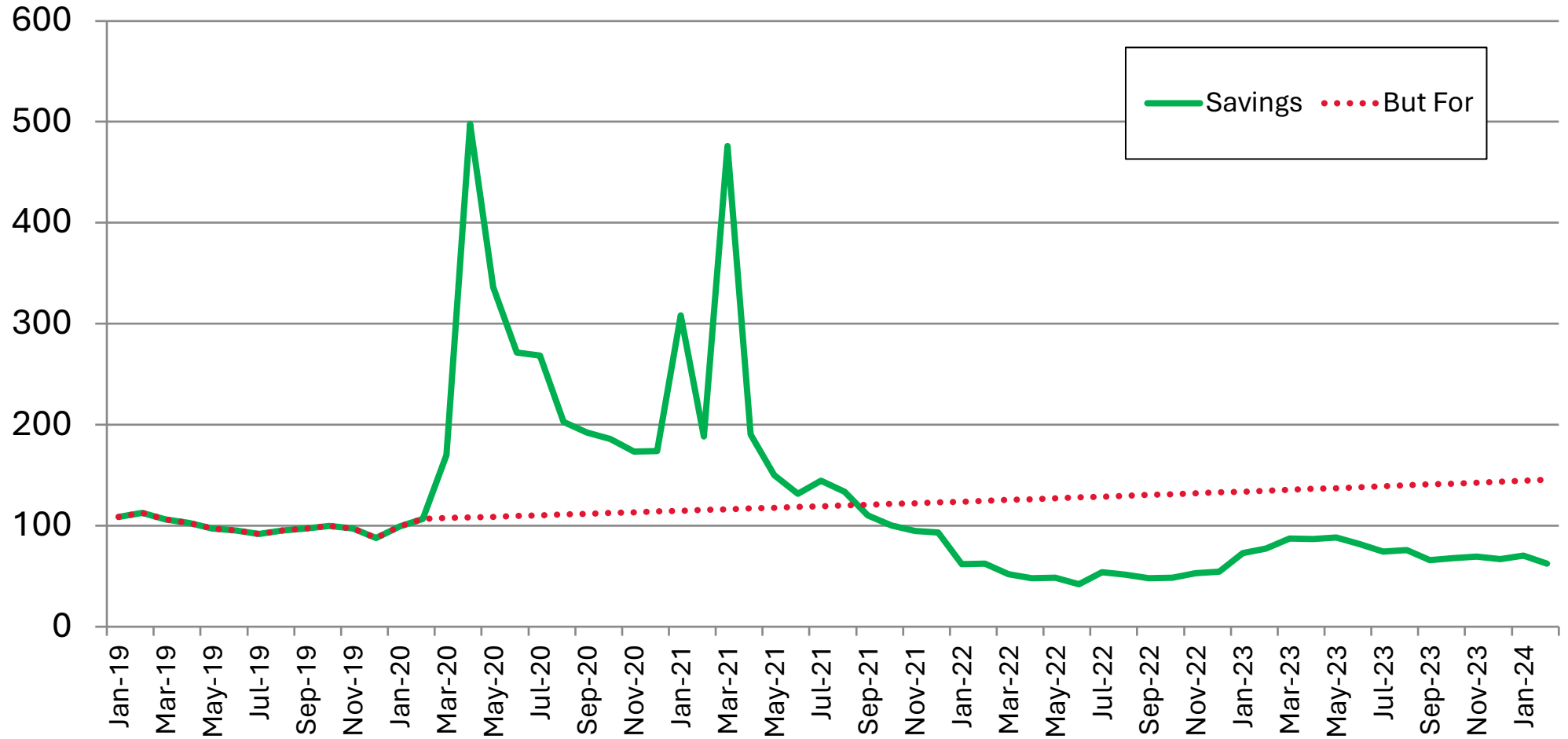
Retail Sales YoY Change

(source: U.S. Bureau of the Census, Federal Reserve Bank of St. Louis)



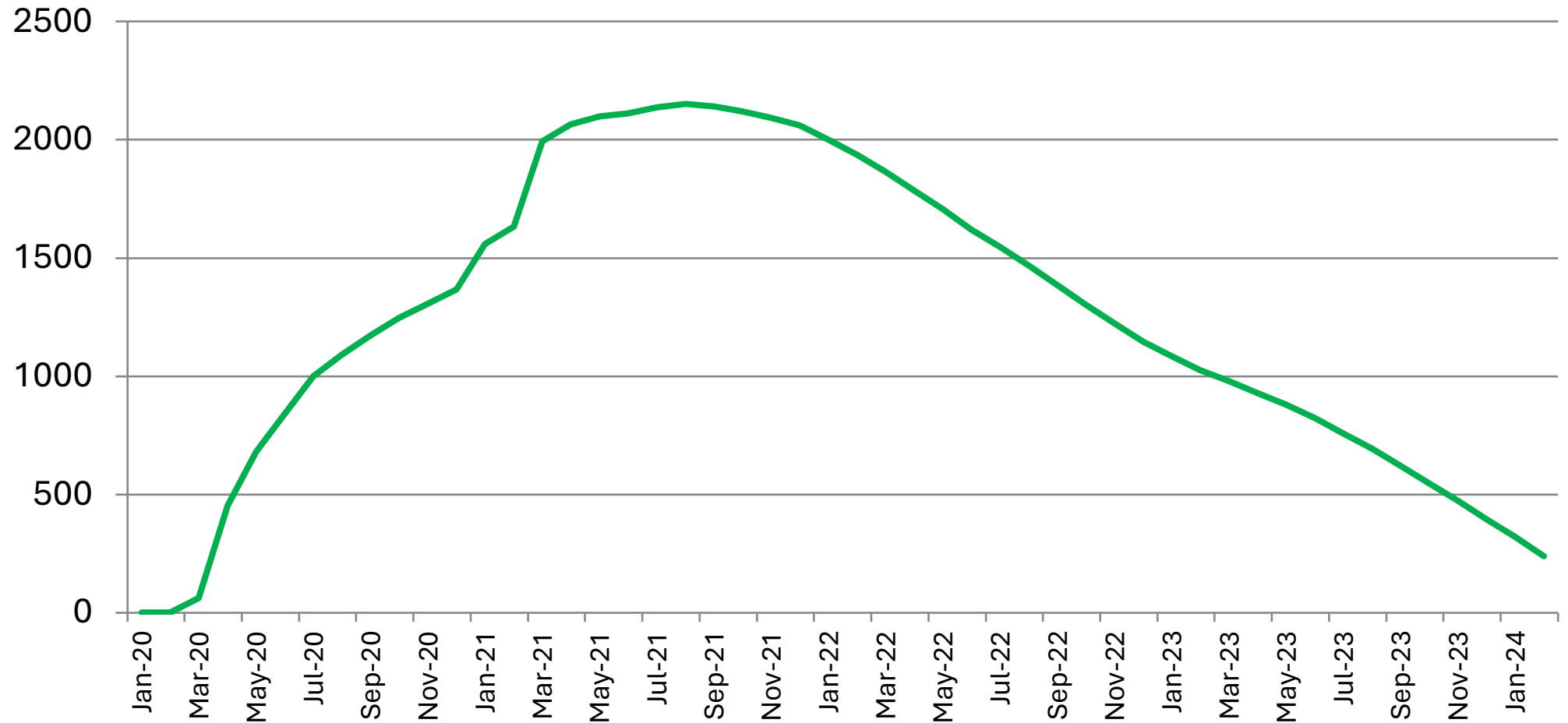
Personal Savings

(source: U.S. Bureau of the Census)



“Excess” Personal Savings

(source: data from U.S. Bureau of the Census, in Billions)





Leading Economic Indicators

(source: Conference Board, 6 month change)



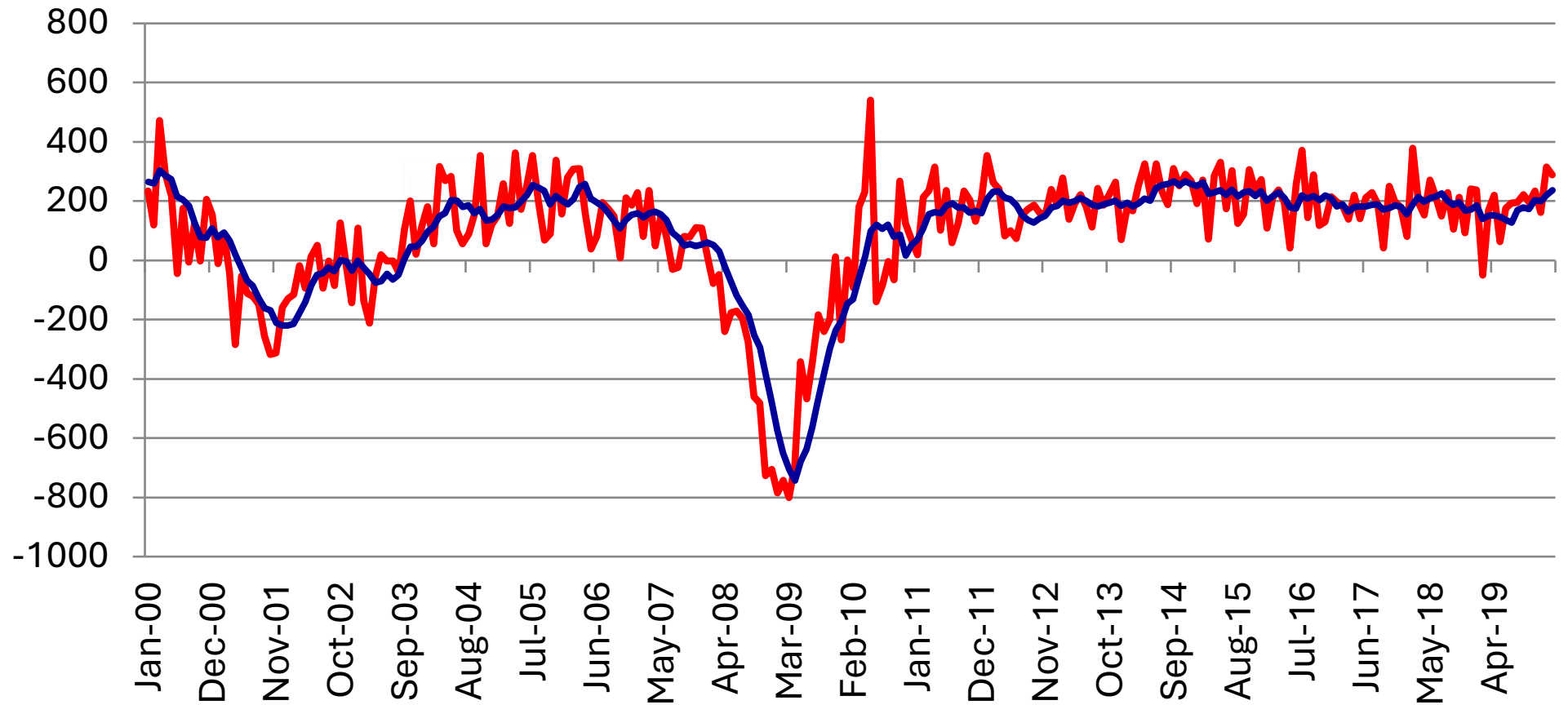


Topic #2:

Tight labor markets – Is the challenge easing?

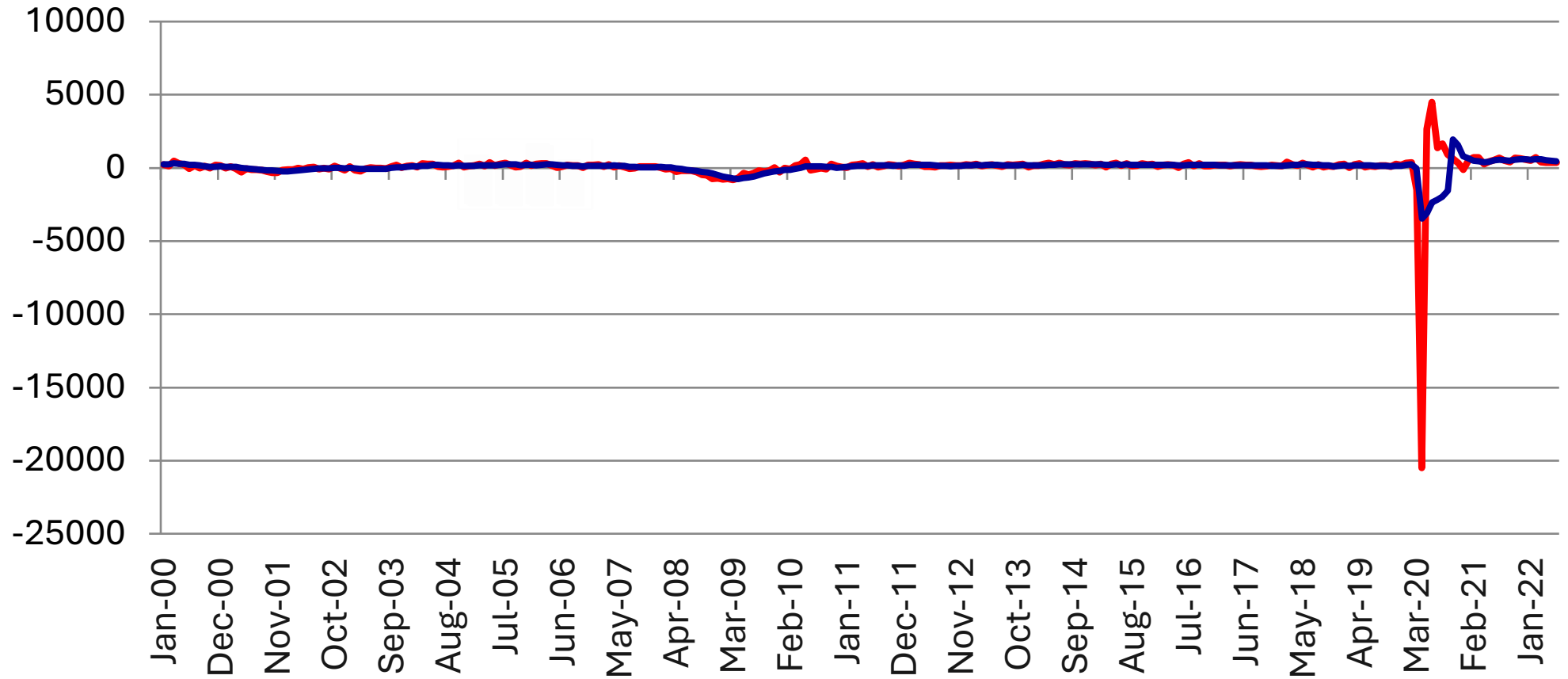
Change in Payroll Employment

(Source: Bureau of Labor Statistics)



