



Point of View
Economy – Markets – Investment Strategy
April 2024



Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.

Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

What's new?

- Israel/Iran
- GDP growth forecasts raised
- Pause in cooling inflation
- Fed rates higher for longer

THE WALL STREET JOURNAL.

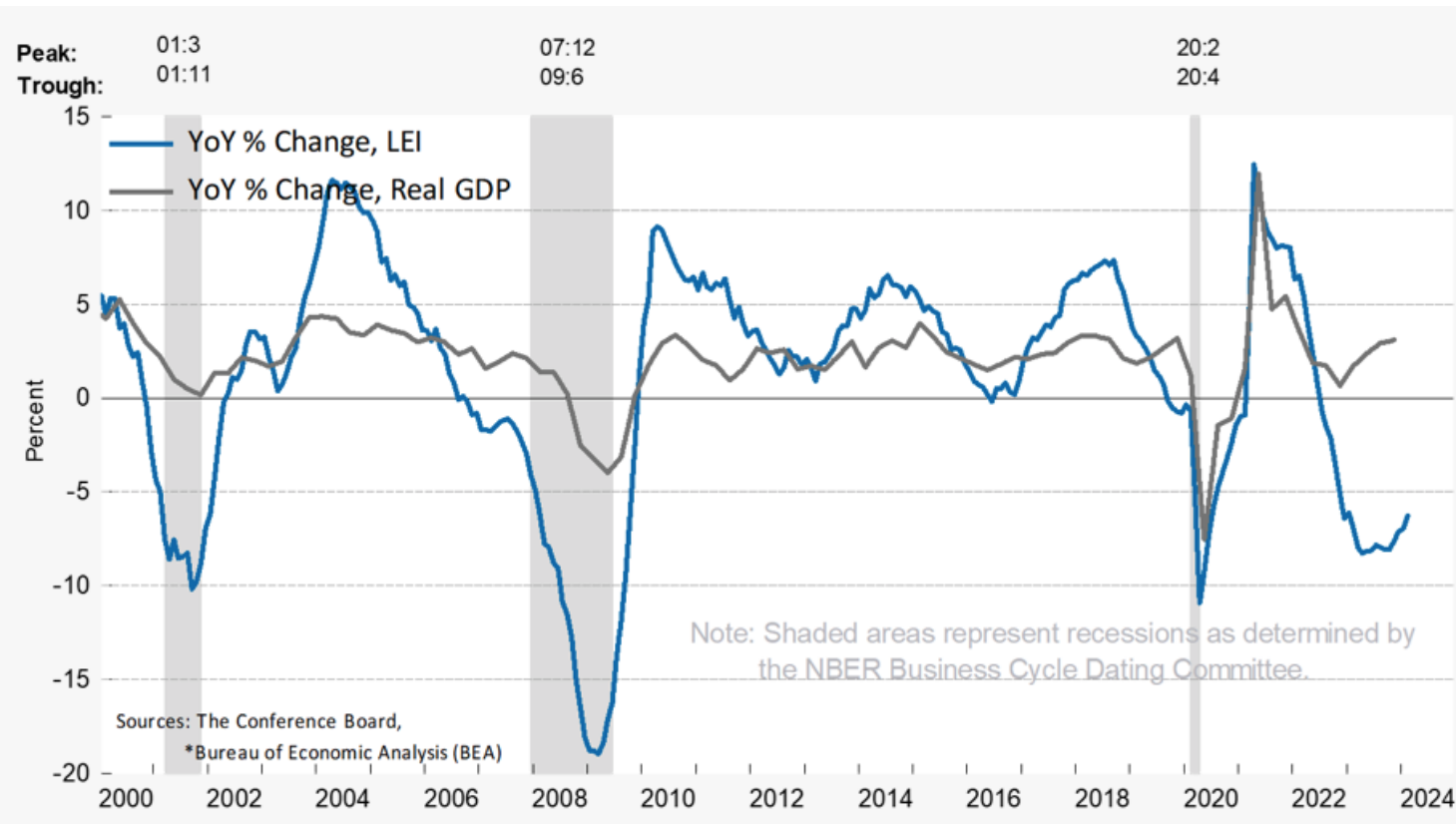
Predicted Economic Doom Never Arrived

- Jamie Dimon warned that a “hurricane” was about to hit the U.S. economy
- Ray Dalio predicted a “debt crisis” and a “perfect storm” of economic pain
- Jeffrey Gundlach predicted last March that a recession would come “in a few months”
- David Rosenberg predicted a recession

“Early last year, economists predicted a 61% chance of recession in 2023. The experts were way off.”

Economic data

U.S. index of leading economic indicators



“Despite February’s increase, the Index still suggests some headwinds to growth going forward. The Conference Board expects annualized US GDP growth to slow over the Q2 to Q3 2024 period, as rising consumer debt and elevated interest rates weigh on consumer spending.”

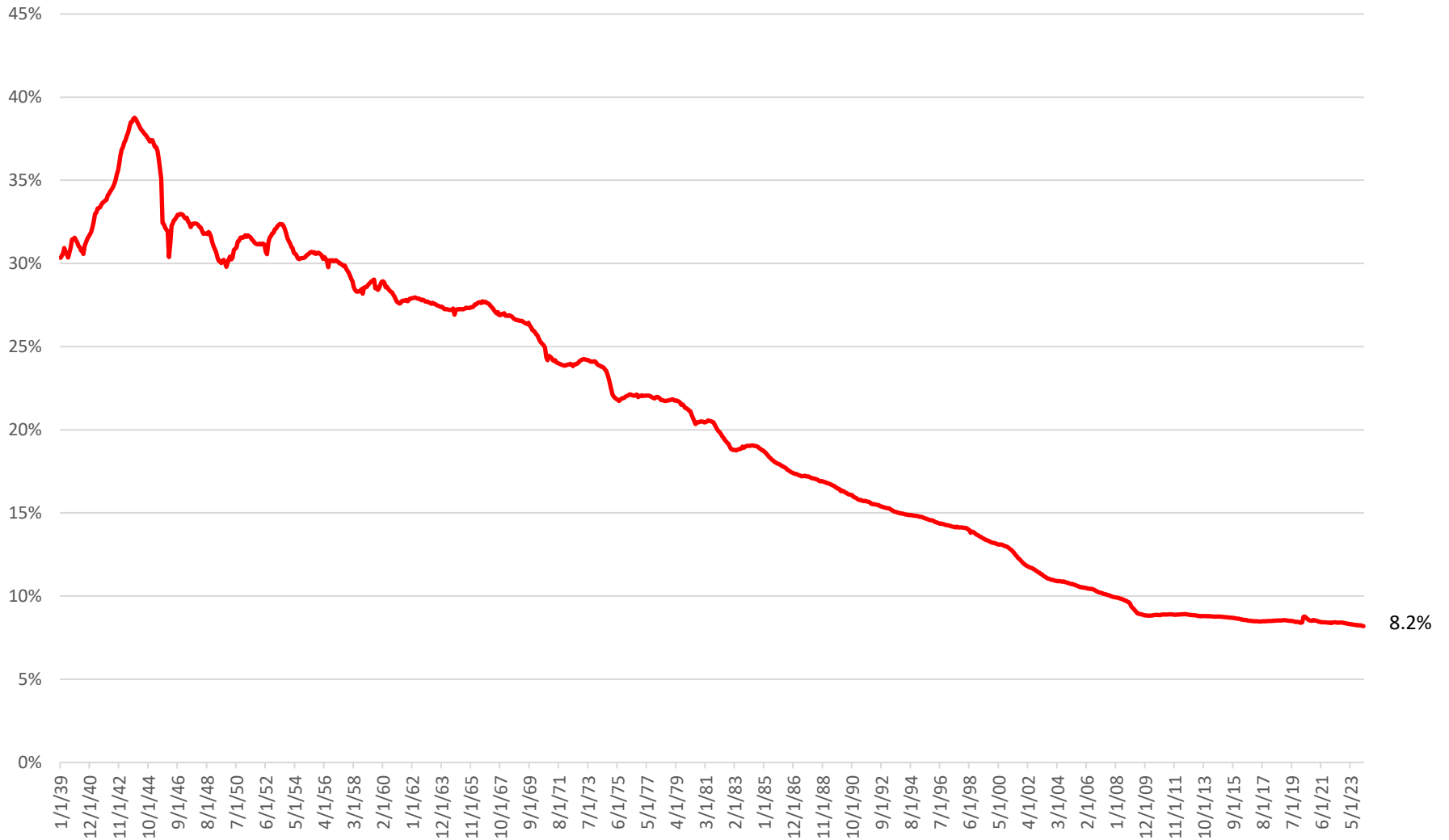
This chart shows how the LEI has definitively rolled over well in advance of the last recessions.

The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers’ new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers’ new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury minus fed funds; 10) index of consumer expectations.

Source: ©The Conference Board. Data through February released March 21, 2024.

Manufacturing jobs % of total employment

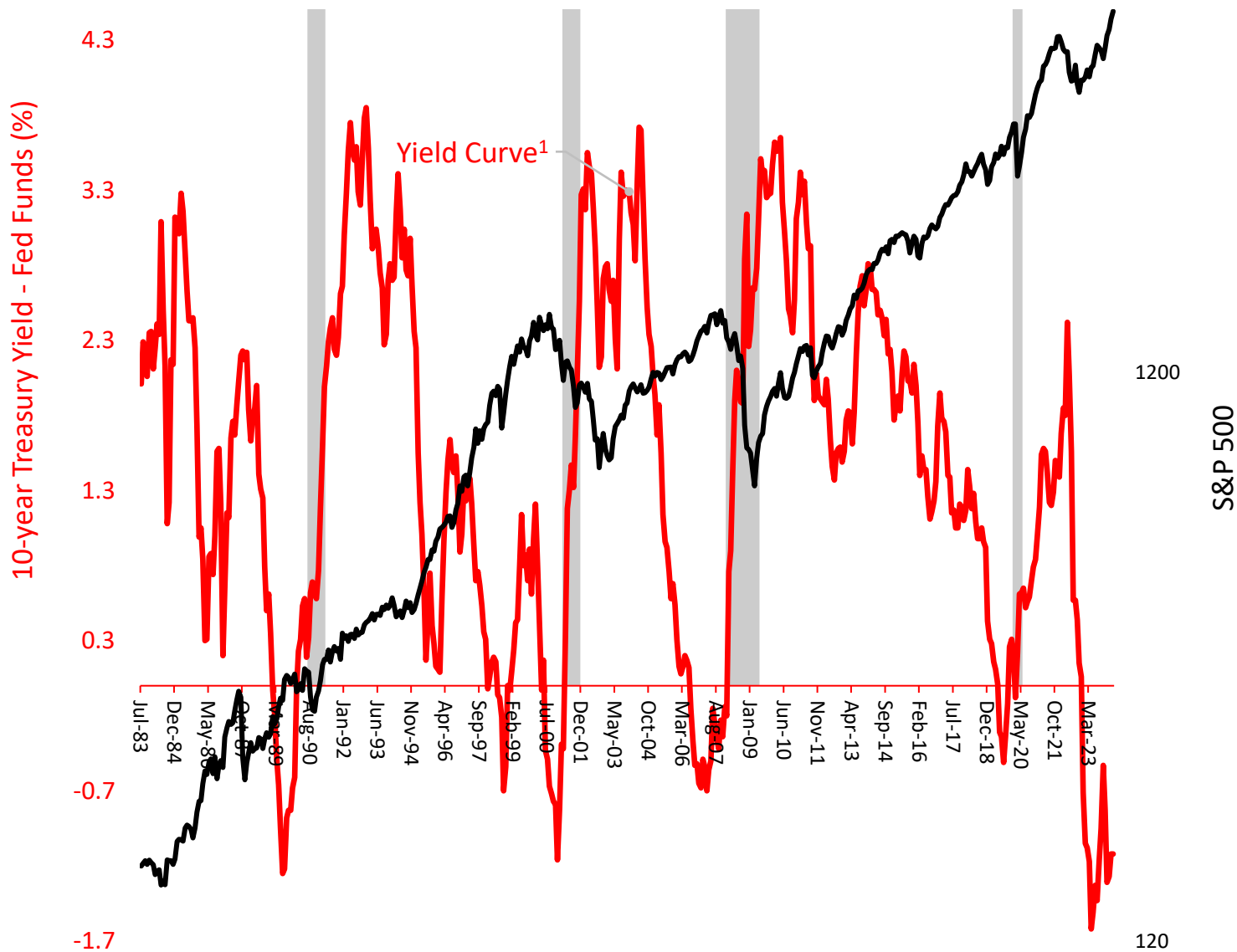
Manufacturing % of Total



Source: BLS. Data through March 2024.

Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

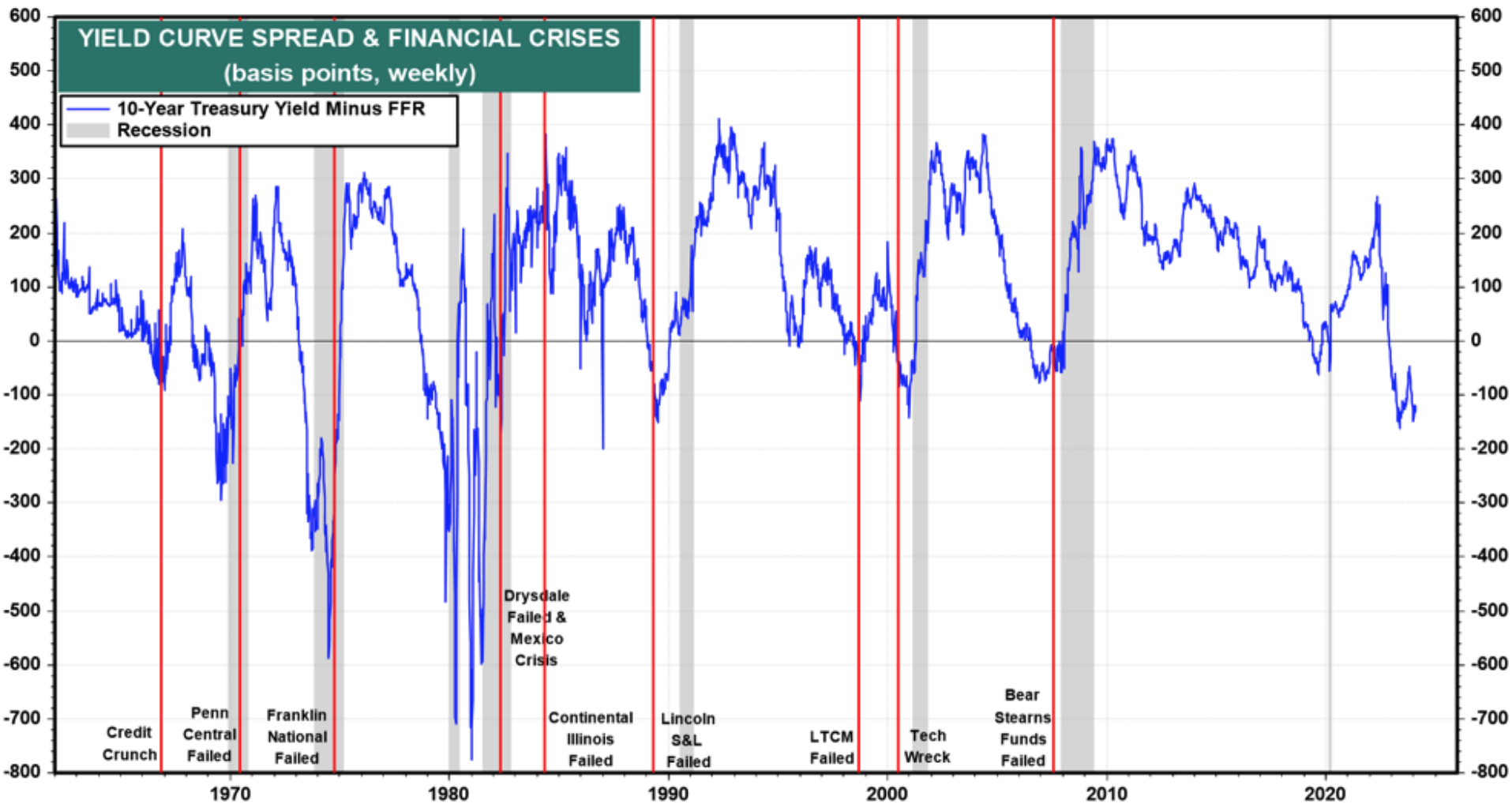
Today, the yield curve is inverted.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through March 2024.

¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

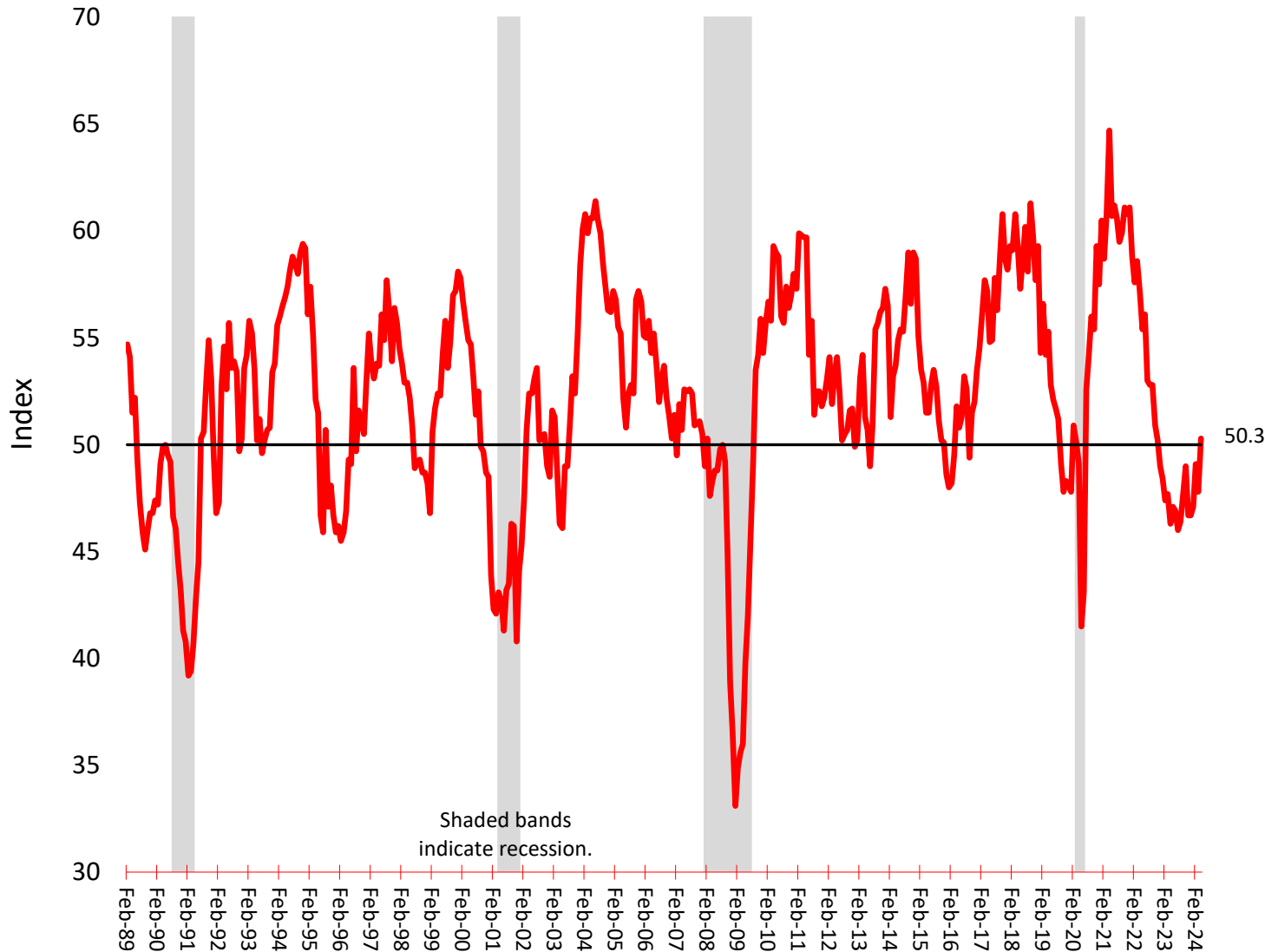
Federal Reserve policy

Yield curve vs. crises



Source: LSEG Datastream and © Yardeni Research.

ISM manufacturing PMI



March at 50.3.

March new orders 51.4.

Note the historic volatility in the manufacturing PMI.

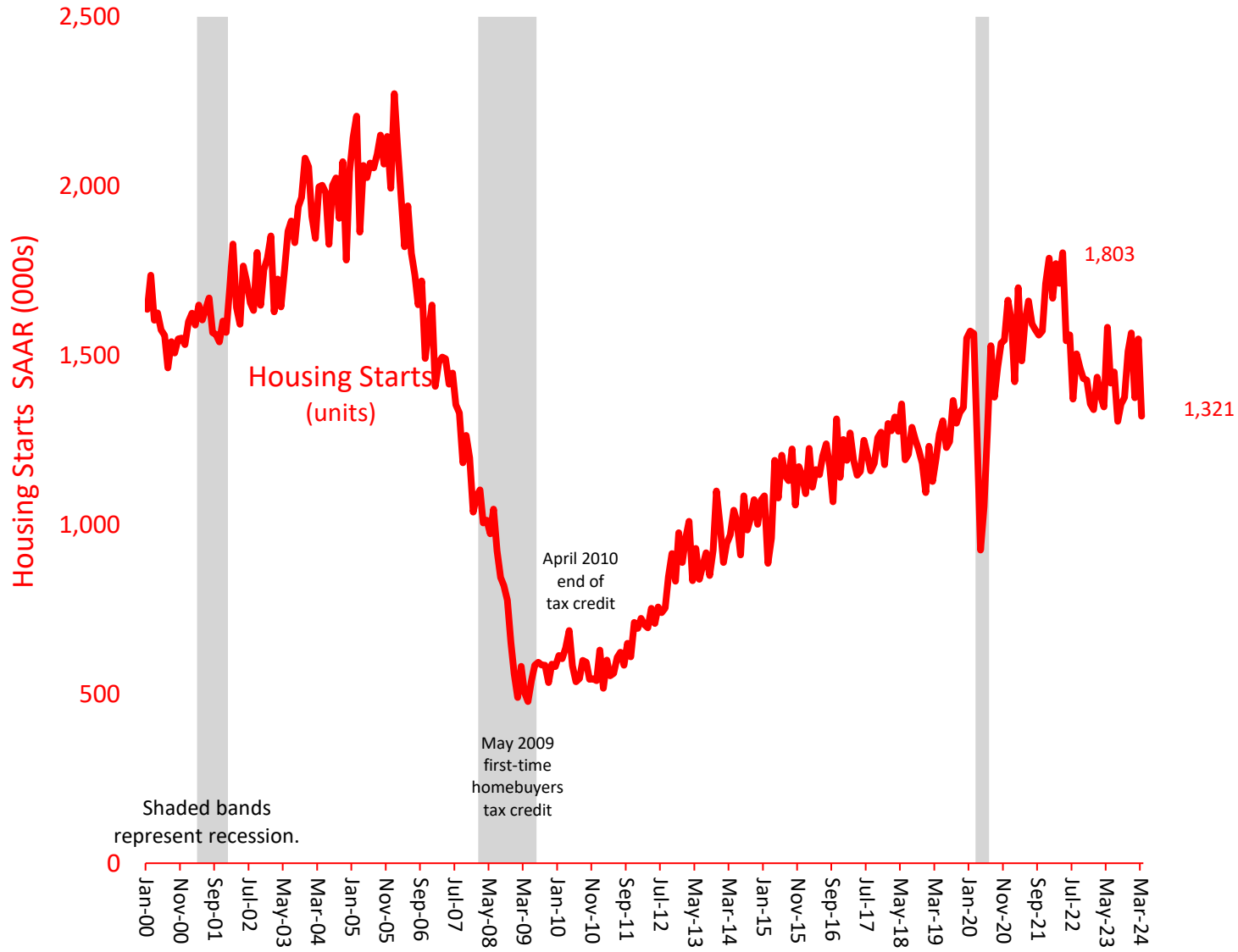
Note how this indicator has slumped well below 50 even during periods of strong economic expansion, eg. 1995, 1999, 2003, 2013, 2016.

Source: Copyright 2024, Institute for Supply Management. Data through March 2024.

ISM: "A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy."