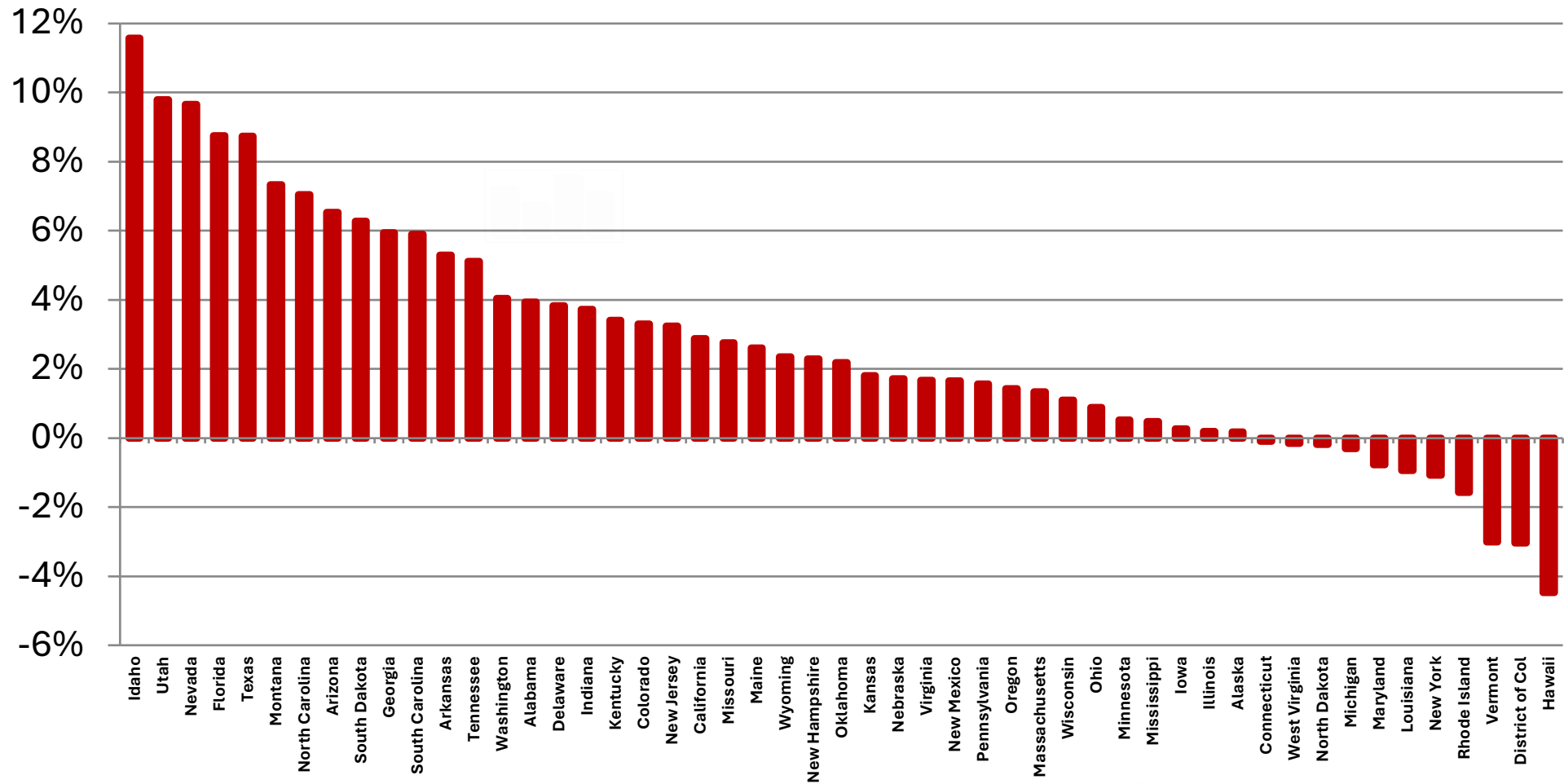
Change in Payroll Employment

(Source: Bureau of Labor Statistics)



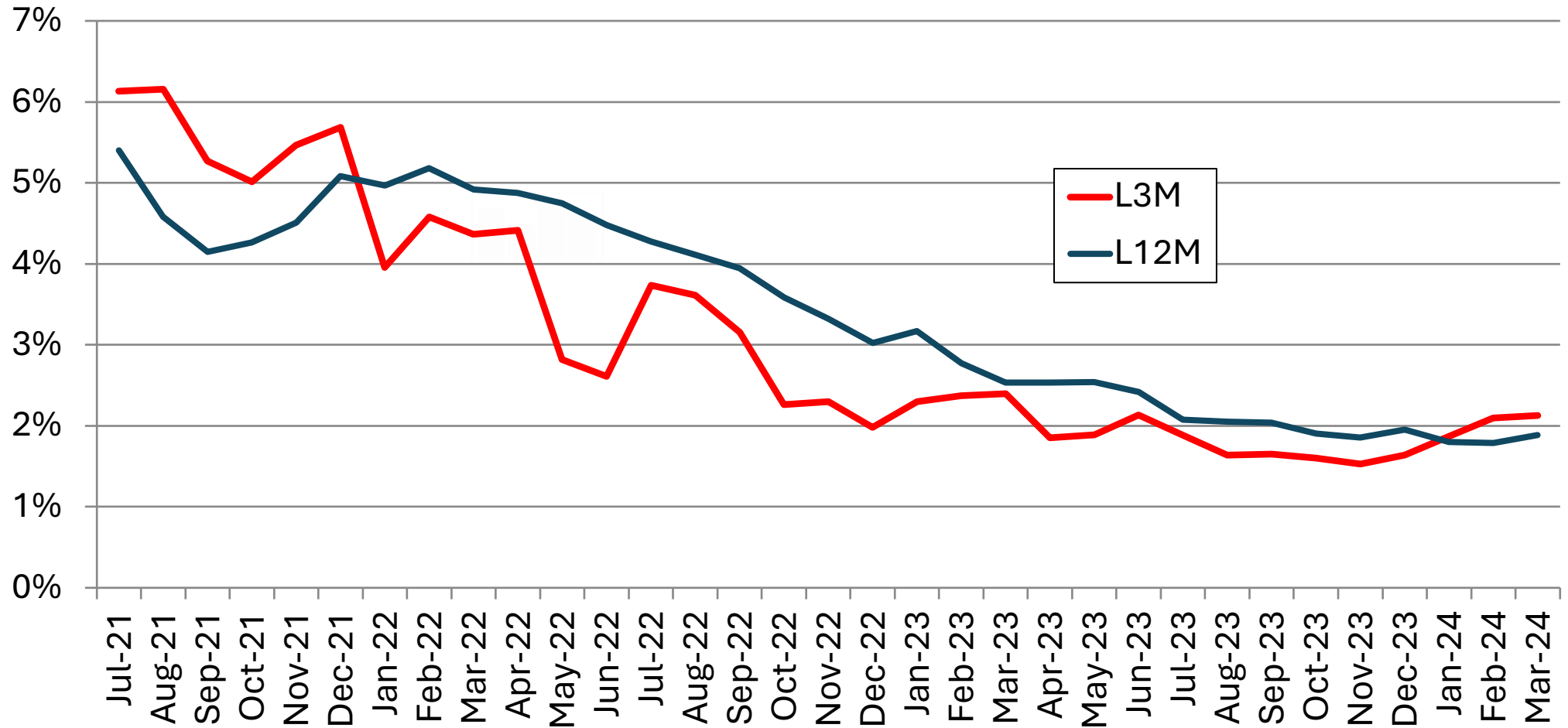
Recovery from Bottom

(Source: Bureau of Labor Statistics)



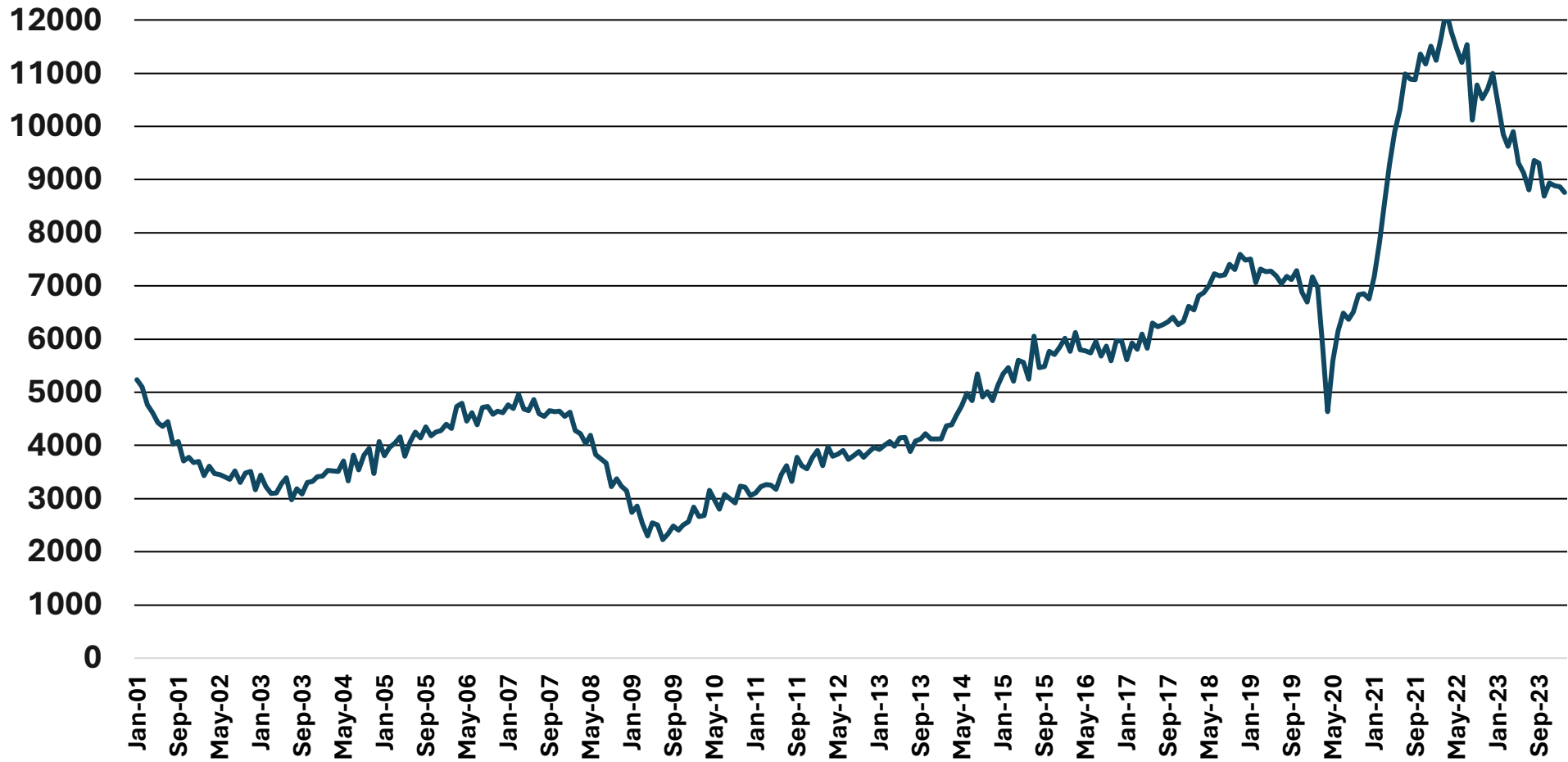
Payrolls Growth

(Source: Bureau of Labor Statistics; 3-month & 12-month growth rate)