Economic data

Housing starts



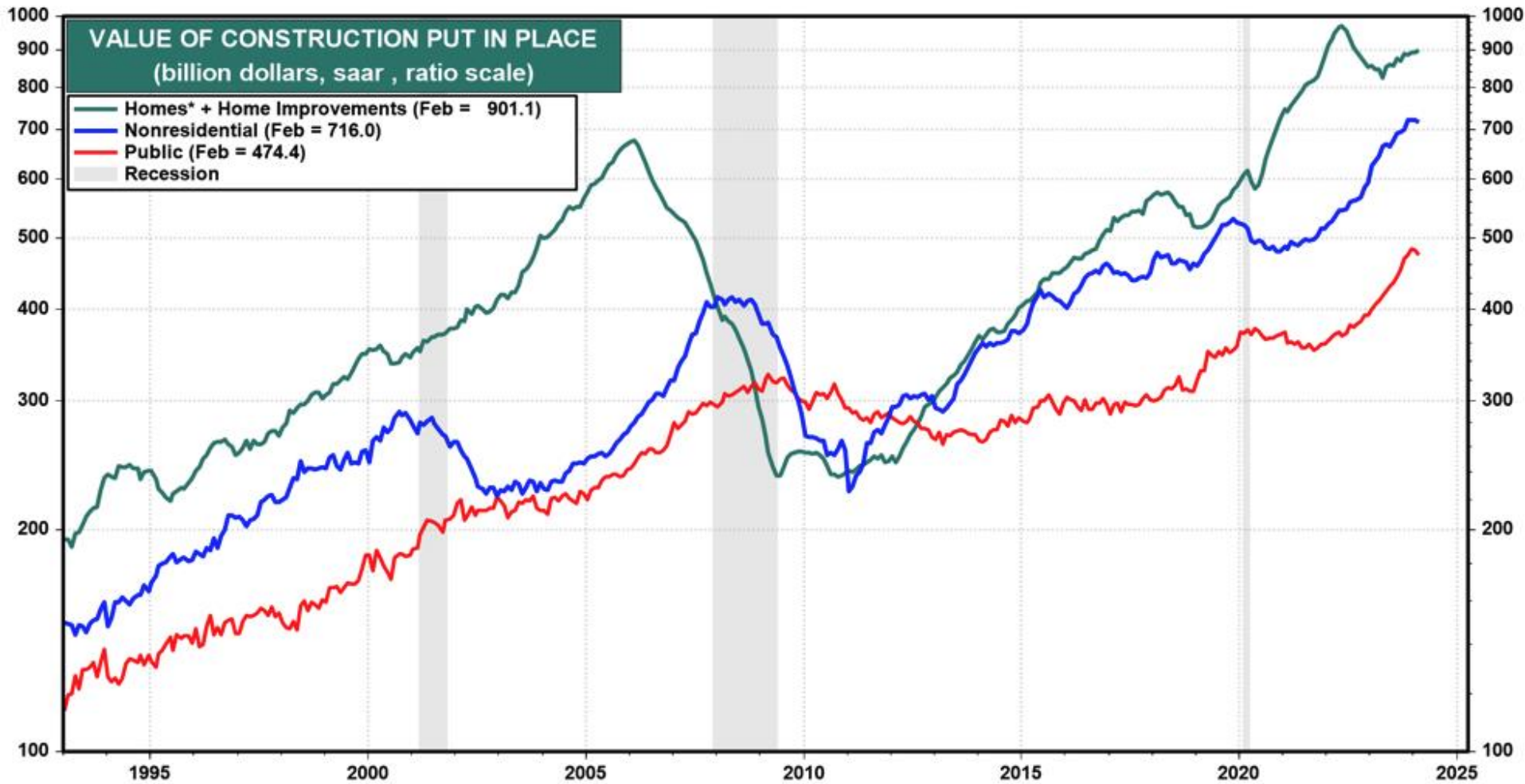
1.321 million starts in March.

March permits at 1.458 million.

“Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016).”¹

Sources: BEA and U.S. Census Bureau. Data through March 2024.
¹ *Economic Report of the President*, Council of Economic Advisors, February 2018

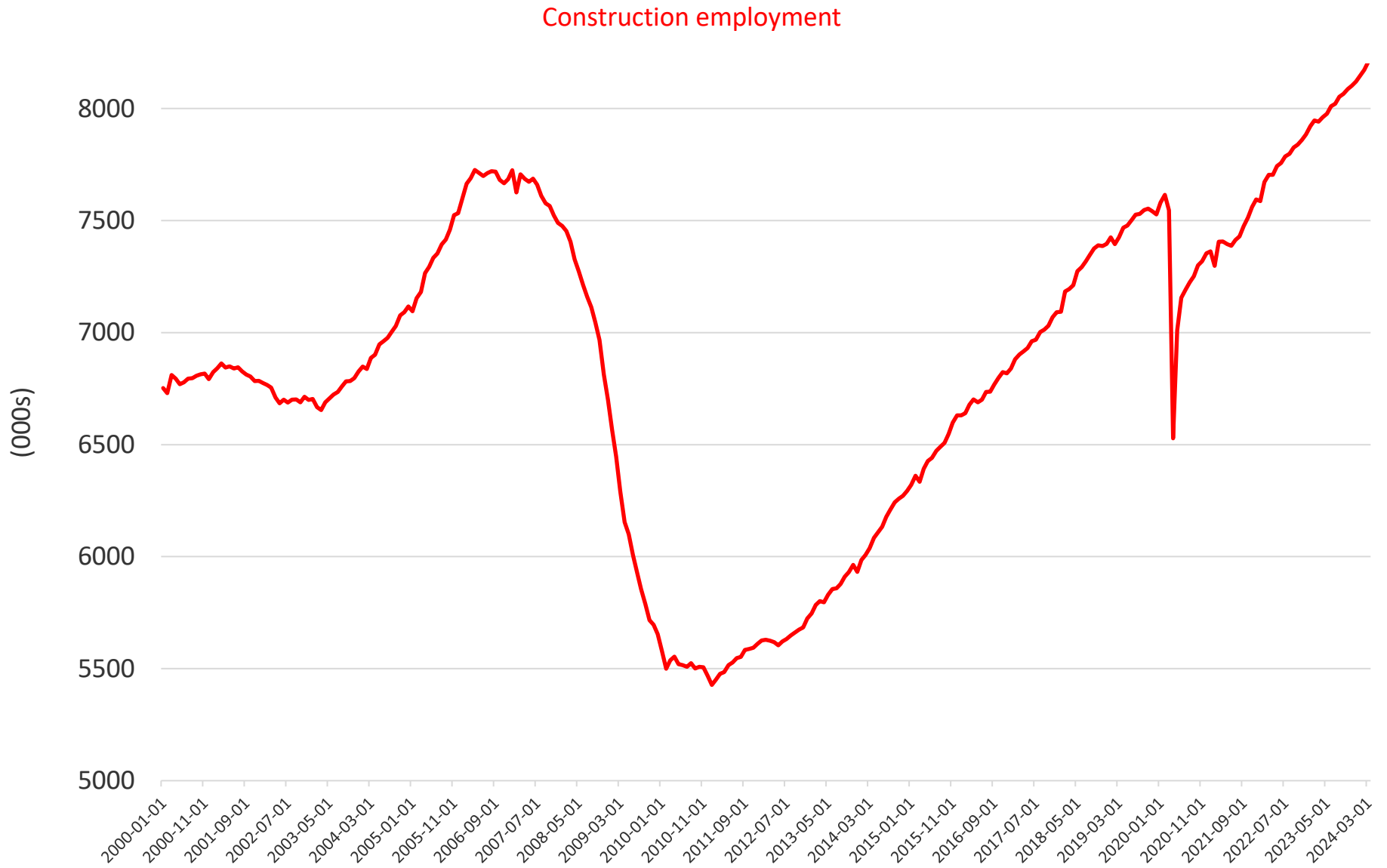
Construction spending



Source: LSEG Datastream and © Yardeni Research.

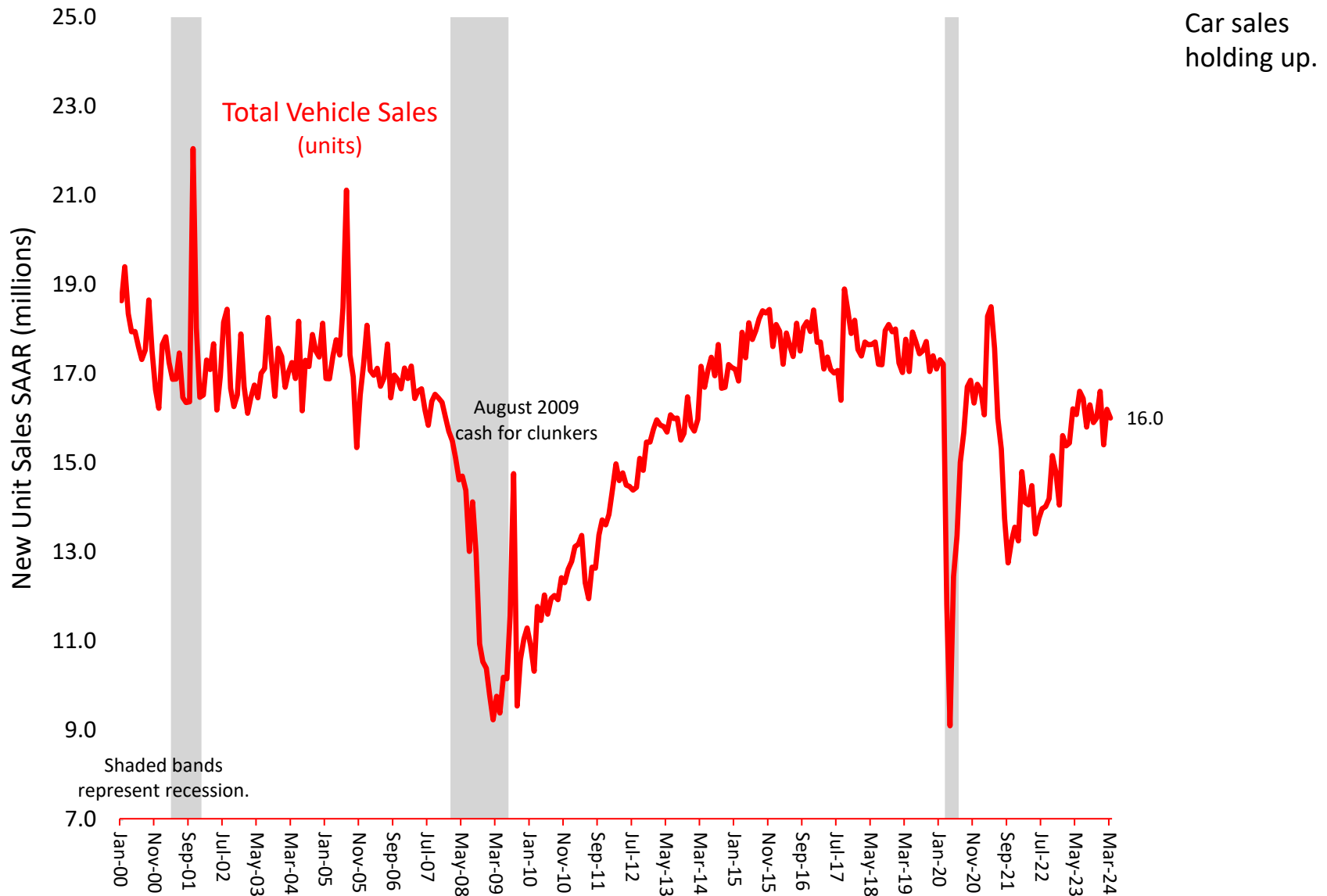
*Includes single-family and multi-family homes.

Construction employment – record high



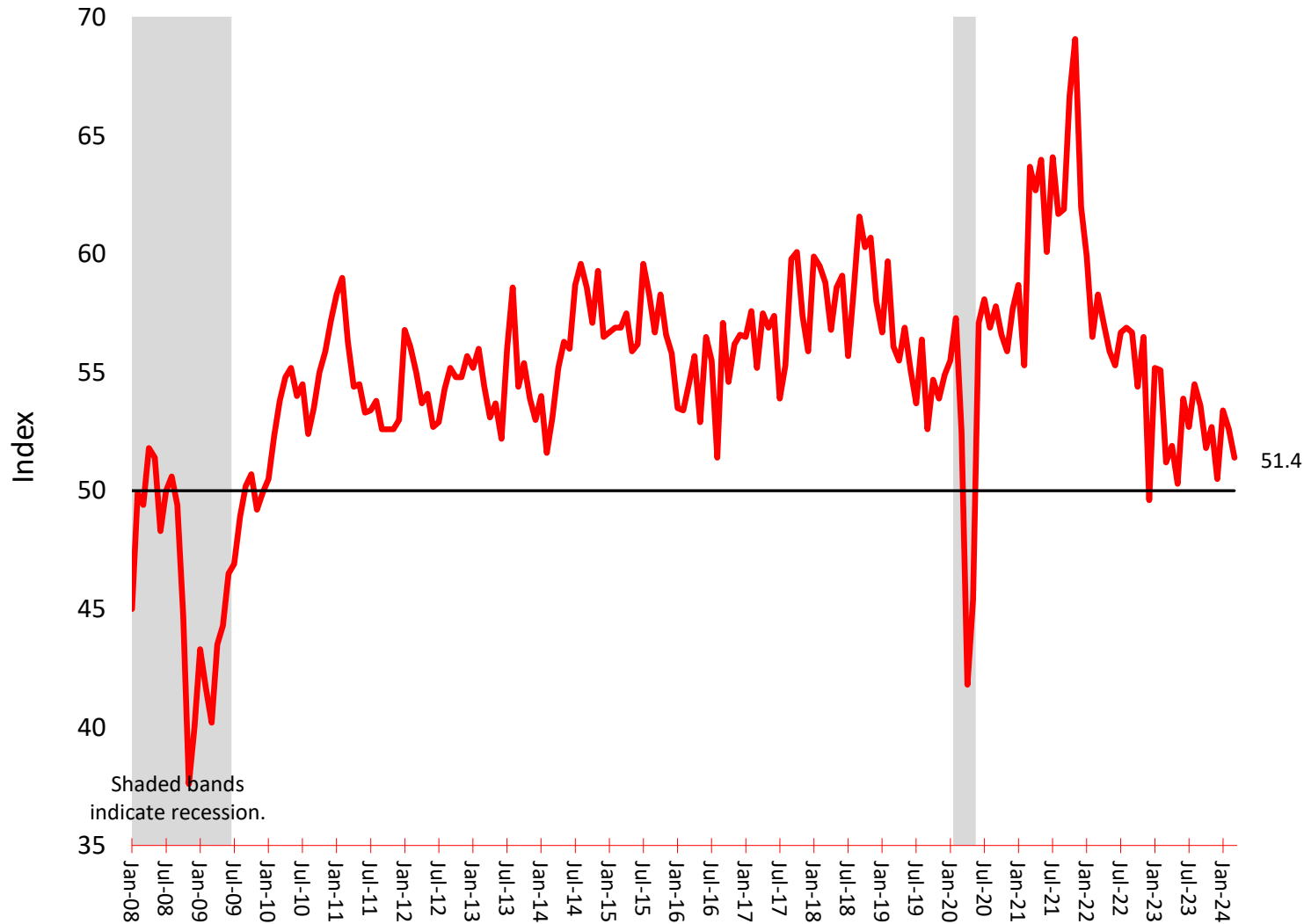
Economic data

Vehicle sales



Economic data

ISM services PMI



March at 51.4.