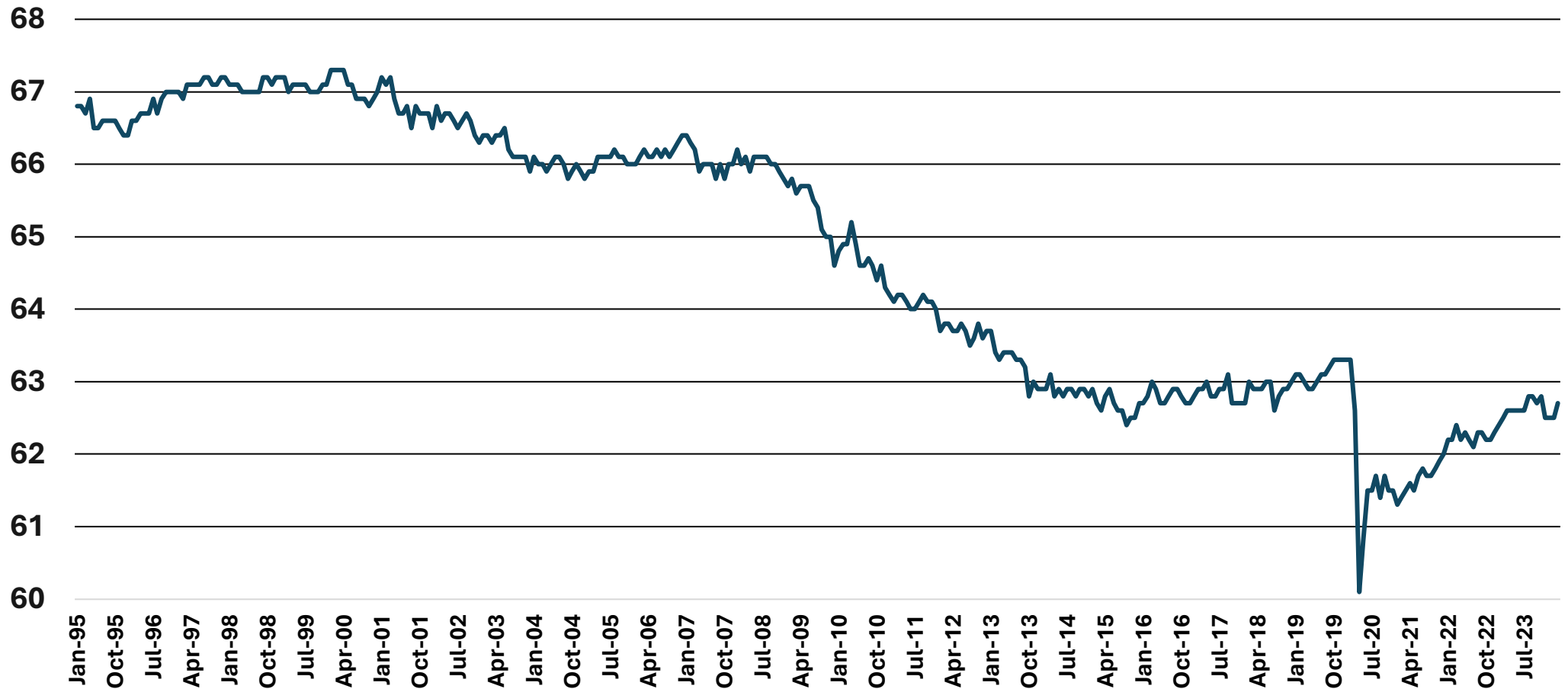
JOLTS: Openings

(Source: Bureau of Labor Statistics)



Labor Force Participation

(Source: Bureau of Labor Statistics)



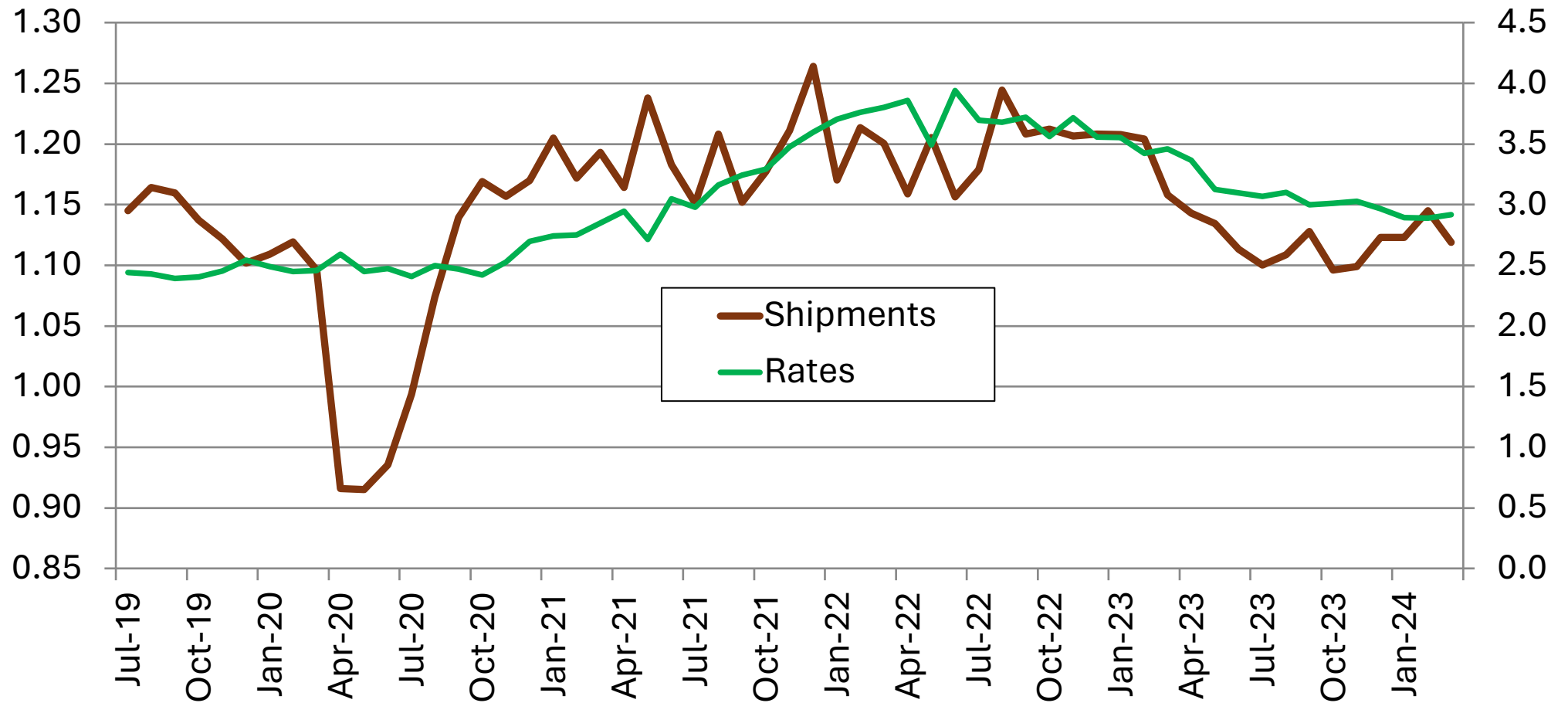


Topic #3:

Are supply chain imbalances resolved?

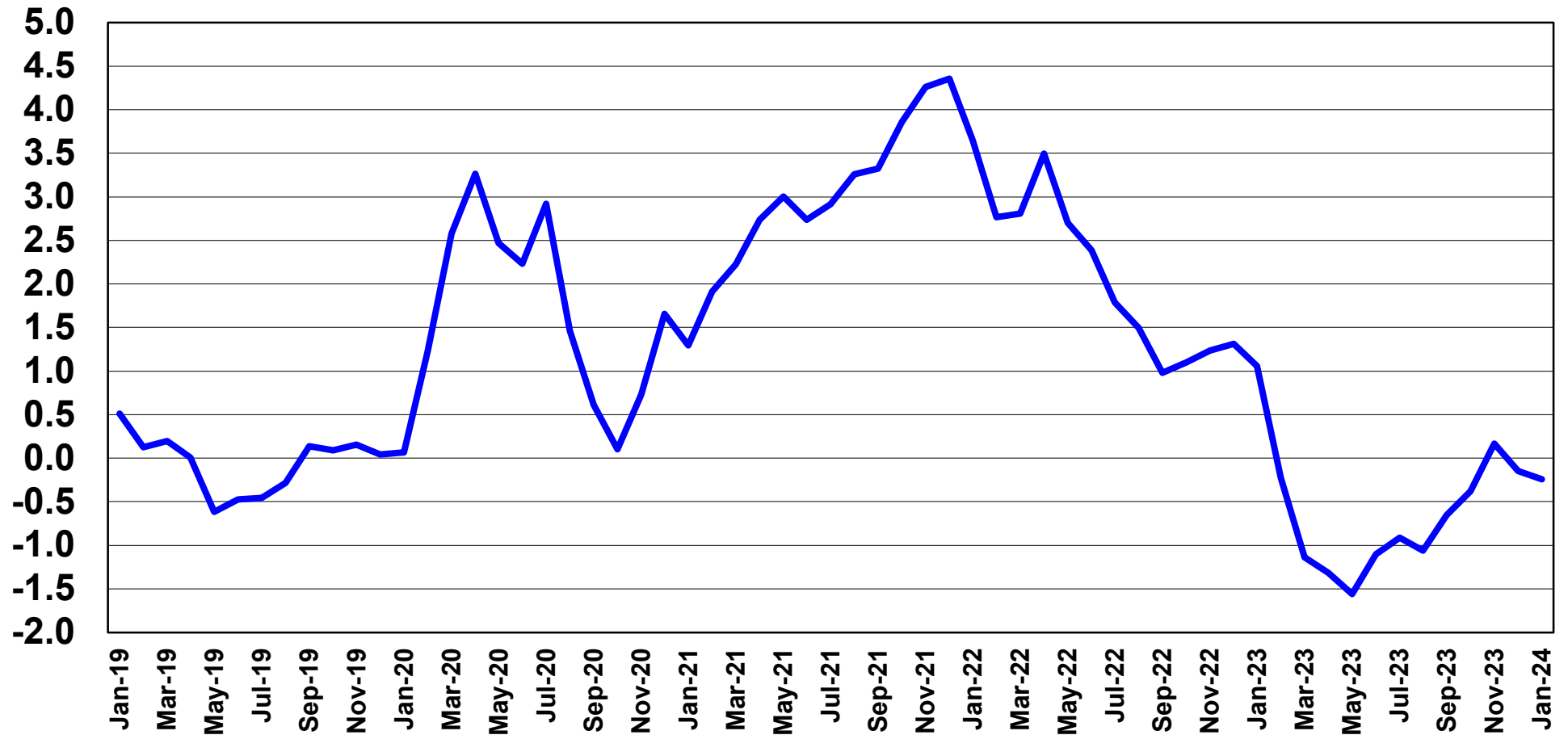
Freight: Shipments & Rate

(source: Cass Freight Index, Seasonally Adjusted)



Global Supply Chain Pressure

(Source: Federal Reserve Bank of New York)





Topic #3:

Inflation returned, now falling. Are we approaching the 2% target?



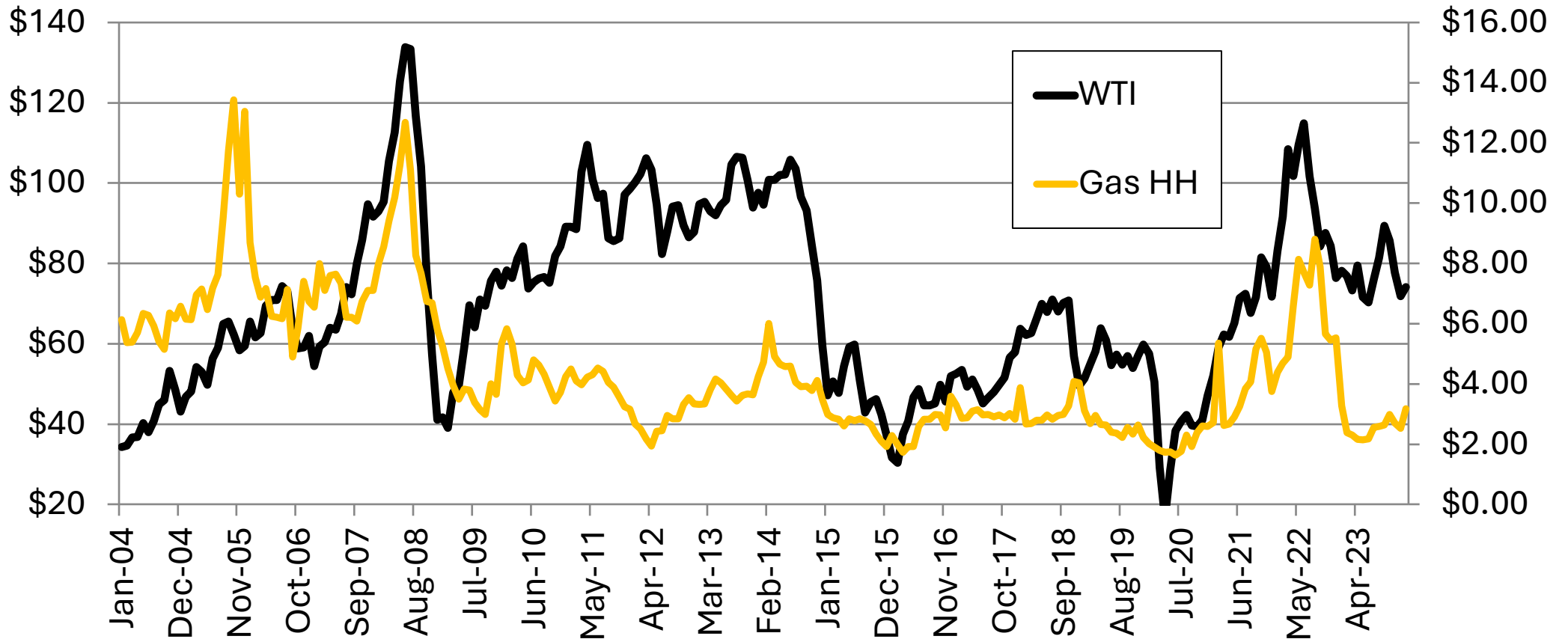
Inflation: Transitory or Persistent?

(source: Bureau of Labor Statistics)

- CPI up 0.4% in March – after being up 0.4% and 0.3% in February and January. Overall CPI up 3.5% over last 12 months.
- Core CPI up 0.4% in March – after being up by 0.4% and 0.4% in February and January. Core up 3.8% over same period.
- Energy component rose by 1.1% in March. The energy component is down 2.1% over the last 12 months.
- PCE up 2.5% for 12 months ending in February, core PCE up 2.8% over the same period.