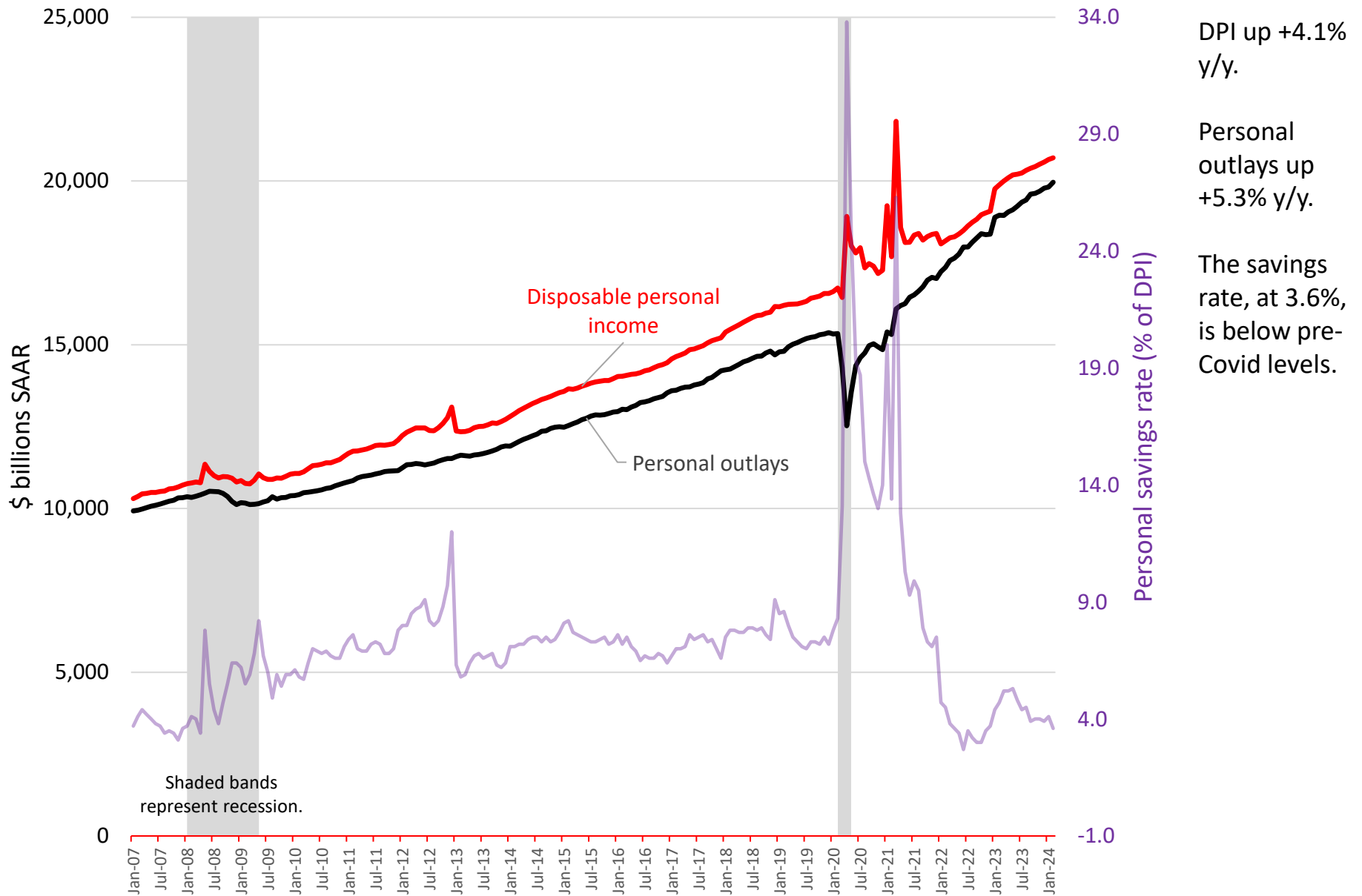
March new orders
54.4.

Services comprise 89%
of the U.S. economy¹
and 91% of total
nonfarm jobs.

Source: Copyright 2024, Institute for Supply Management; data through March 2024. This data series was created in 2008. ISM: "A reading above 50 percent indicates that the services sector economy is generally expanding; below 50 percent indicates that it is generally contracting." "A Services PMI® above 50.1 percent, over time, generally indicates an expansion of the overall economy." ¹Value added as a percent of GDP.

Consumer income

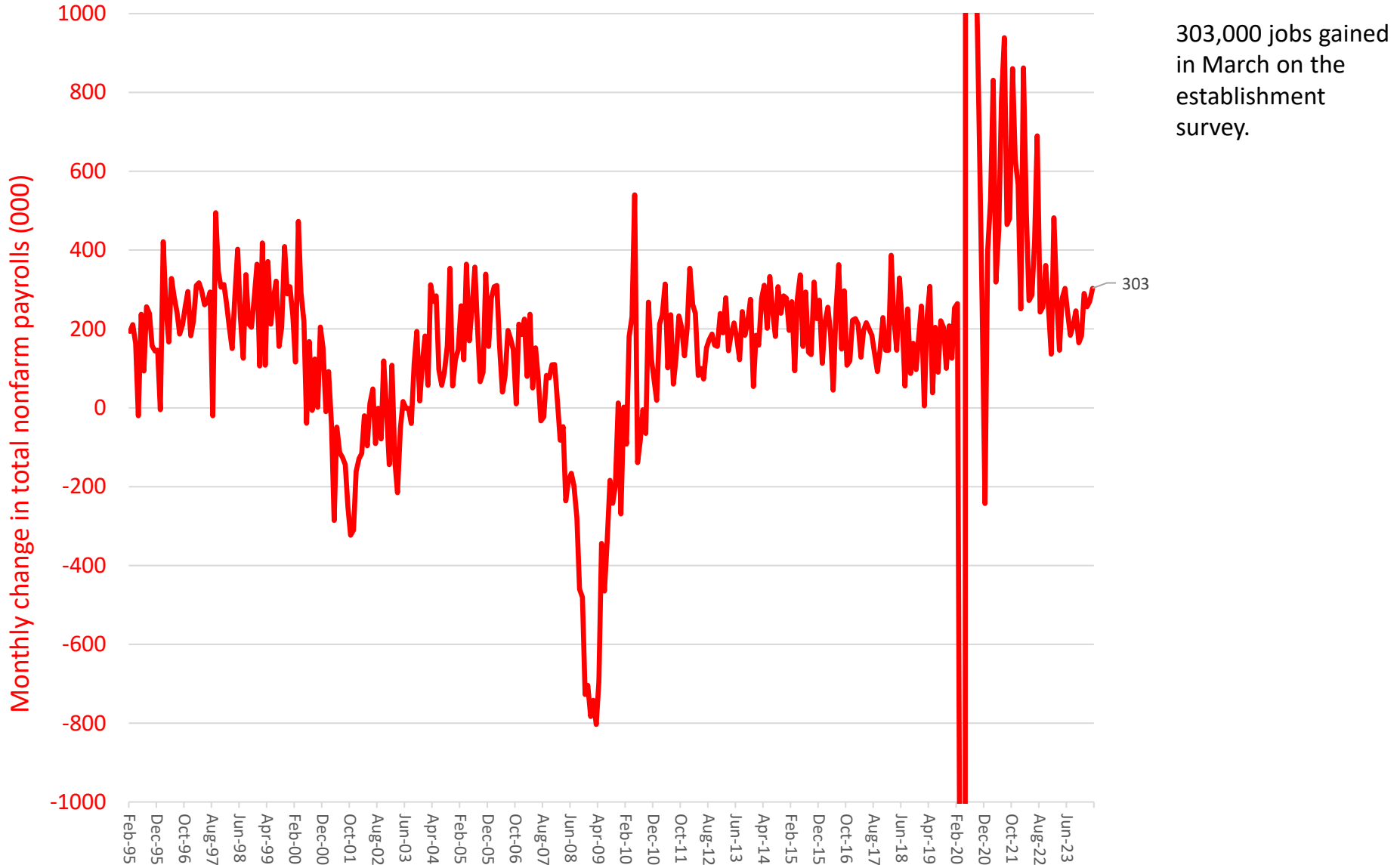
Disposable personal income, spending and saving



Source: Bureau of Economic Analysis, monthly data through February 2024.

Economic data

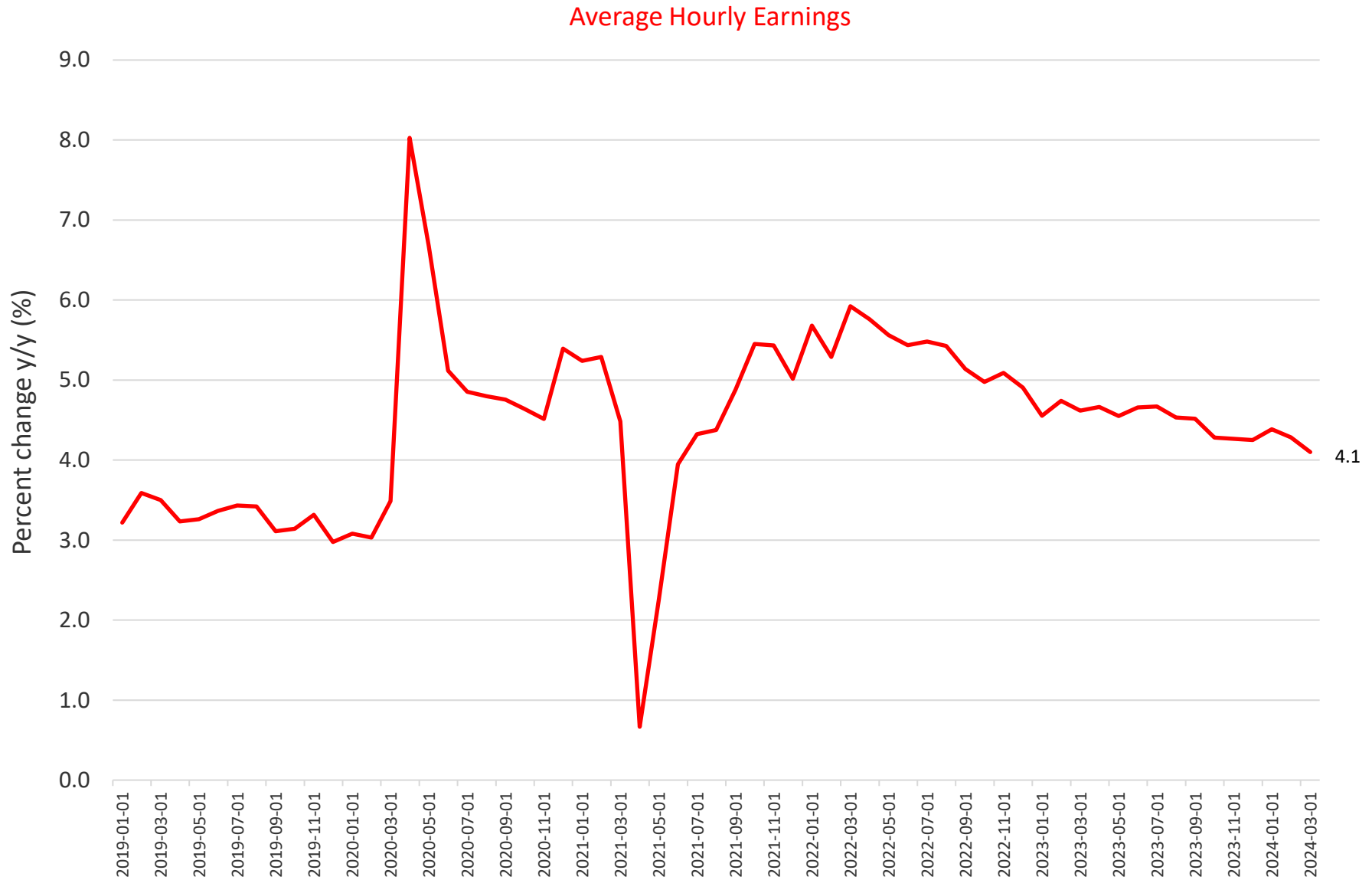
Net new job formation — strong



303,000 jobs gained in March on the establishment survey.

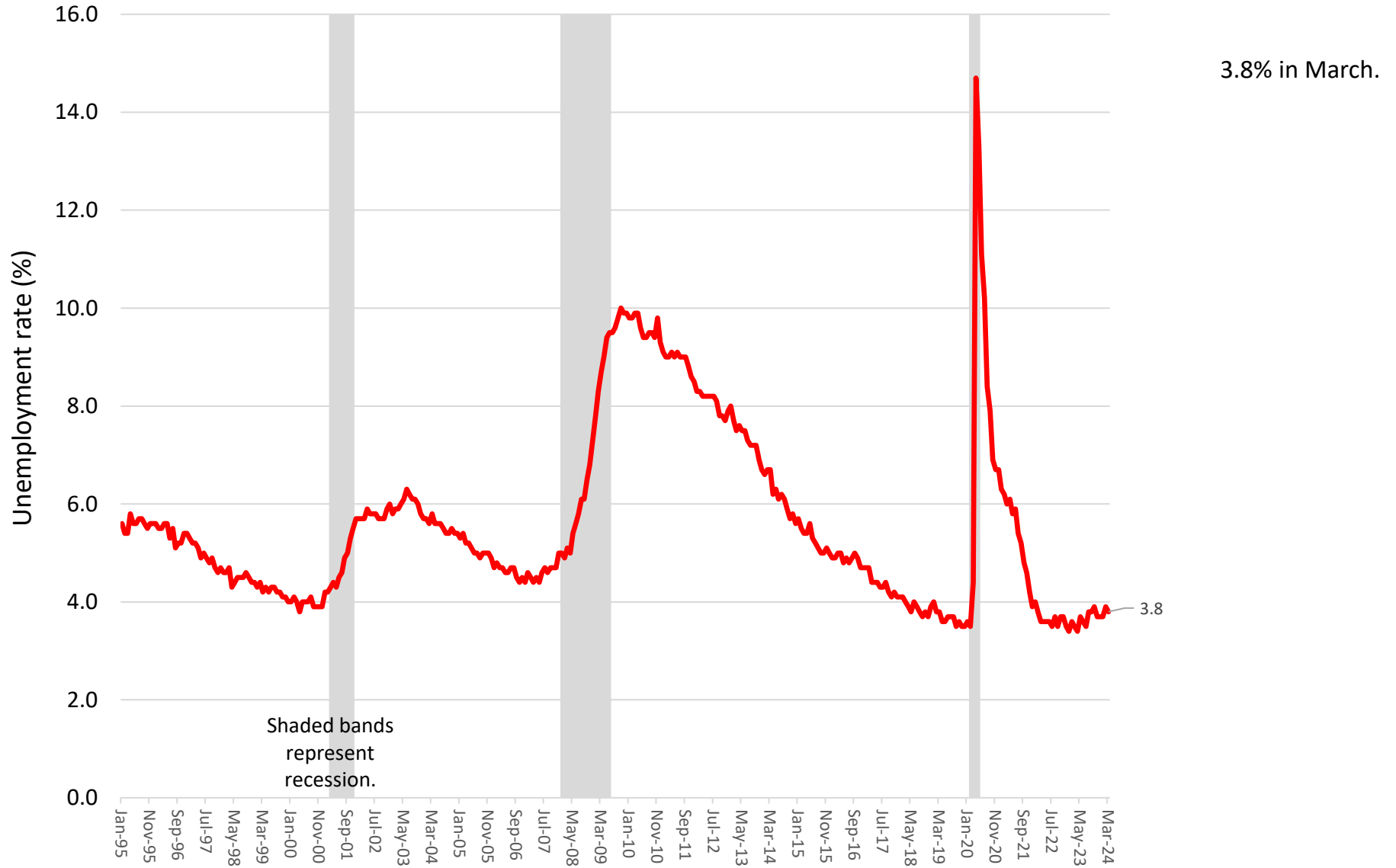
Source: Bureau of Labor Statistics. Data through March 2024.

Average hourly earnings – y/y rate of change



Source: Bureau of Labor Statistics. Data through March 2024.

Unemployment rate



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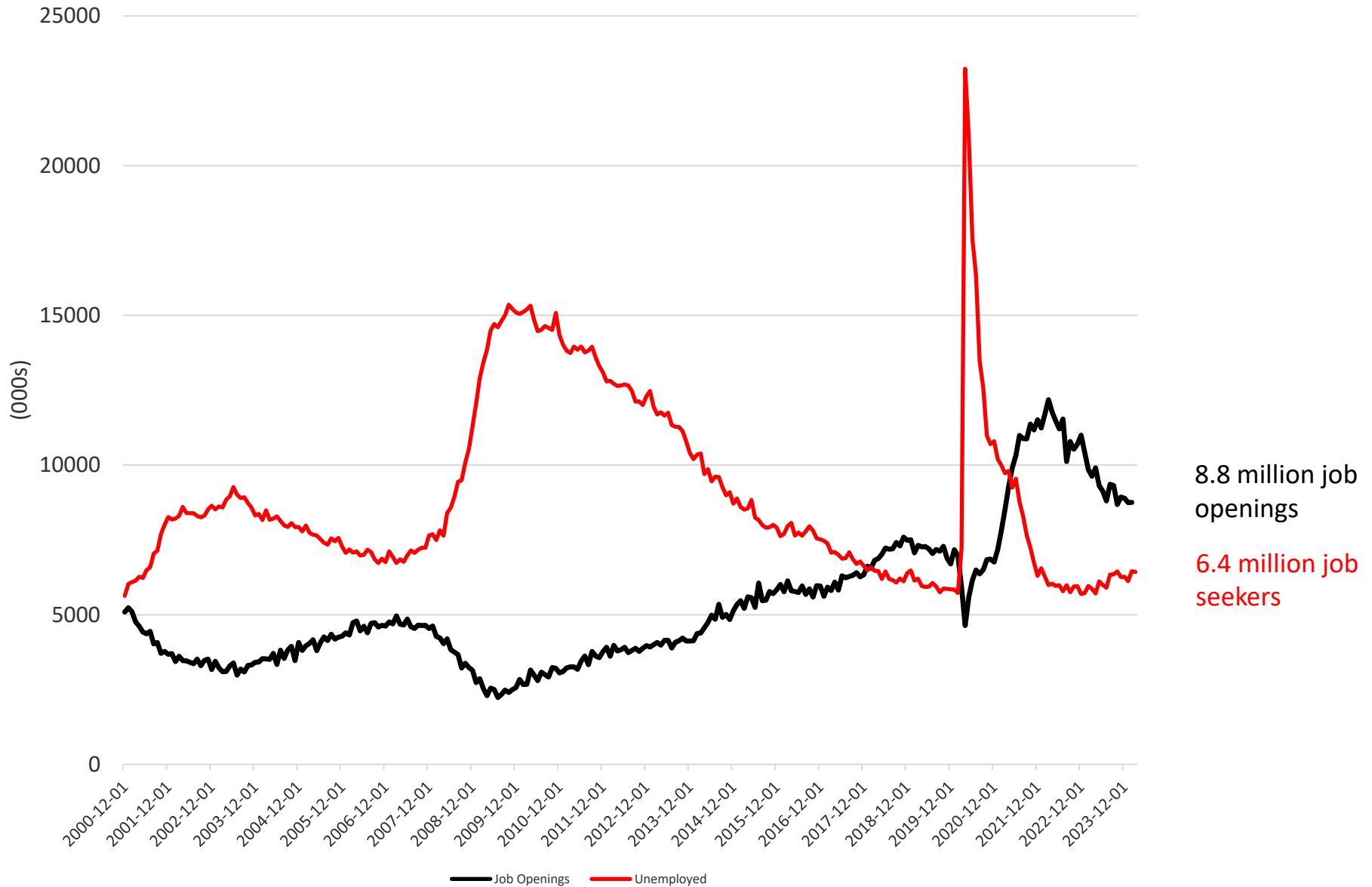
Immigration Feeds Gap in Jobs Data

U.S. employment figures contain a mystery that has left many economists scratching their heads: How is the country generating so many jobs even while the unemployment rate has drifted up?

The emerging consensus: a surge in immigration. It not only explains inconsistencies in the jobs data but suggests the economy can keep adding plenty of jobs without overheating. That in turn would let the Federal Reserve still consider interest-rate cuts.

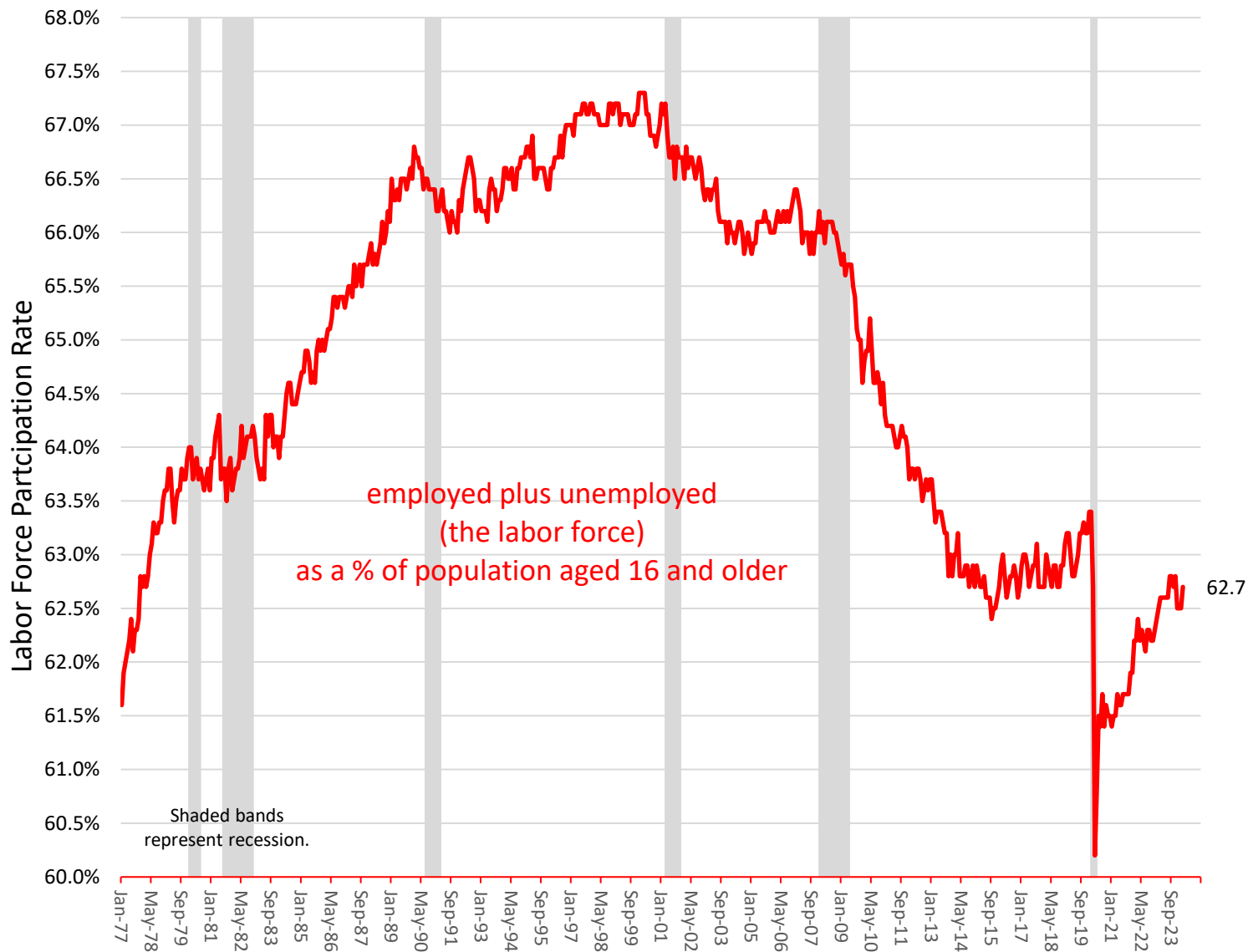
Economic data

“Excess demand” for labor – this time is different



Source: Bureau of Labor Statistics. Data through February 2024 for job openings, March 2024 for unemployed.