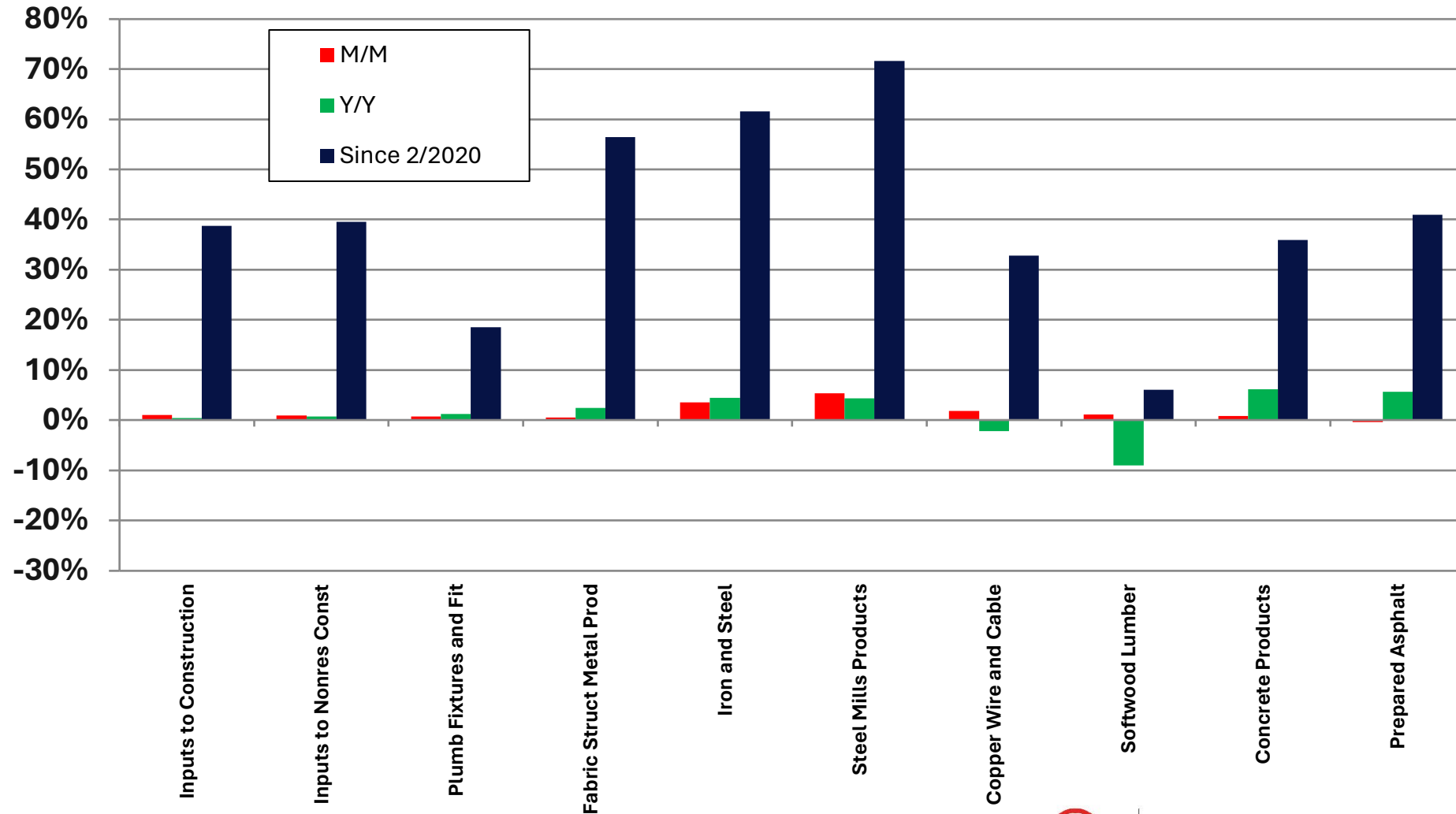
Energy Cost: Oil & Natural Gas

(source: U.S. Energy Information Administration)



Construction Cost w/o Energy

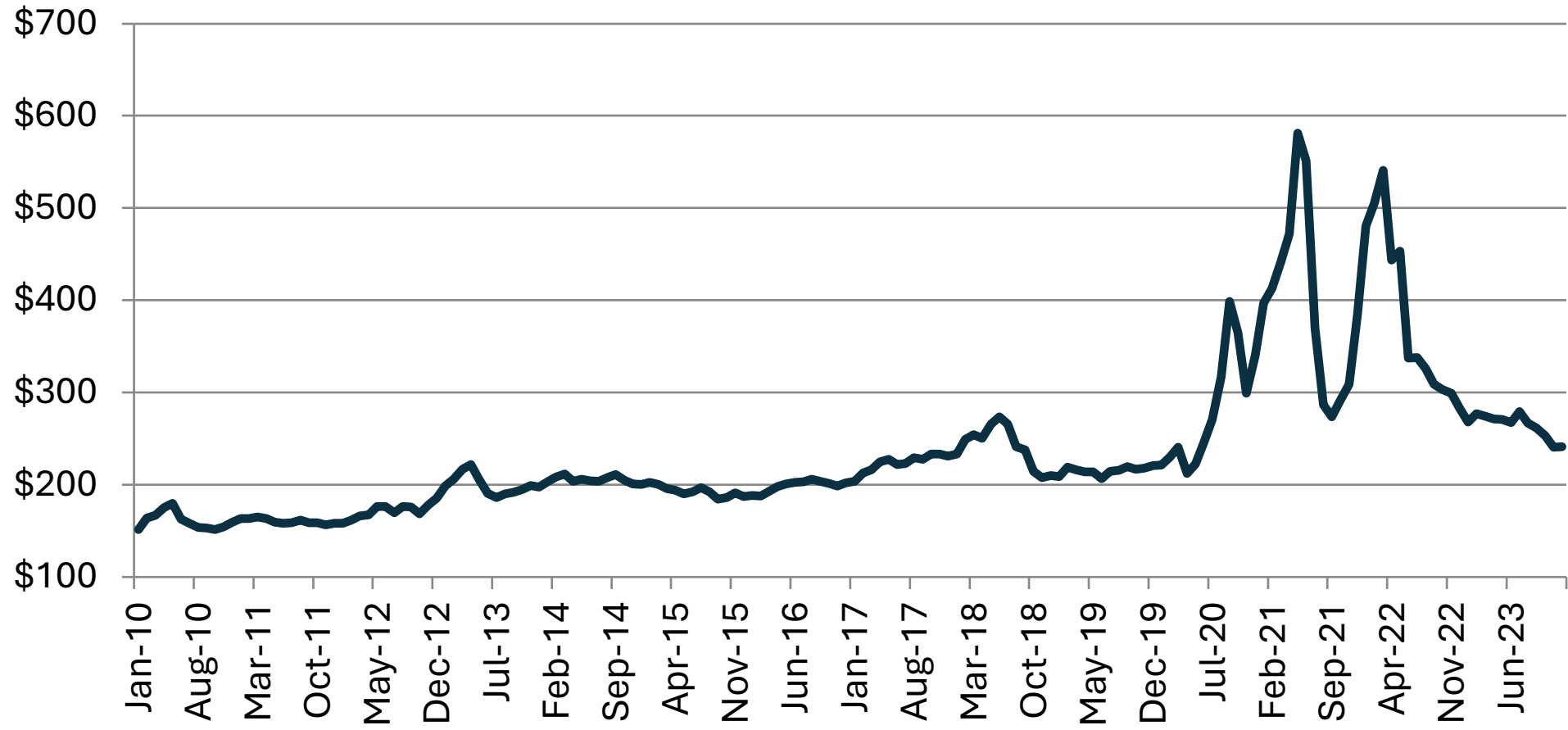
(source: Bureau of Labor Statistics; Associated Builders & Contractors)





Producer Price Index: Softwood Lumber

(source: Bureau of Labor Statistics)



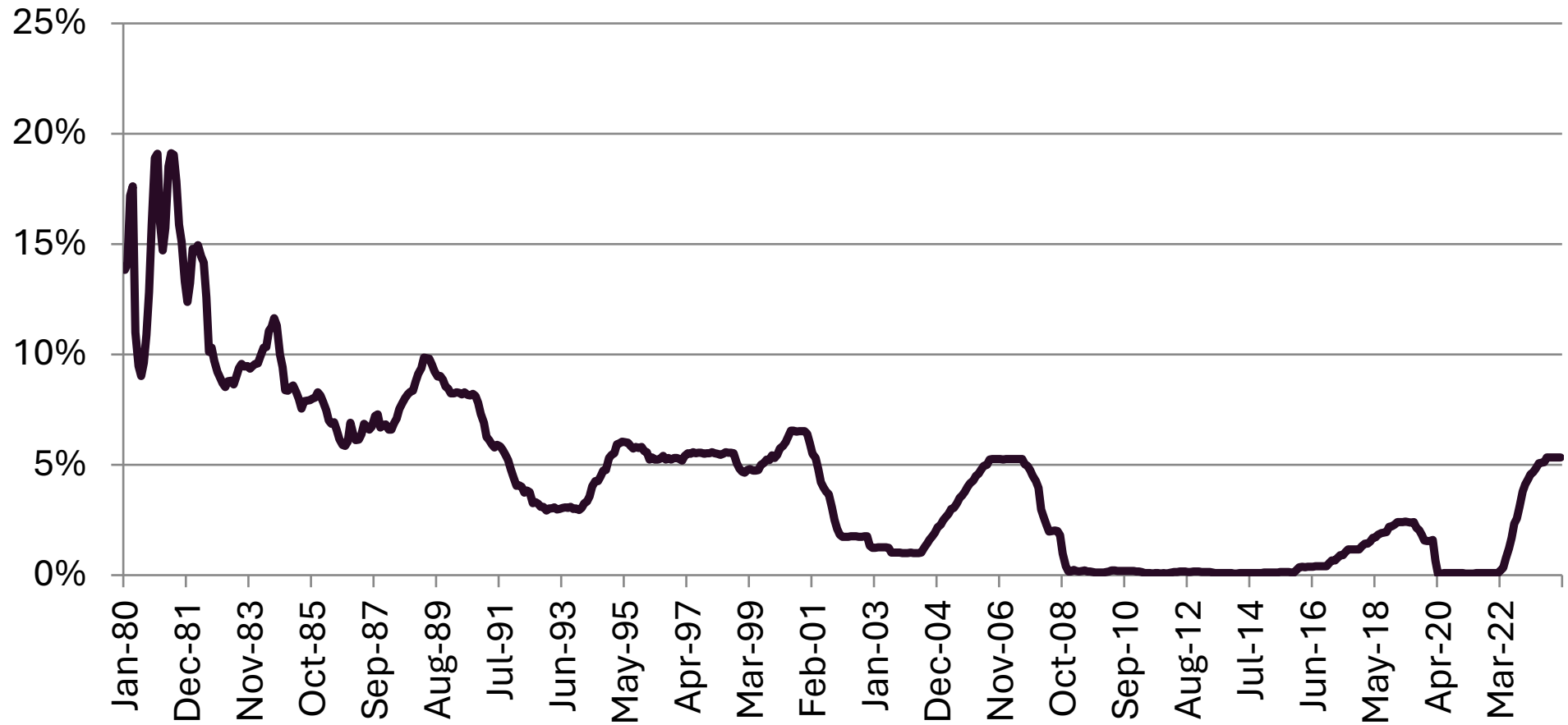


Topic #5:

Fed signals “peak rates”, but when do rate cuts start?

Federal Funds Rate

(source: Board of Governors of the Federal Reserve System)



Expectation for Federal Funds Rate:

Jan 18, 2024

(Source: CME Group)

CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
1/31/2024				0.0%	0.0%	0.0%	0.0%	2.6%	97.4%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	55.7%	42.9%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	47.0%	44.9%	6.9%
6/12/2024	0.0%	0.0%	0.0%	0.0%	1.7%	47.0%	44.5%	6.8%	0.0%
7/31/2024	0.0%	0.0%	0.0%	1.6%	42.9%	44.7%	10.2%	0.6%	0.0%
9/18/2024	0.0%	0.0%	1.4%	39.6%	44.6%	13.0%	1.4%	0.0%	0.0%
11/7/2024	0.0%	0.9%	25.4%	42.7%	24.7%	5.7%	0.5%	0.0%	0.0%
12/18/2024	0.7%	20.5%	39.3%	28.3%	9.5%	1.6%	0.1%	0.0%	0.0%

Expectation for Federal Funds Rate:

April 23, 2024

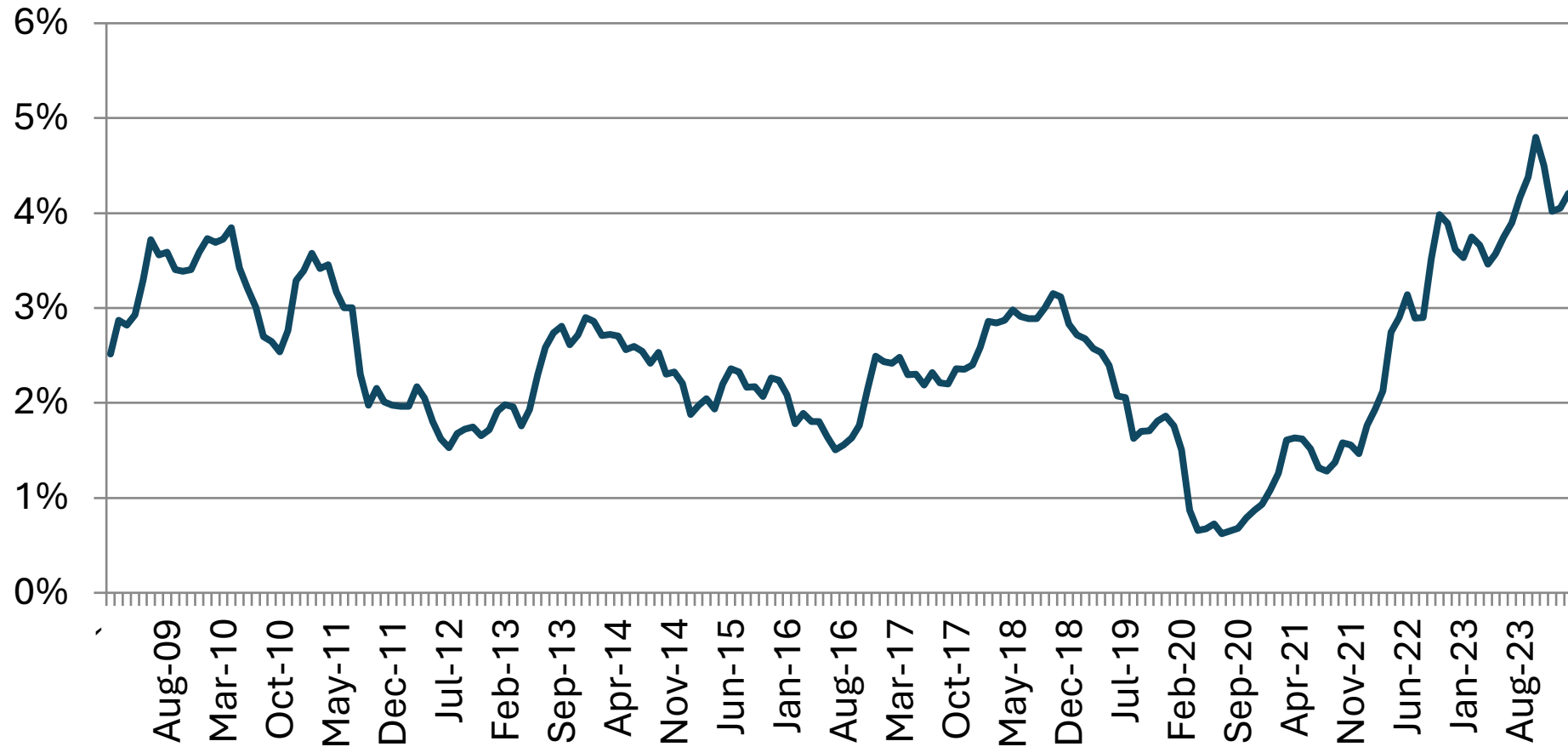
(Source: CME Group)

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES

MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
5/1/2024			0.0%	0.0%	0.0%	0.0%	4.2%	95.8%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	16.2%	83.3%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.2%	6.4%	41.1%	52.3%
9/18/2024	0.0%	0.0%	0.0%	0.1%	3.2%	23.1%	46.5%	27.2%
11/7/2024	0.0%	0.0%	0.0%	0.9%	8.6%	29.5%	41.2%	19.7%
12/18/2024	0.0%	0.0%	0.4%	4.4%	18.1%	34.8%	31.4%	10.7%
1/29/2025	0.0%	0.1%	1.7%	8.7%	23.3%	33.8%	25.0%	7.4%
3/19/2025	0.1%	0.8%	4.6%	14.8%	27.7%	30.1%	17.6%	4.3%
4/30/2025	0.3%	1.8%	7.4%	18.3%	28.3%	26.7%	14.0%	3.1%

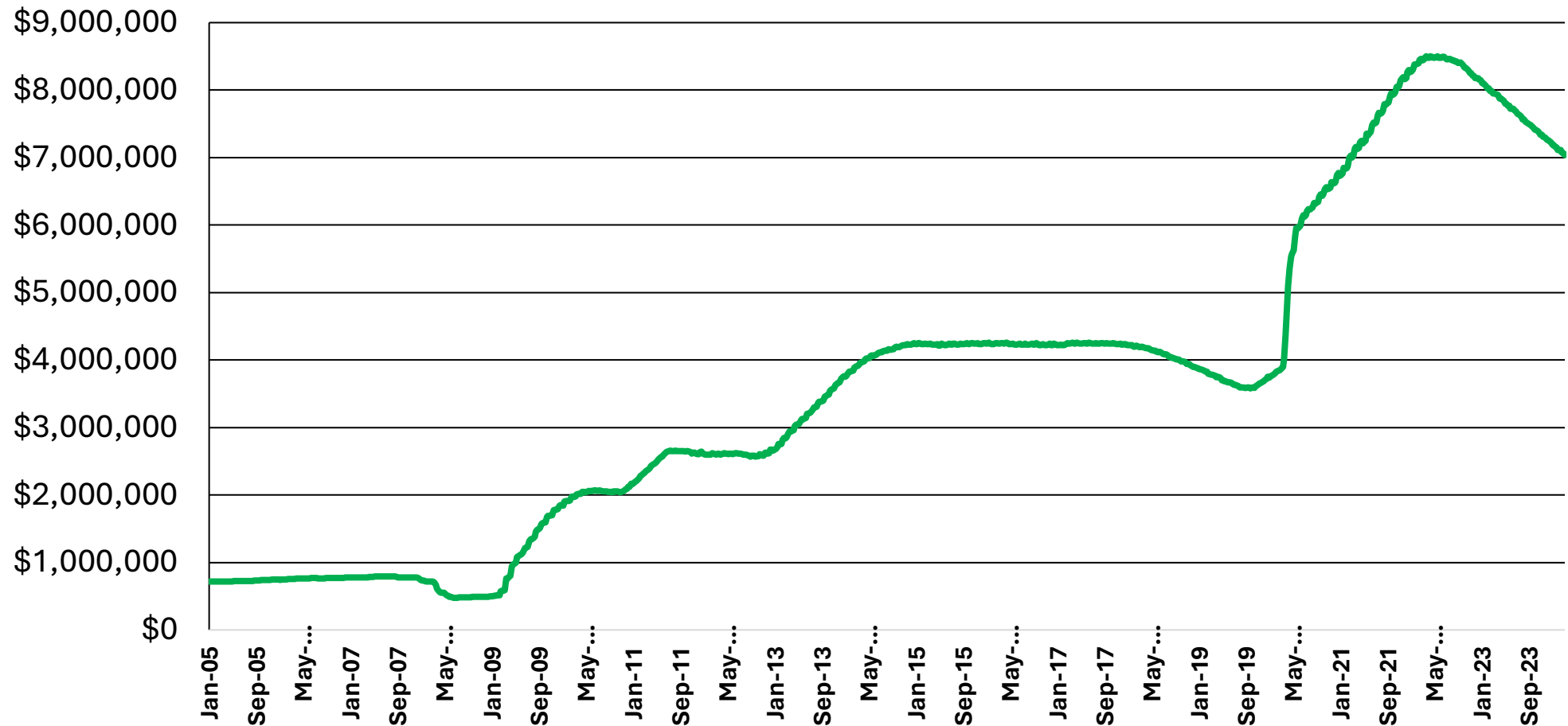
10-Year Treasury Bonds

(source: Board of Governors of Federal Reserve System)



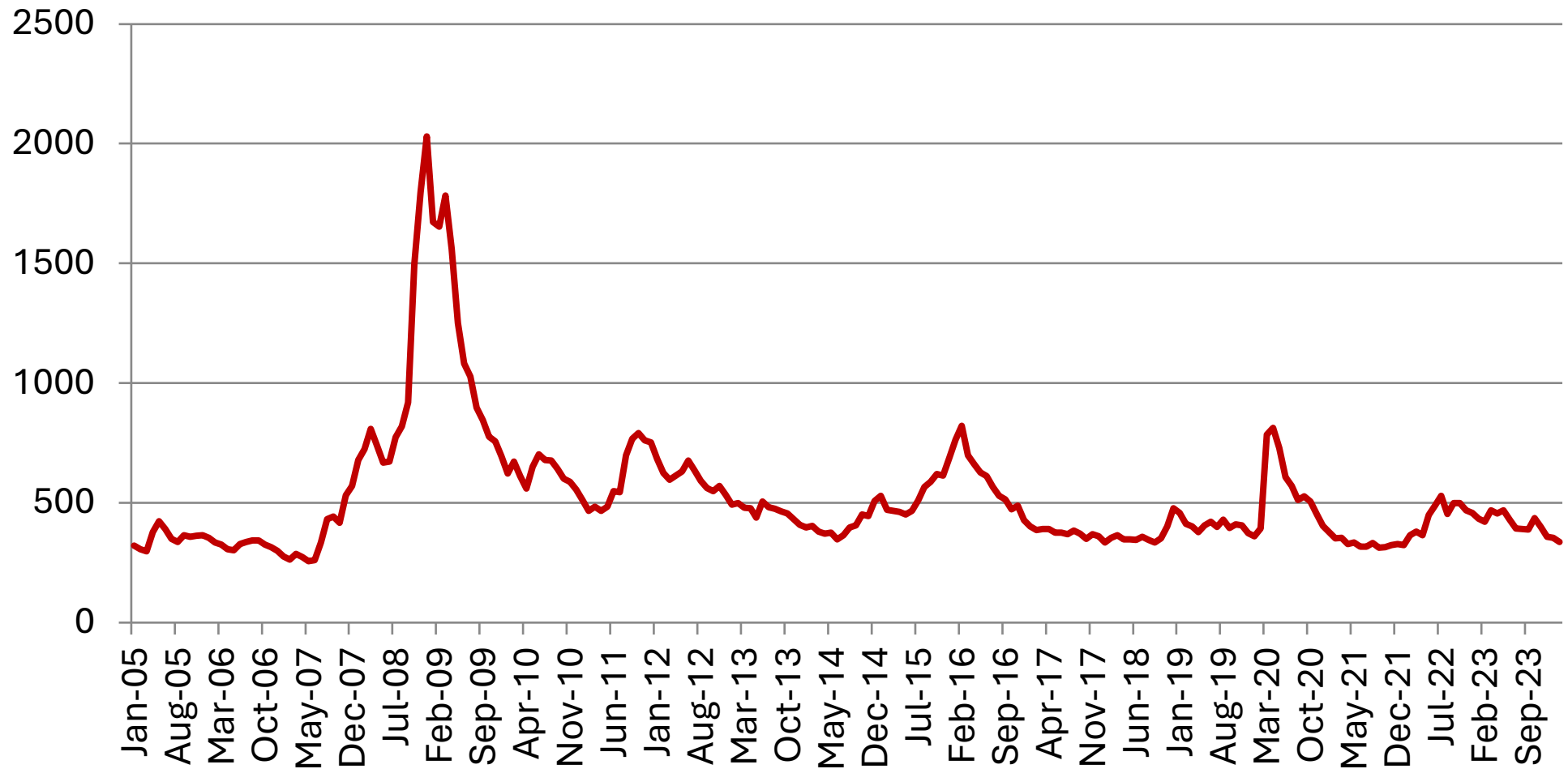
Fed: Securities Held Outright

(in millions, source: Board of Governors of Federal Reserve System)



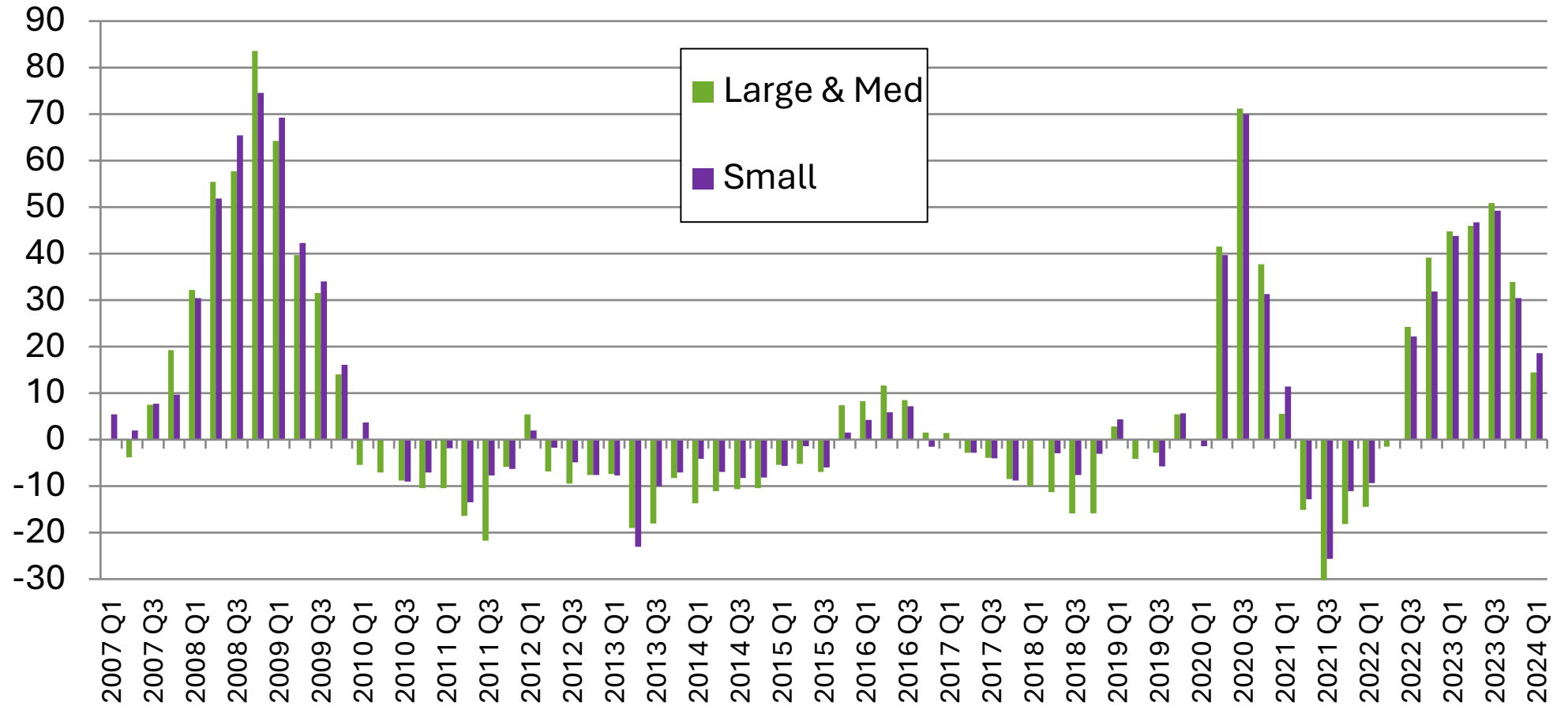
High-Yield Bond Spread

(source: Board of Governors of Federal Reserve System)