Labor force participation rate¹ – recovering from Covid



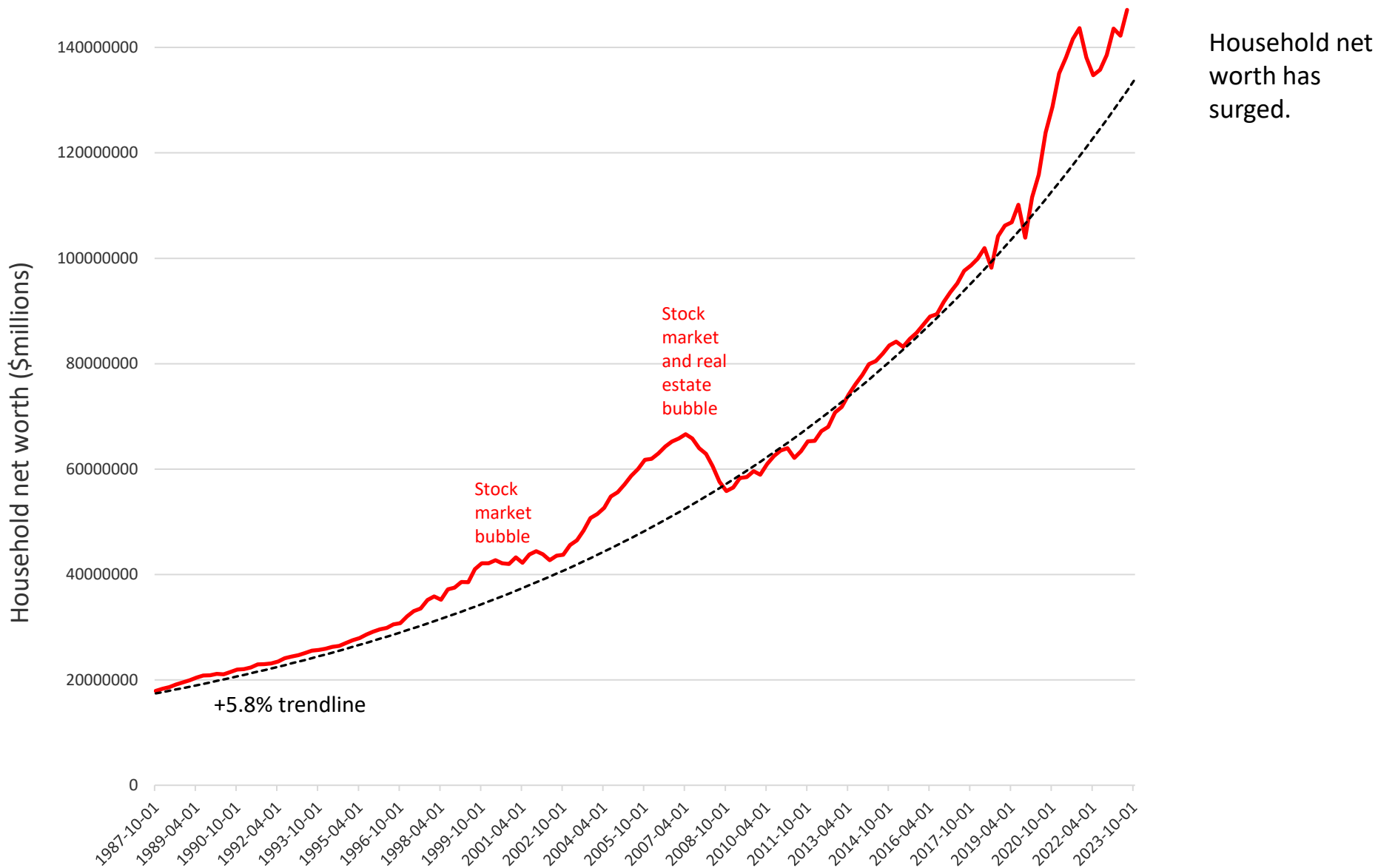
Americans were joining and staying in the labor force in increasing numbers ... until Covid-19.

Source: BLS. Data through March 2024.

¹Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

Household balance sheets

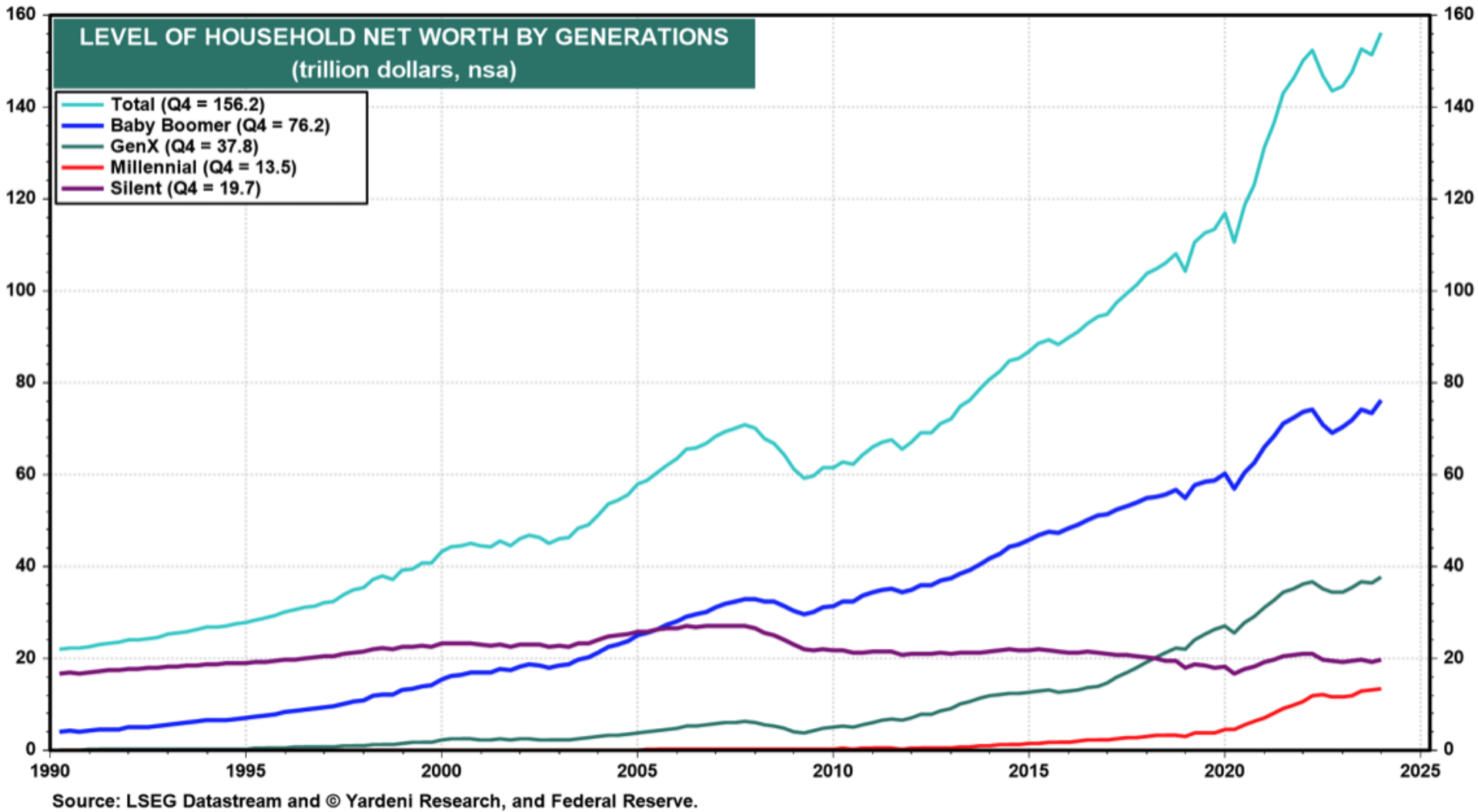
Household net worth – the wealth effect



Household net worth has surged.

Household balance sheets

Household net worth



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The U.S. Economy's Secret Weapon: Seniors With Money to Spend

Why has consumer spending proven so resilient as the Federal Reserve has raised interest rates? An important and little-appreciated reason: Consumers are getting older. In August, 17.7% of the population was 65 or older, according to the Census Bureau, the highest on record going back to 1920 and up sharply from 13% in 2010. The elderly aren't just more numerous: Their finances are relatively healthy, and they have less need to borrow, such as to buy a house, and are less at risk of layoffs than other consumers.

This has made the elderly a spending force to be reckoned with. Americans aged 65 and up accounted for 22% of spending last year, the highest share since records began in 1972 and up from 15% in 2010, according to the Labor Department's survey of consumer expenditures released in September.

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates.

Economic data

Consumer spending

ECONOMY

Retail sales jumped 0.7% in March, much higher than expected

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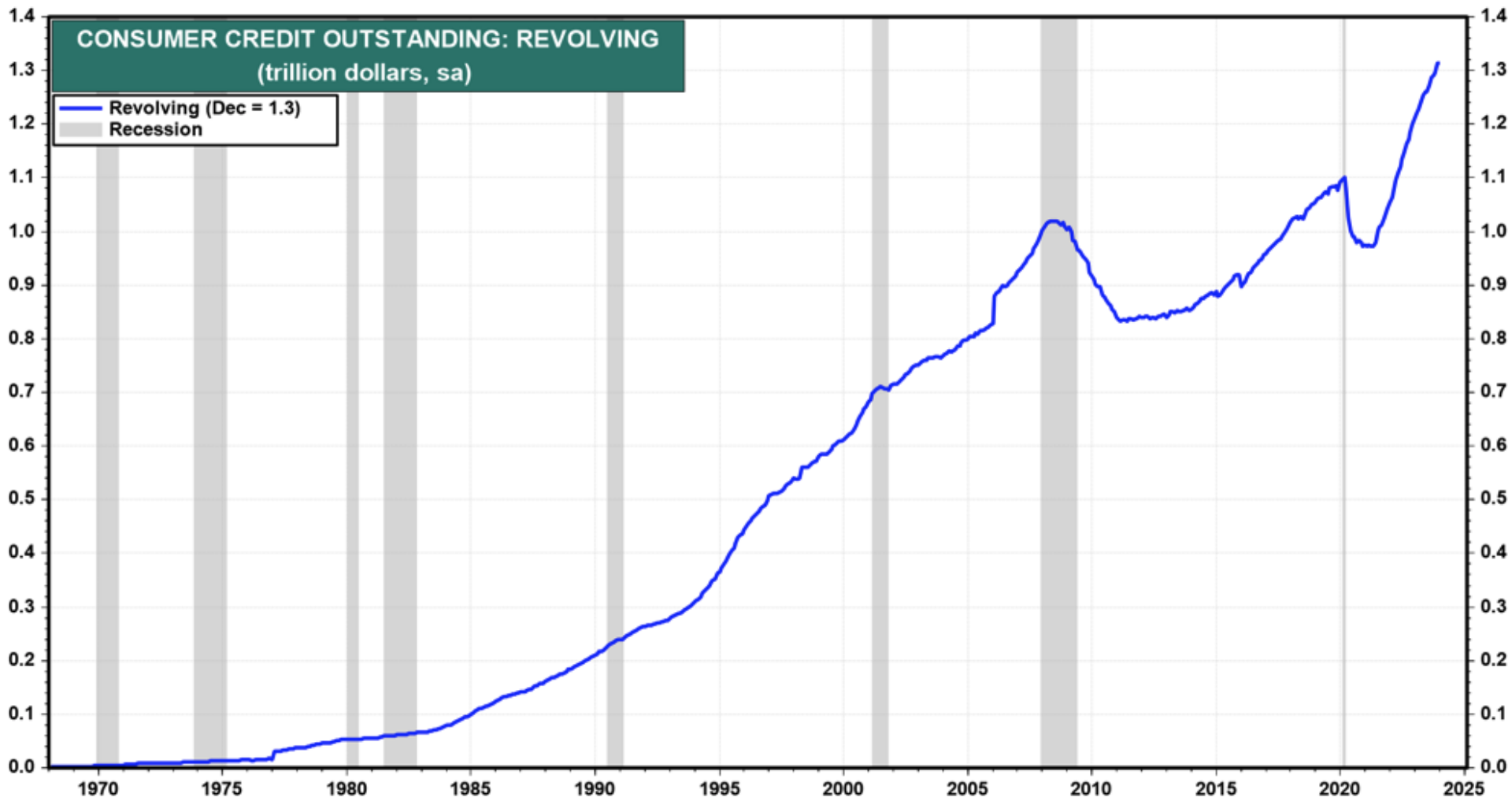
SHARE    



Rising inflation in March didn't deter consumers, who continued shopping at a more rapid pace than anticipated, the Commerce Department reported Monday.