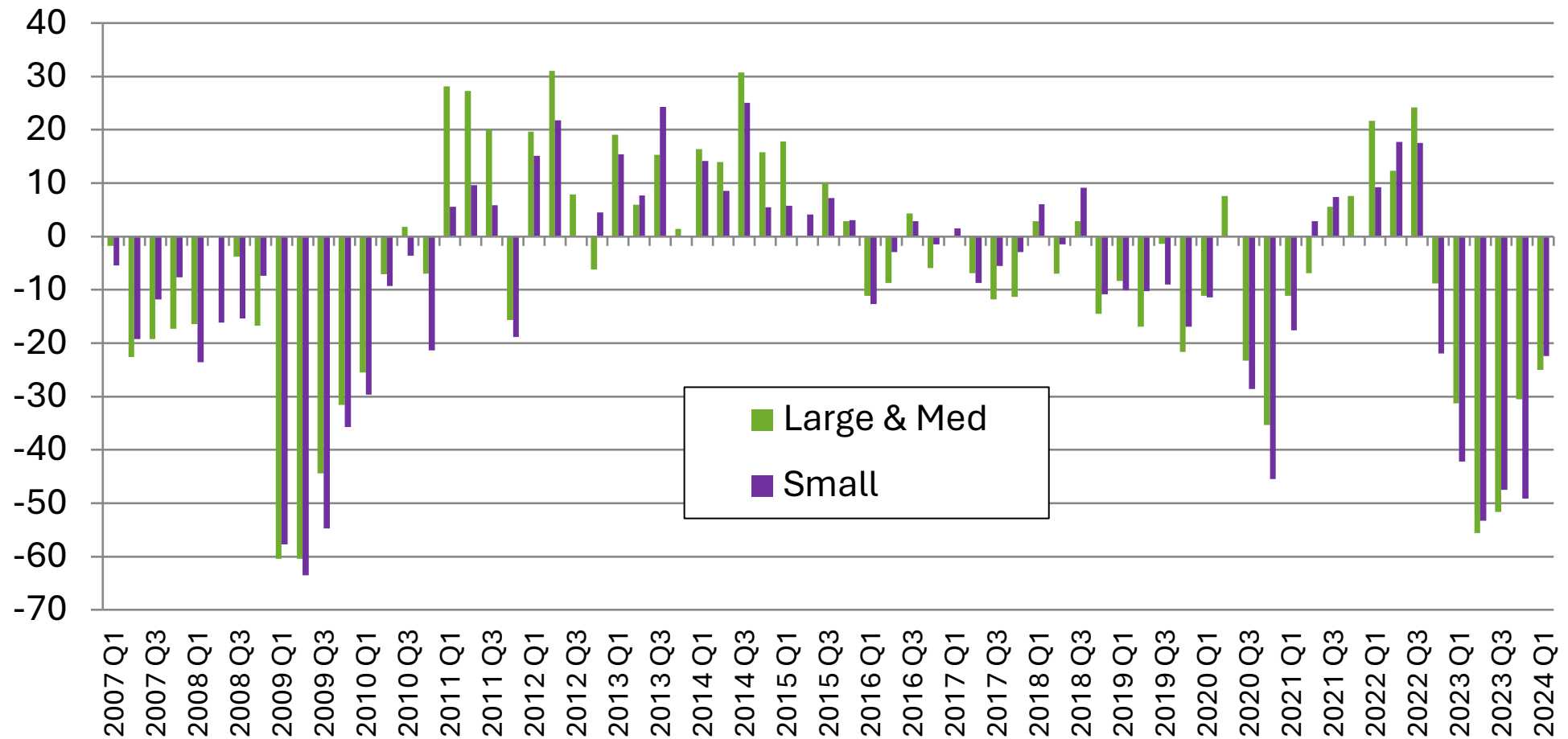
C&I Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)



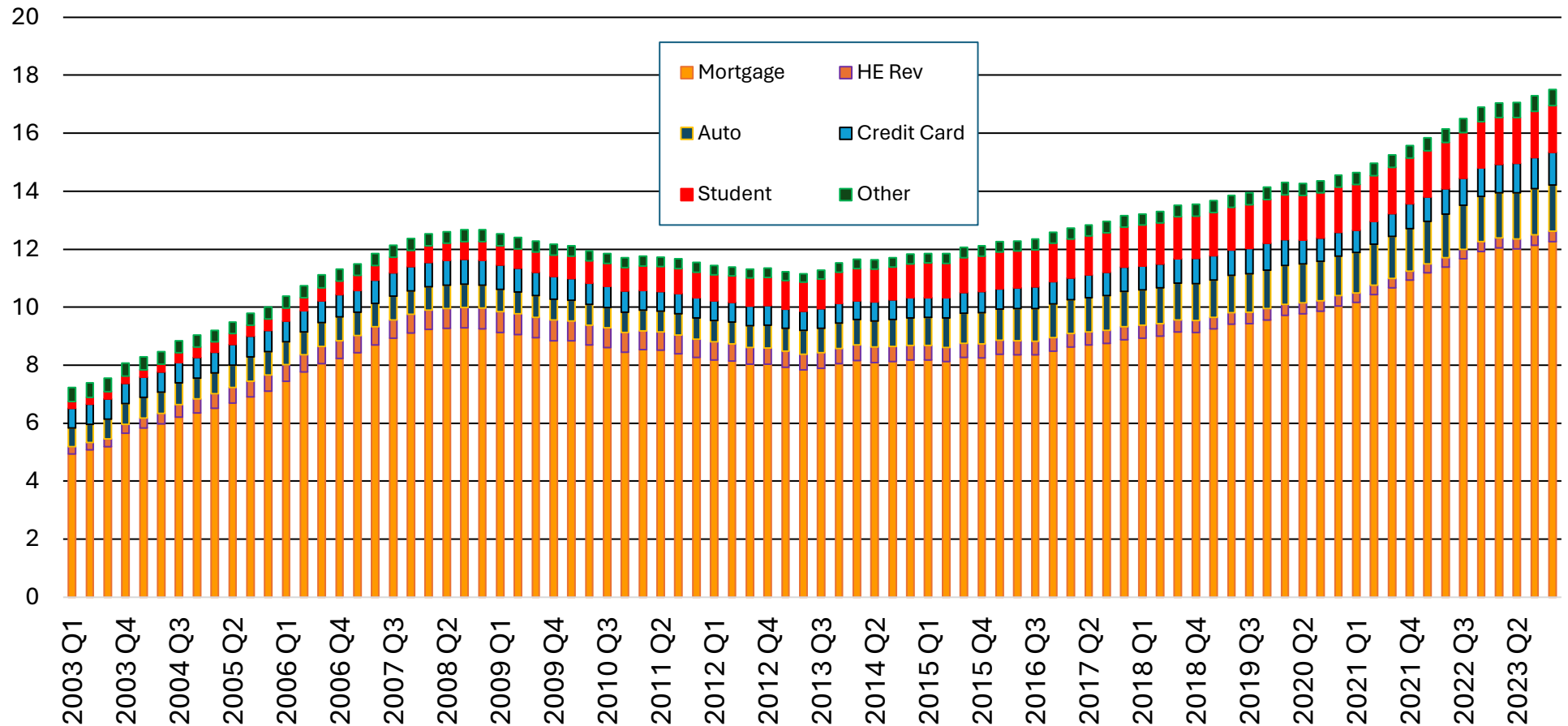
C&I Loan Demand: Net Change

(Source: Federal Reserve System, Senior Officers Lending Survey)



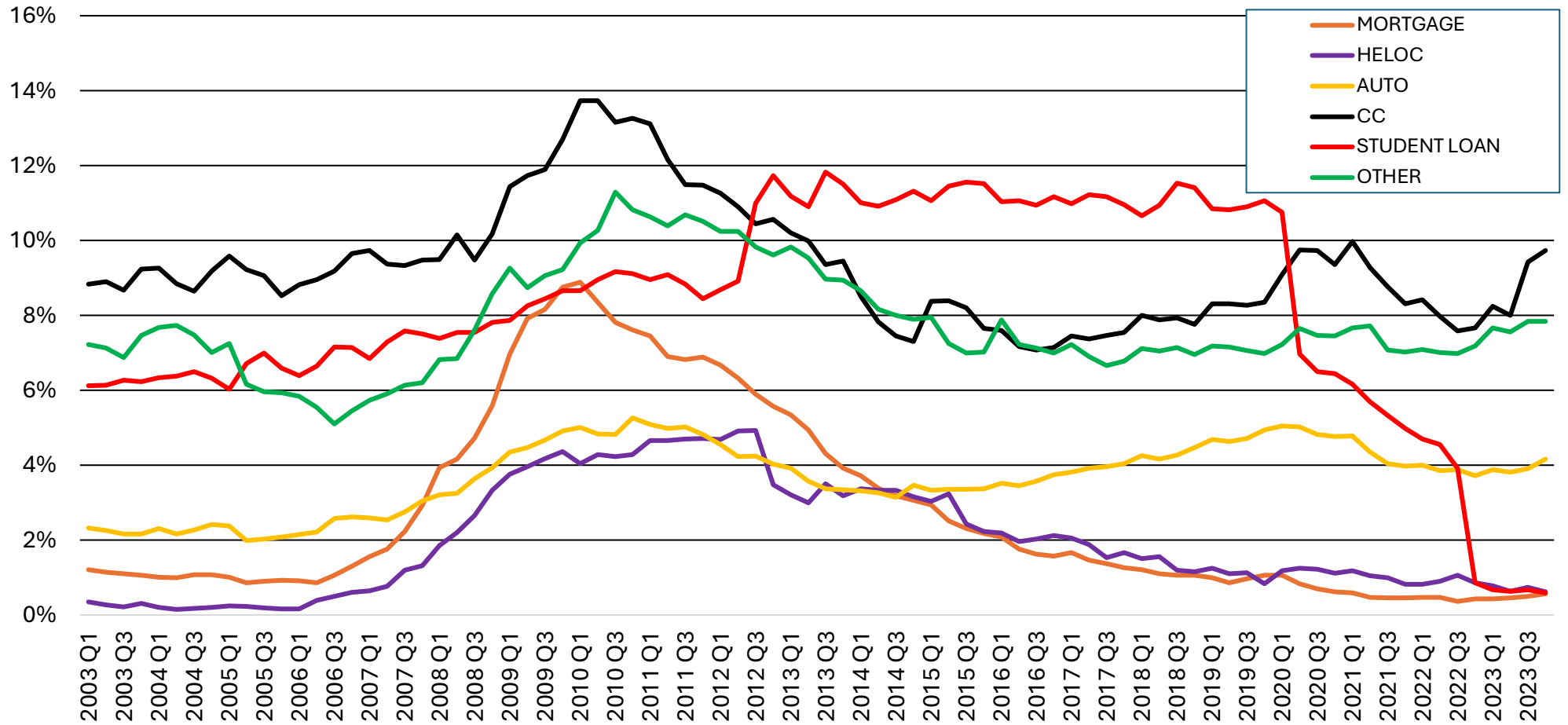
Debt Outstanding by Type

(source: Federal Reserve Bank of New York Credit Panel/Equifax)



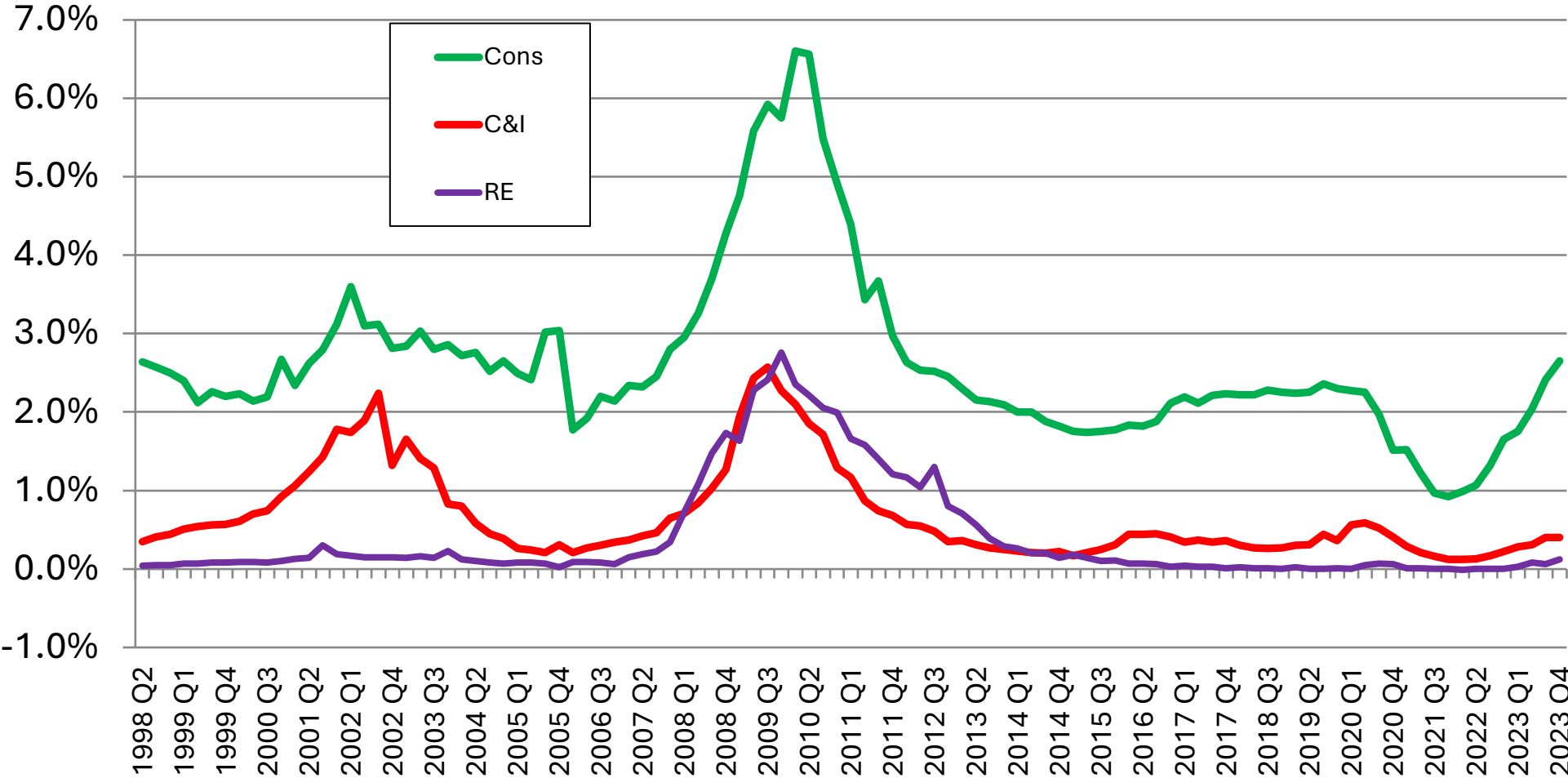
90+ Days Delinquent by Loan Type

(source: Federal Reserve Bank of New York Credit Panel/Equifax)