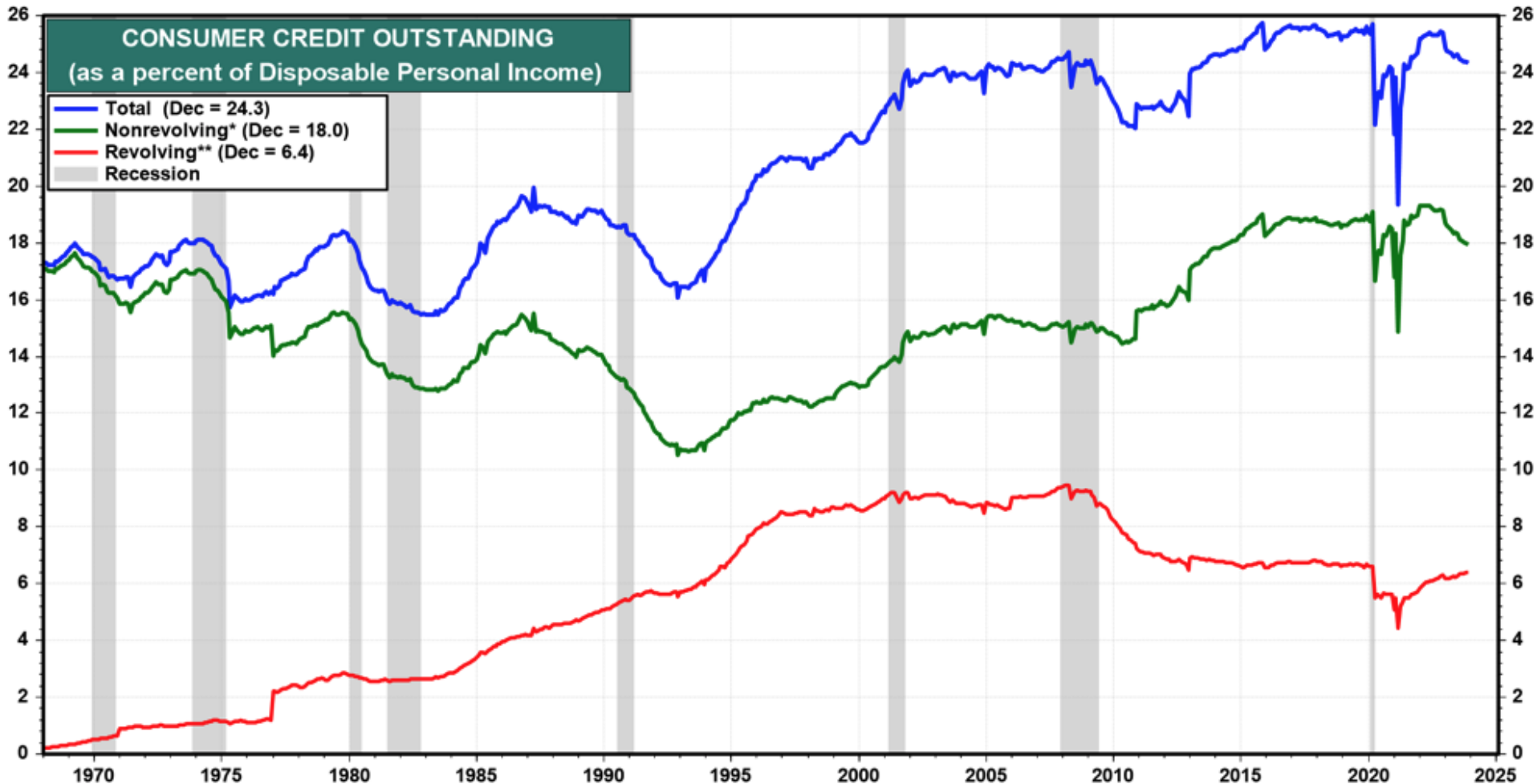
Retail sales increased 0.7% for the month, considerably faster than the Dow Jones consensus forecast for a 0.3% rise though below the upwardly revised 0.9% in February, according to [Census Bureau data](#) that is adjusted for seasonality but not for inflation.

Consumer credit



Source: LSEG Datastream and © Yardeni Research.

Consumer credit

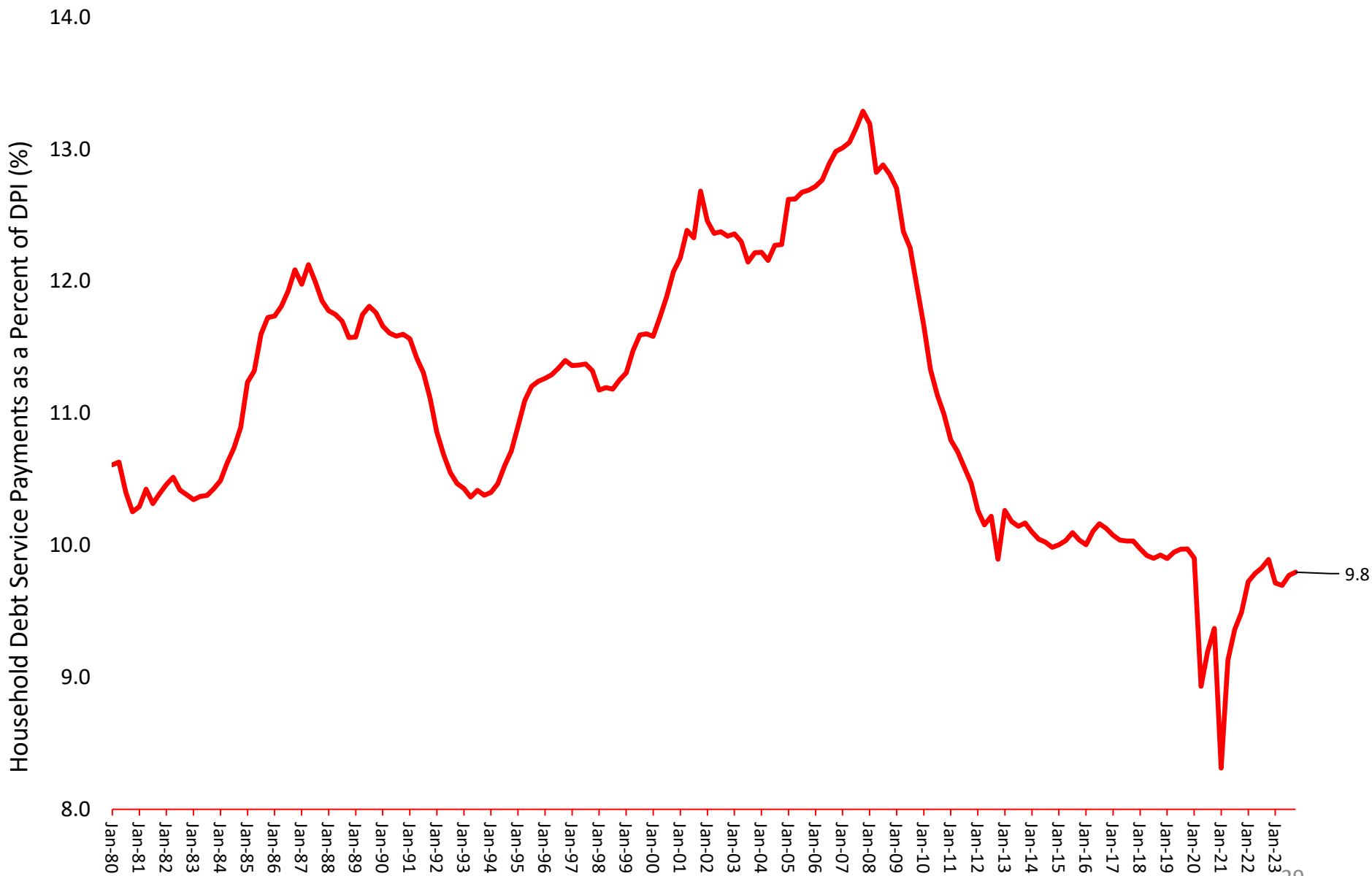


Source: LSEG Datastream and © Yardeni Research.

* Nonrevolving credit includes auto and student loans. ** Credit cards.