Charge Off Rates at Banks

(source: Board of Governors of the Federal Reserve System)





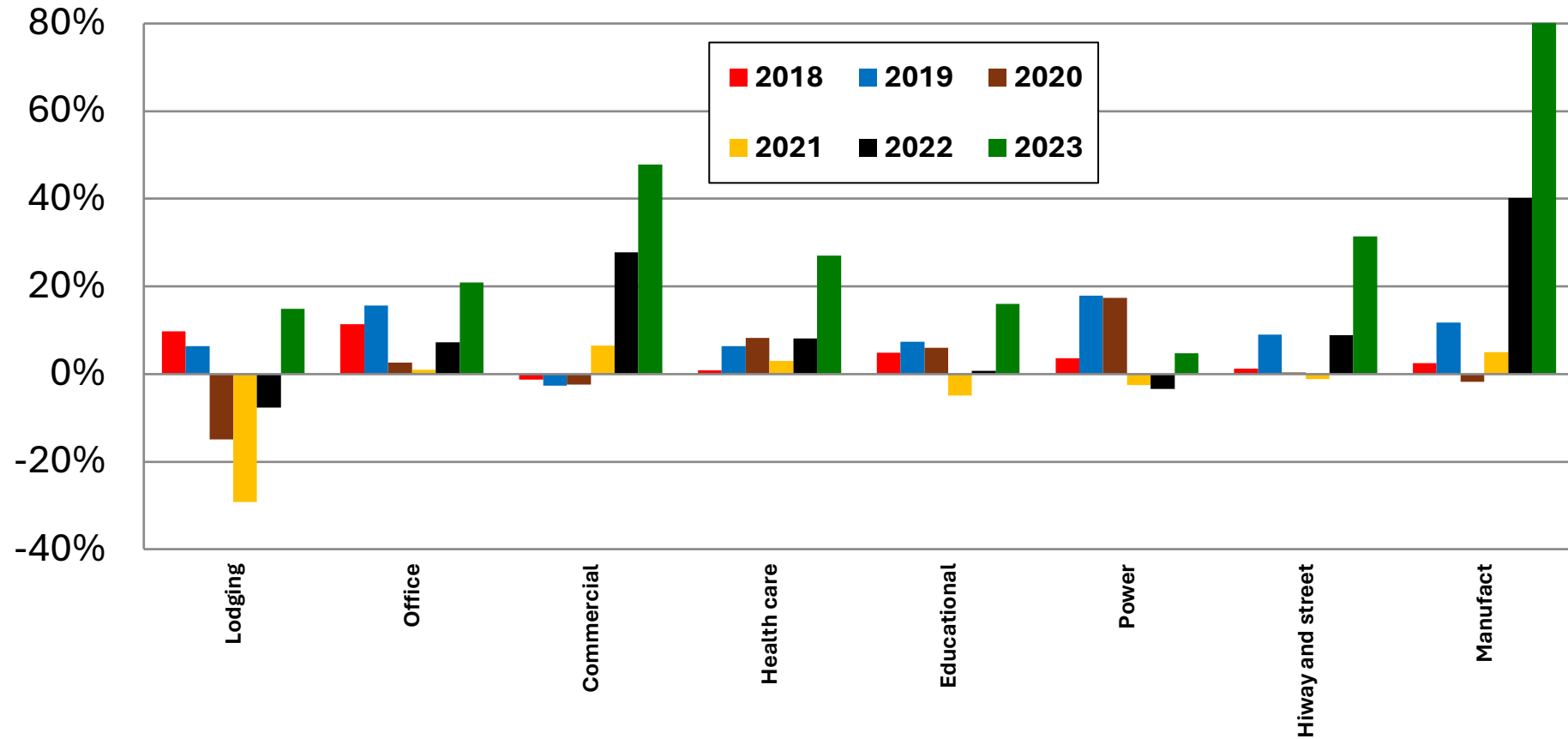
Topic #6:

Did Covid signal the death of “big box” and office?

And is housing market getting “frothy” again?

Non-Residential Construction

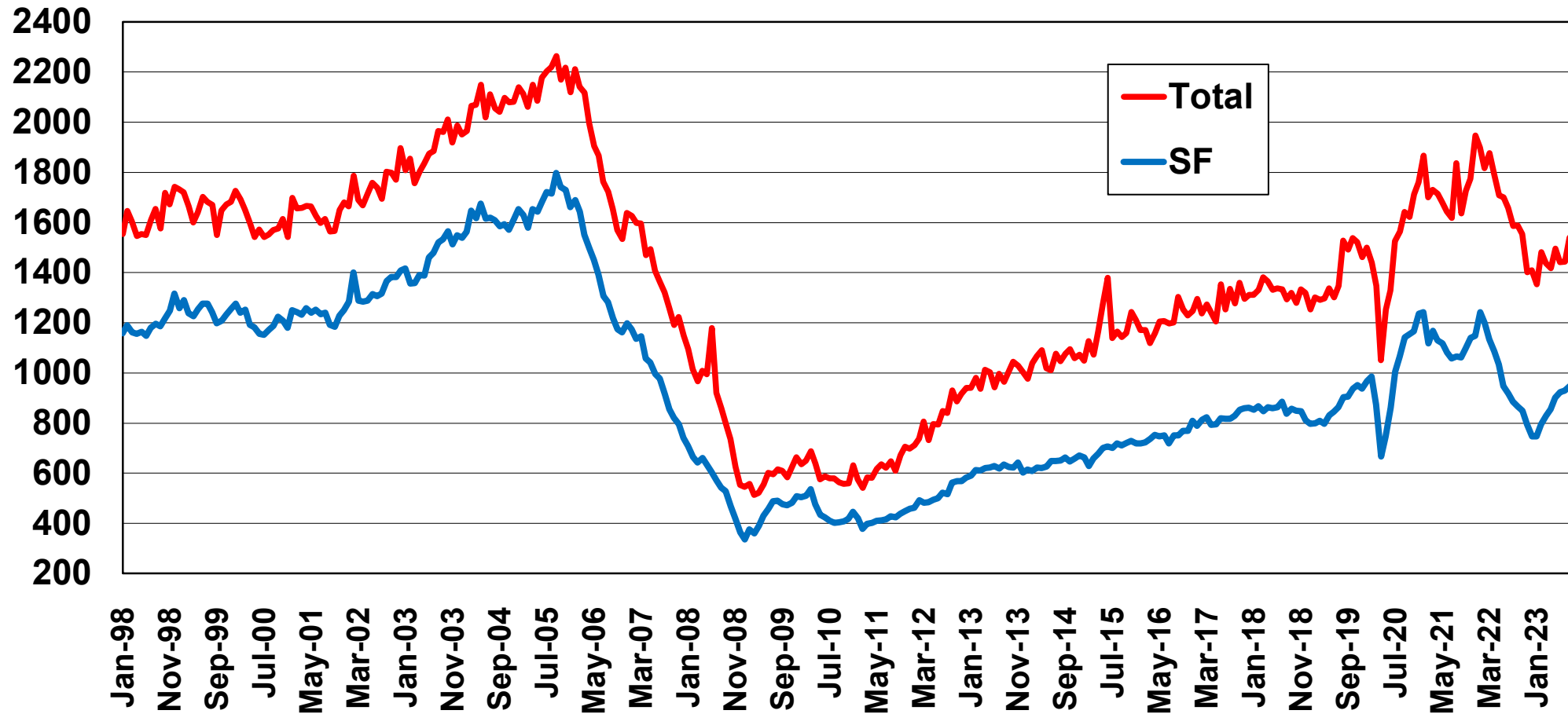
(Source: U.S. Census Bureau)





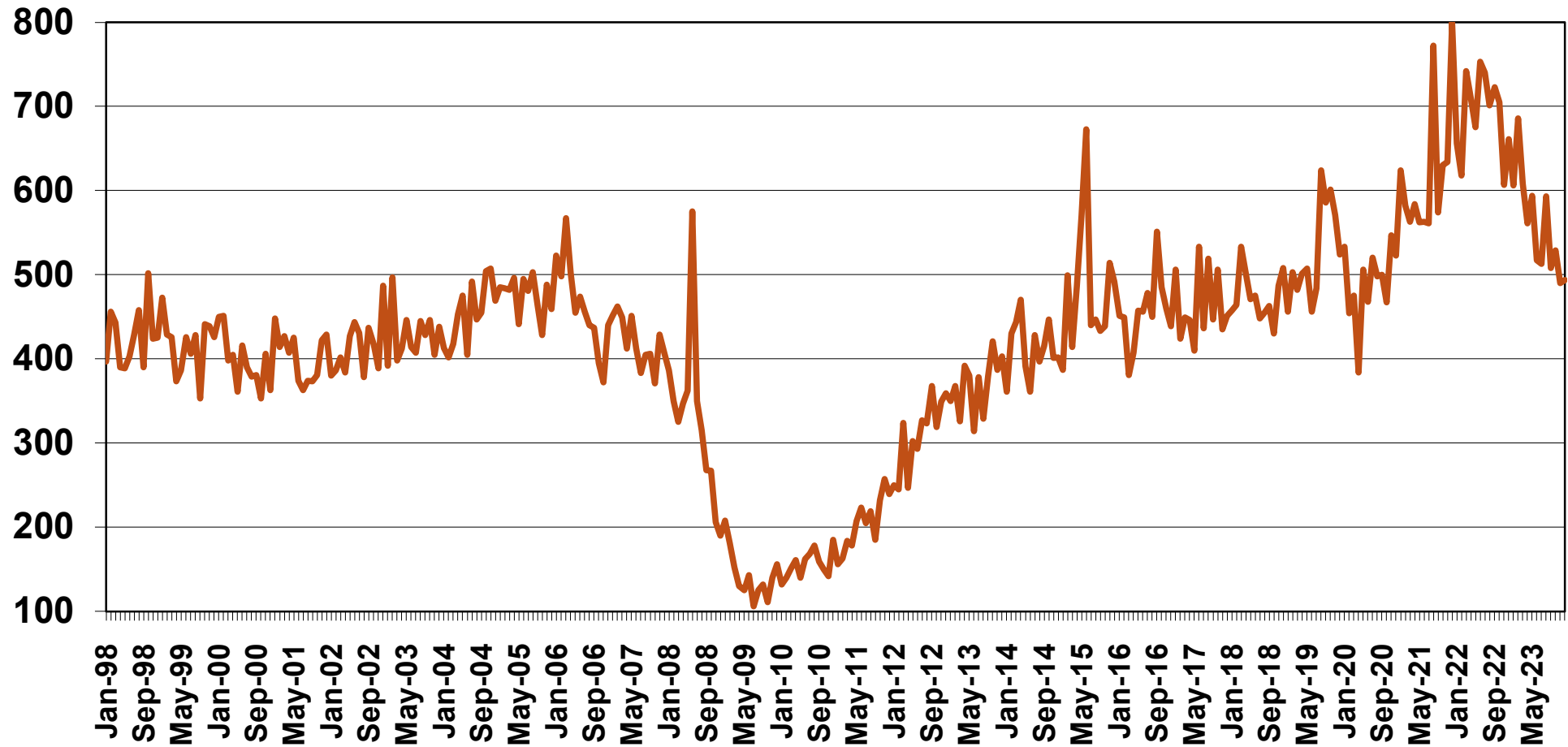
US Housing Permits: SF and Total

(source: U.S. Census Bureau)



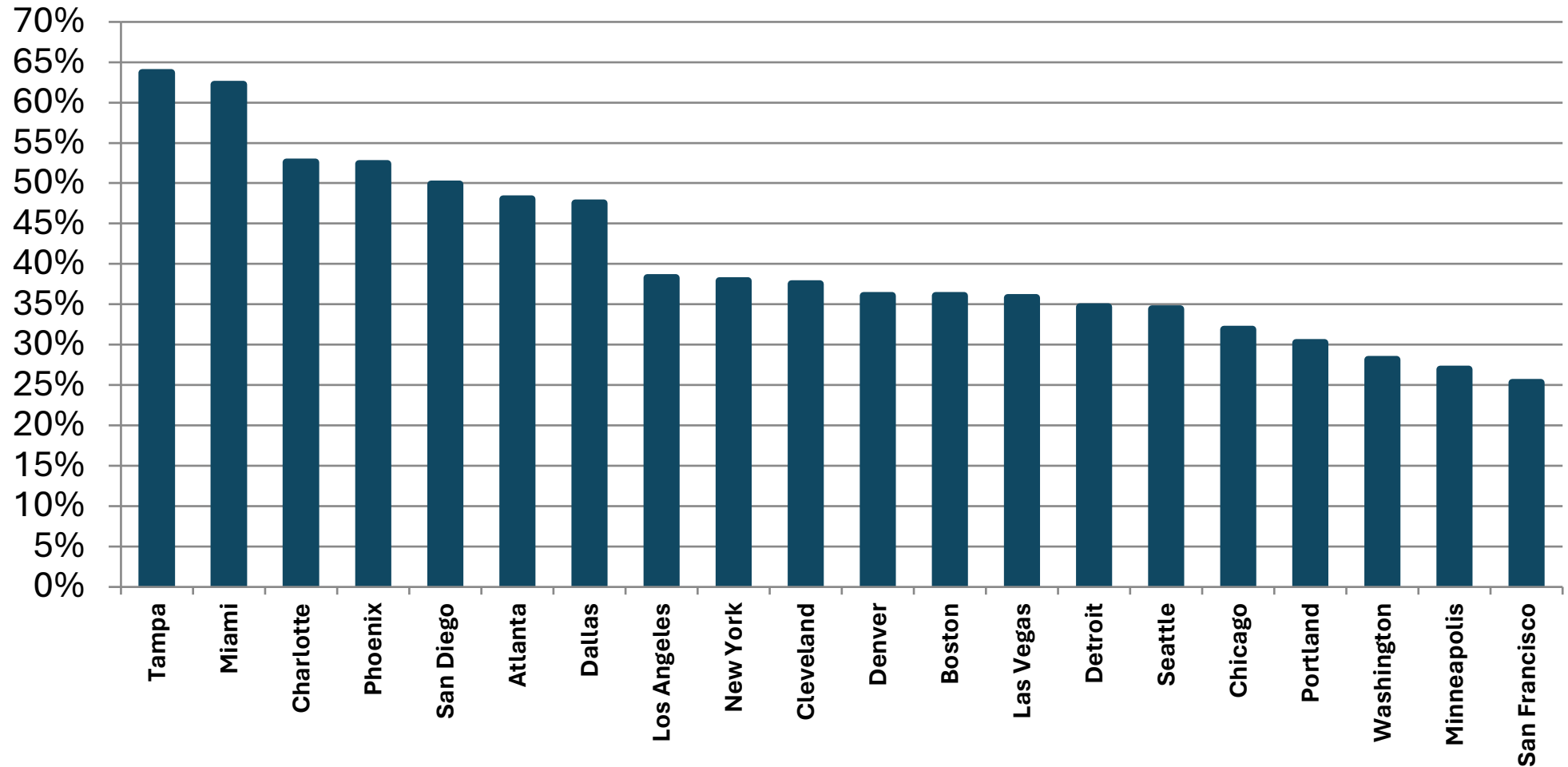
US Housing Permits: Multi-family

(source: U.S. Census Bureau)



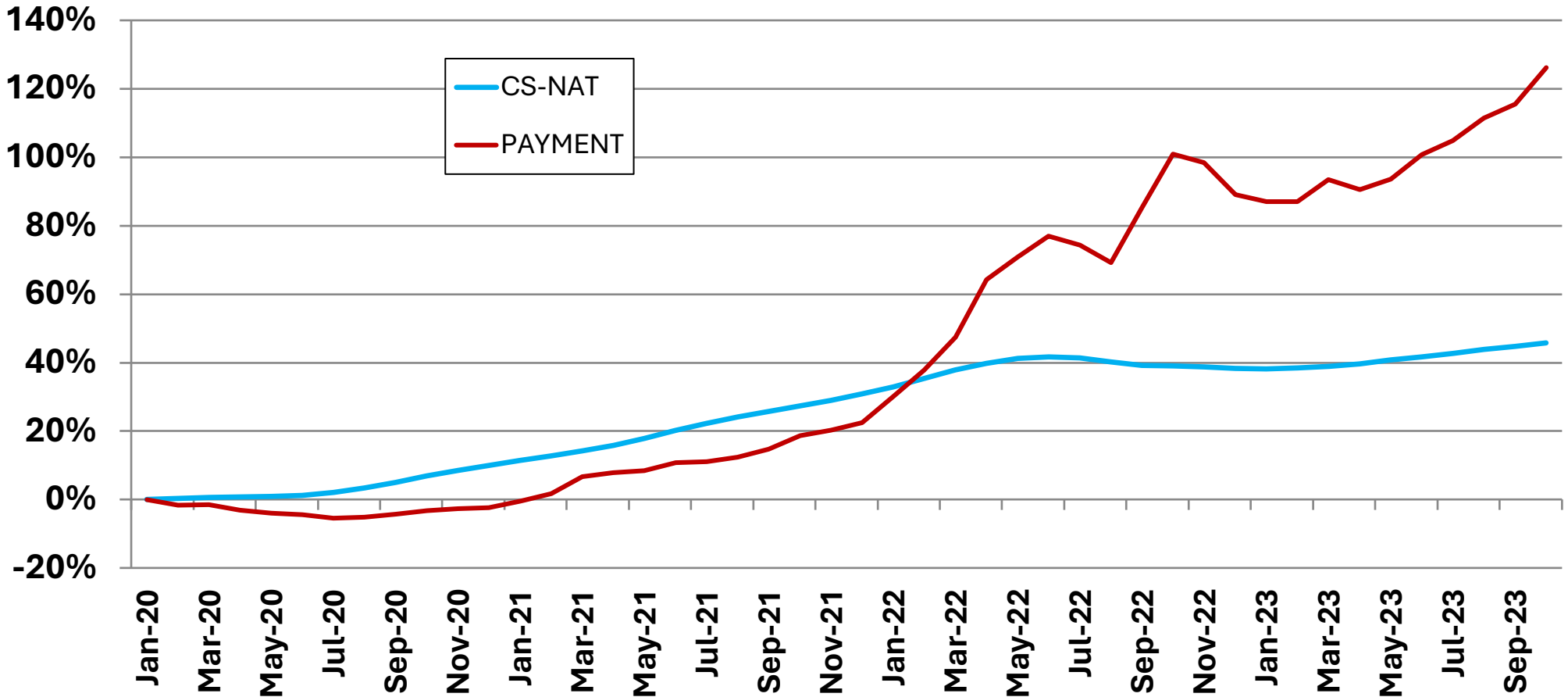
Case Shiller: Pandemic Surge

(source: Standard & Poor's Case-Shiller)



Housing Affordability: Rate Effect

(source: S&P Case-Shiller, Freddie Mac)





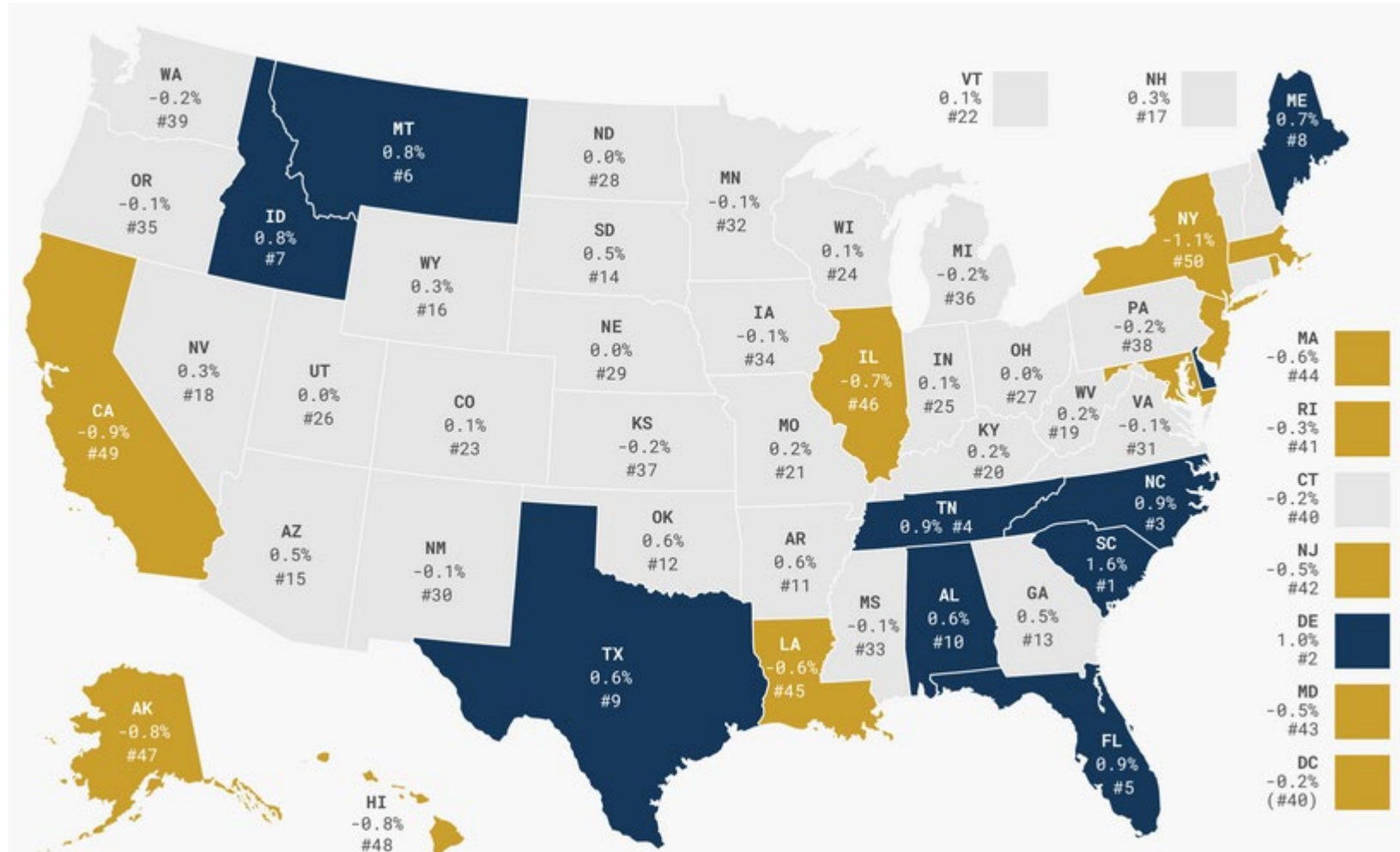
Topic #7:

Shared governance in 2024 . . . But can the parties govern themselves?

And what about demographic trends?

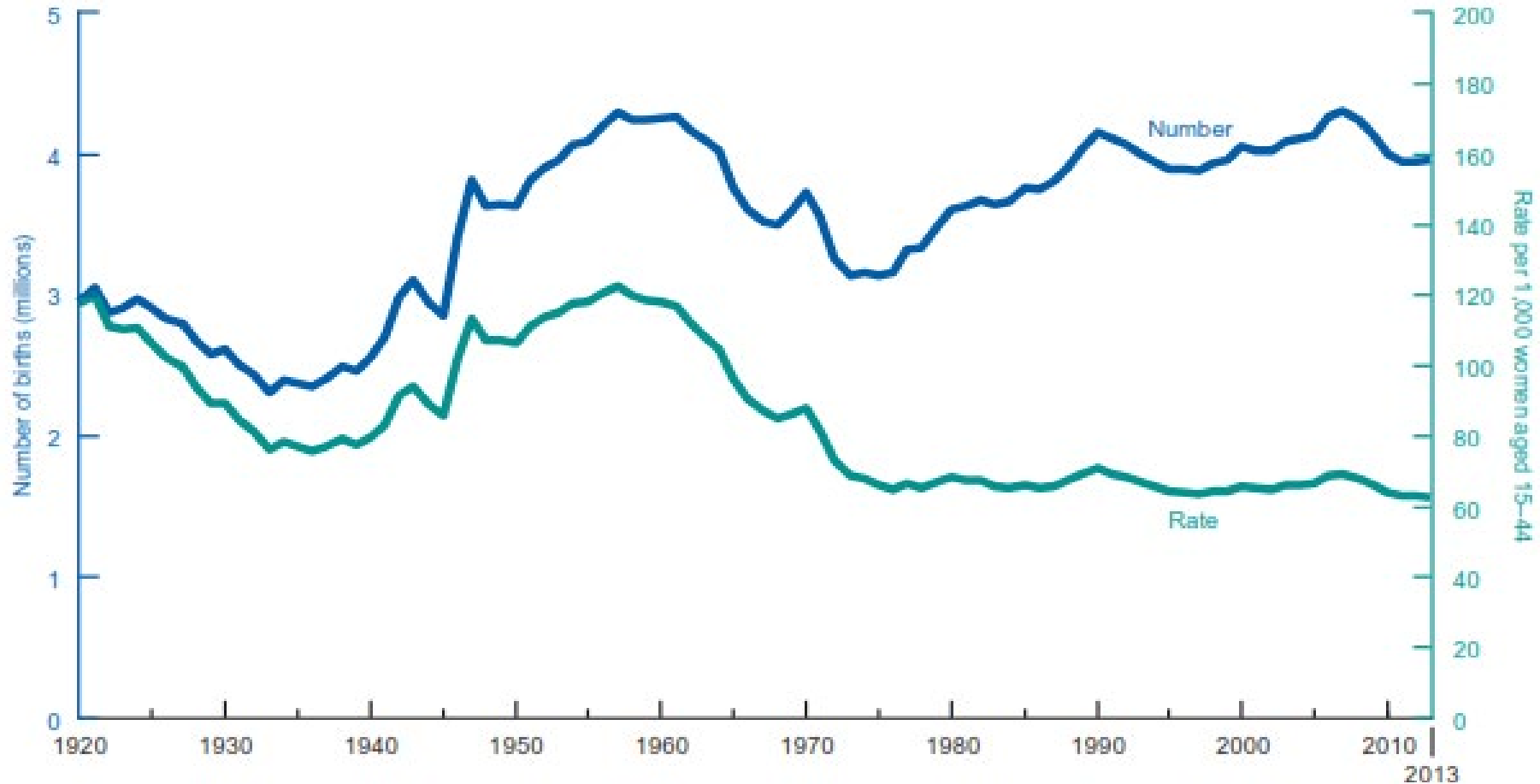
Internal Migration

(source: Tax Foundation, 2023)



The Demographics: Boom & Bust

(source: U.S. Census Bureau)



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