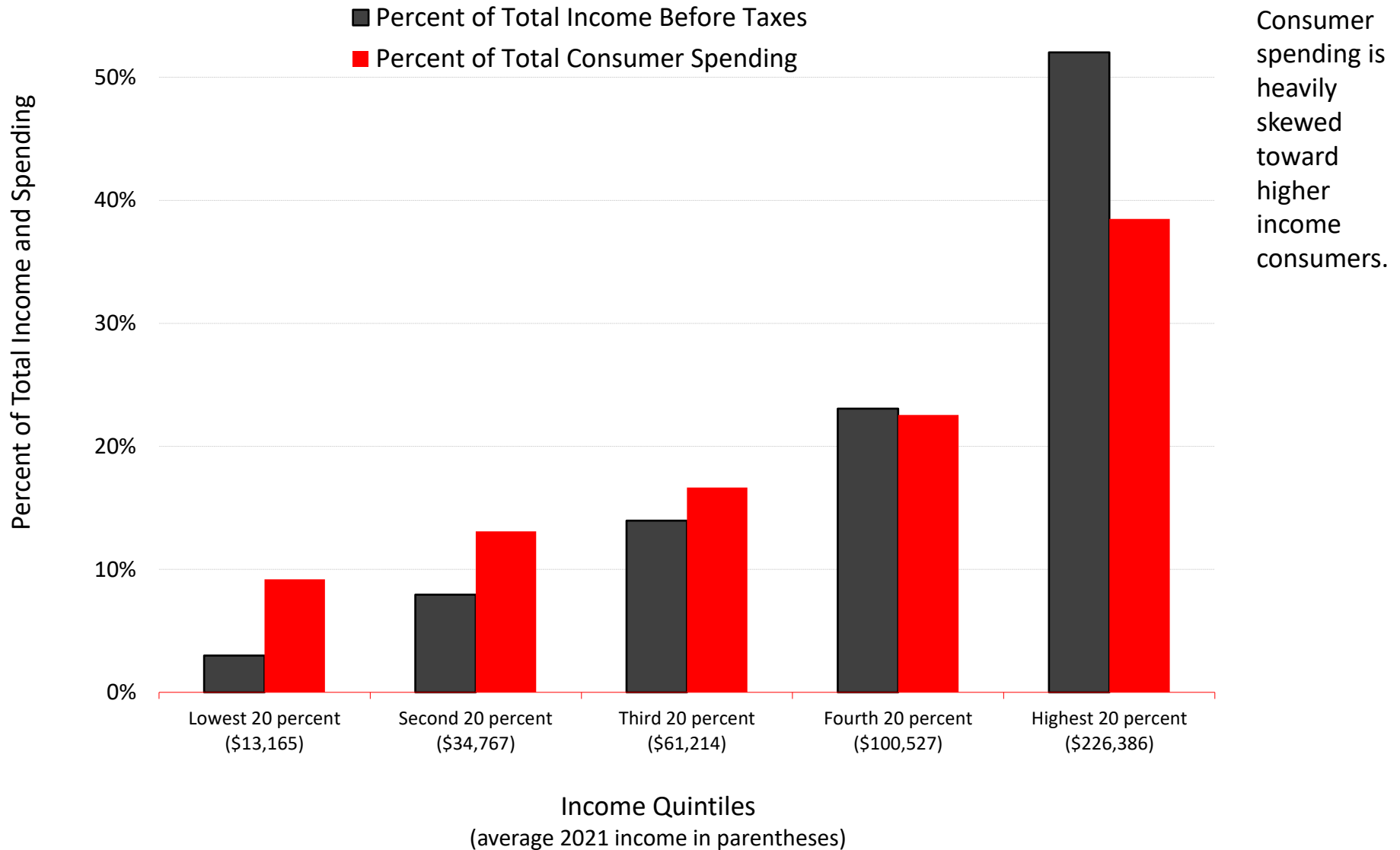
Household balance sheets

Household debt service payments as a % of DPI



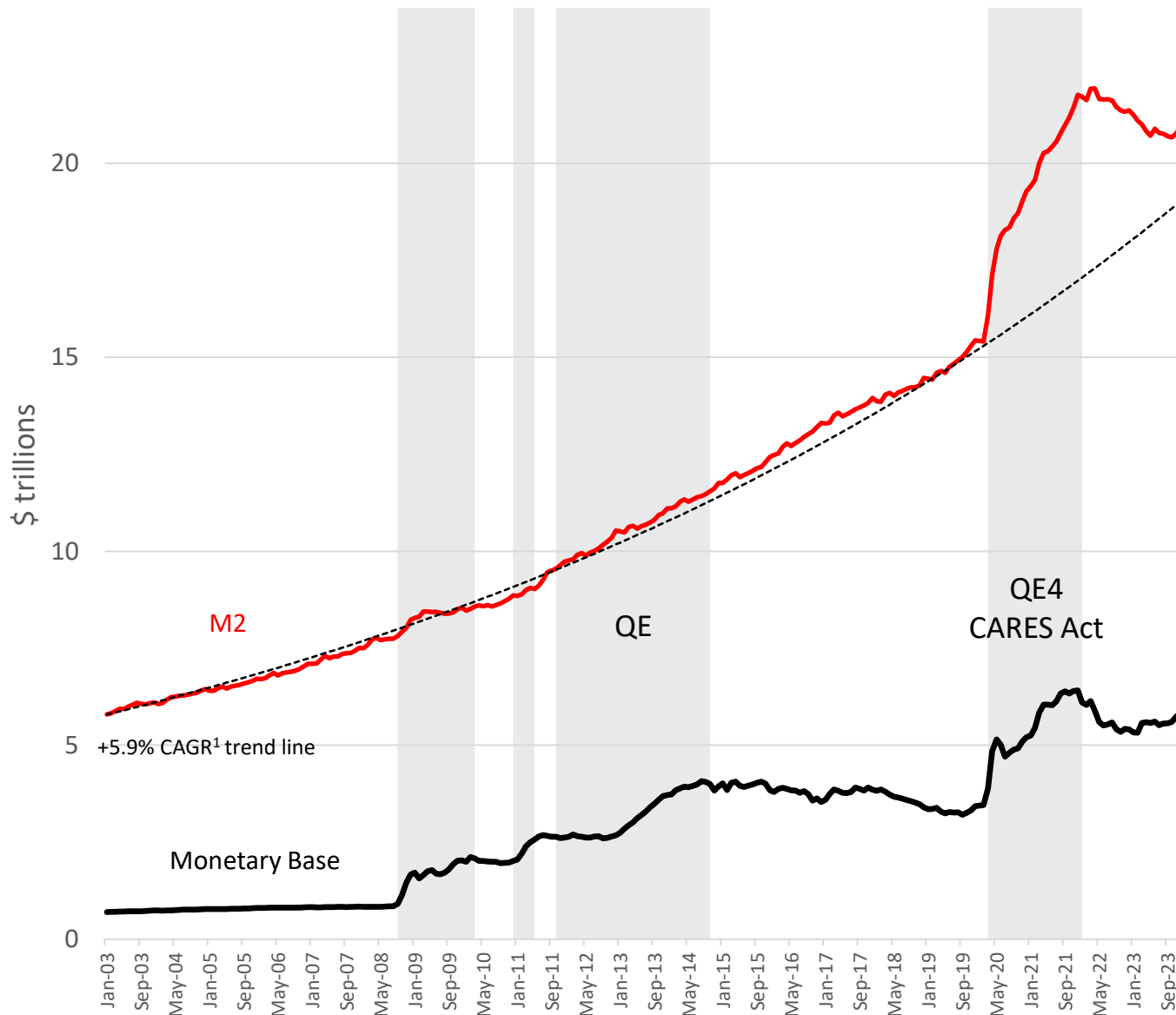
Source: Federal Reserve. Quarterly data through December 2023.

Distribution of consumer income and spending



Federal Reserve policy

The monetary base and the money supply



M2: currency held by the public plus checking, savings and money market accounts.

A quadrupling of the monetary base with QE did not affect M2 growth. The CARES Act and subsequent stimulus did ... by putting money directly into consumers' and businesses' accounts.

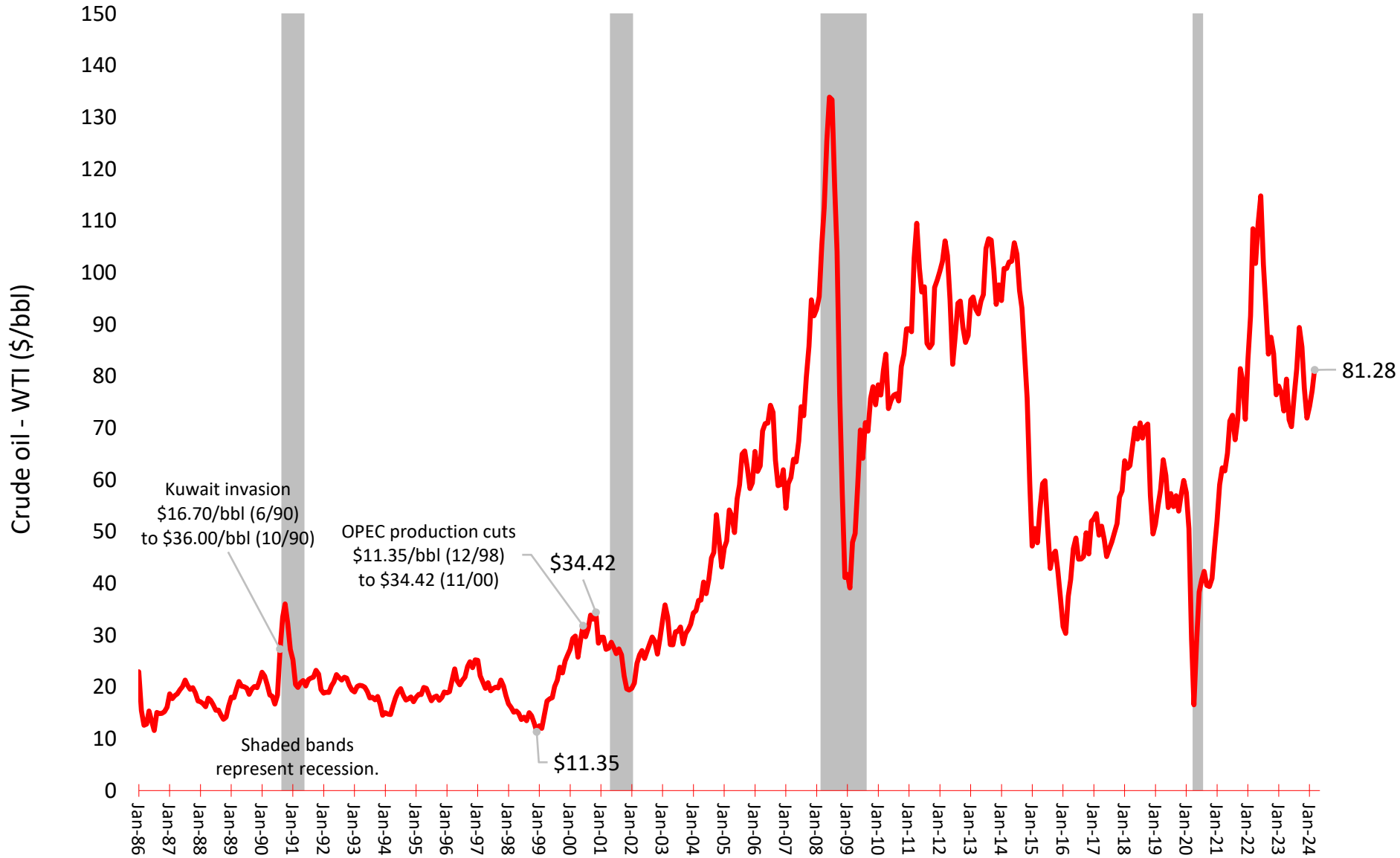
Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Source: Federal Reserve, statistical release H.6. Data through February 2024.

¹CAGR = compound annual growth rate.

Oil

WTI spot crude oil prices



Source: U.S. Energy Information Agency. Data through March 2024.

Oil Gasoline prices



Source: LSEG Datastream, and New York Mercantile Exchange.

* NYMEX-RBOB Gasoline.

GDP forecast

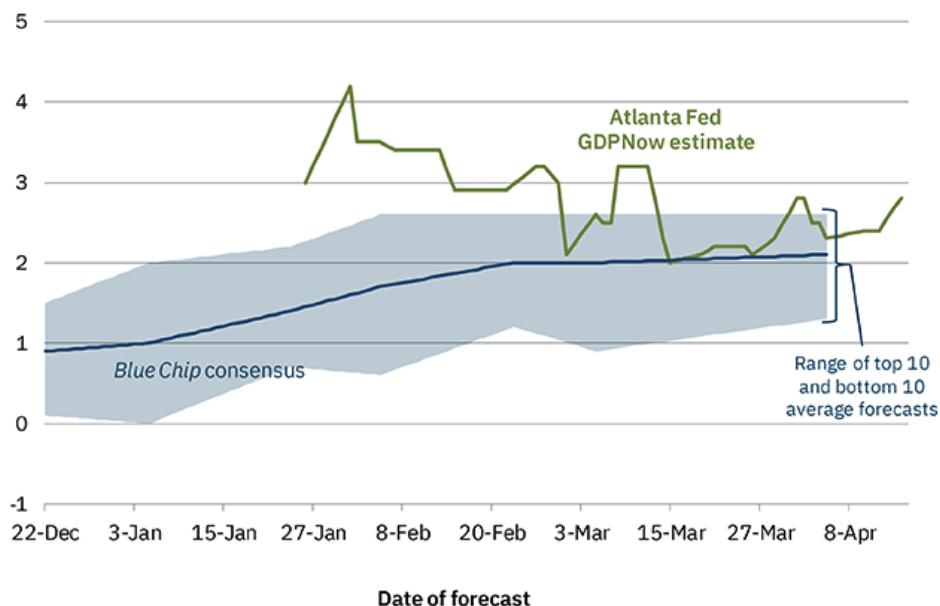
Atlanta Fed's GDPNow forecast – 1st quarter

Latest estimate: 2.8 percent -- April 15, 2024

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2024 is **2.8 percent** on April 15, up from 2.4 percent on April 10. After recent releases from the US Department of the Treasury's Bureau of the Fiscal Service, the US Bureau of Labor Statistics, and the US Census Bureau, increases in nowcasts of first-quarter real personal consumption expenditures growth and first-quarter real gross private domestic investment growth from 2.9 percent and 2.9 percent, respectively, to 3.4 percent and 3.4 percent, were slightly offset by a decrease in the nowcast of first-quarter real government spending growth from 2.6 percent to 2.3 percent, while the nowcast of the contribution of the change in real net exports to first-quarter real GDP growth increased from -0.24 percentage points to -0.15 percentage points.

The next GDPNow update is **Tuesday, April 16**.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q1
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta April 15, 2024.

GDP forecast

NY Fed's Nowcast – 1st quarter

Apr 12, 2024

- The New York Fed Staff Nowcast for 2024:Q1 remains at 2.2%, with the 50% probability interval at [1.2, 3.2] and the 68% interval at [0.7, 3.8]. The Staff Nowcast is 2.6% for 2024:Q2.
- News from this week's data releases left the 2024:Q1 and 2024:Q2 estimates largely unchanged.

[2024:Q2](#) | [2024:Q1](#) | [2023:Q4](#) | [2023:Q3](#)

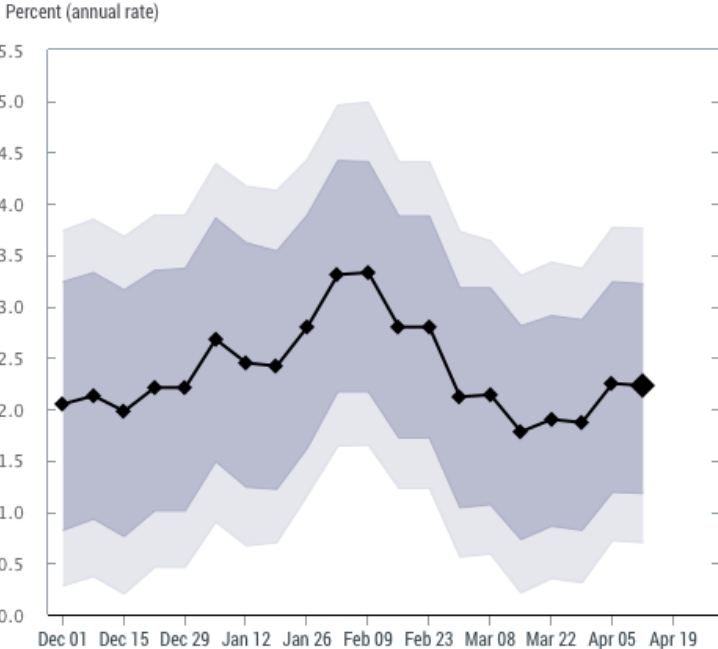
Latest Release Apr 12, 2024

DOWNLOADS

LAYOUT

New York Fed Staff Nowcast

◆ The New York Fed Staff Nowcast ■ 68% probability ■ 50% probability ○ Advance GDP estimate □ Latest GDP estimate



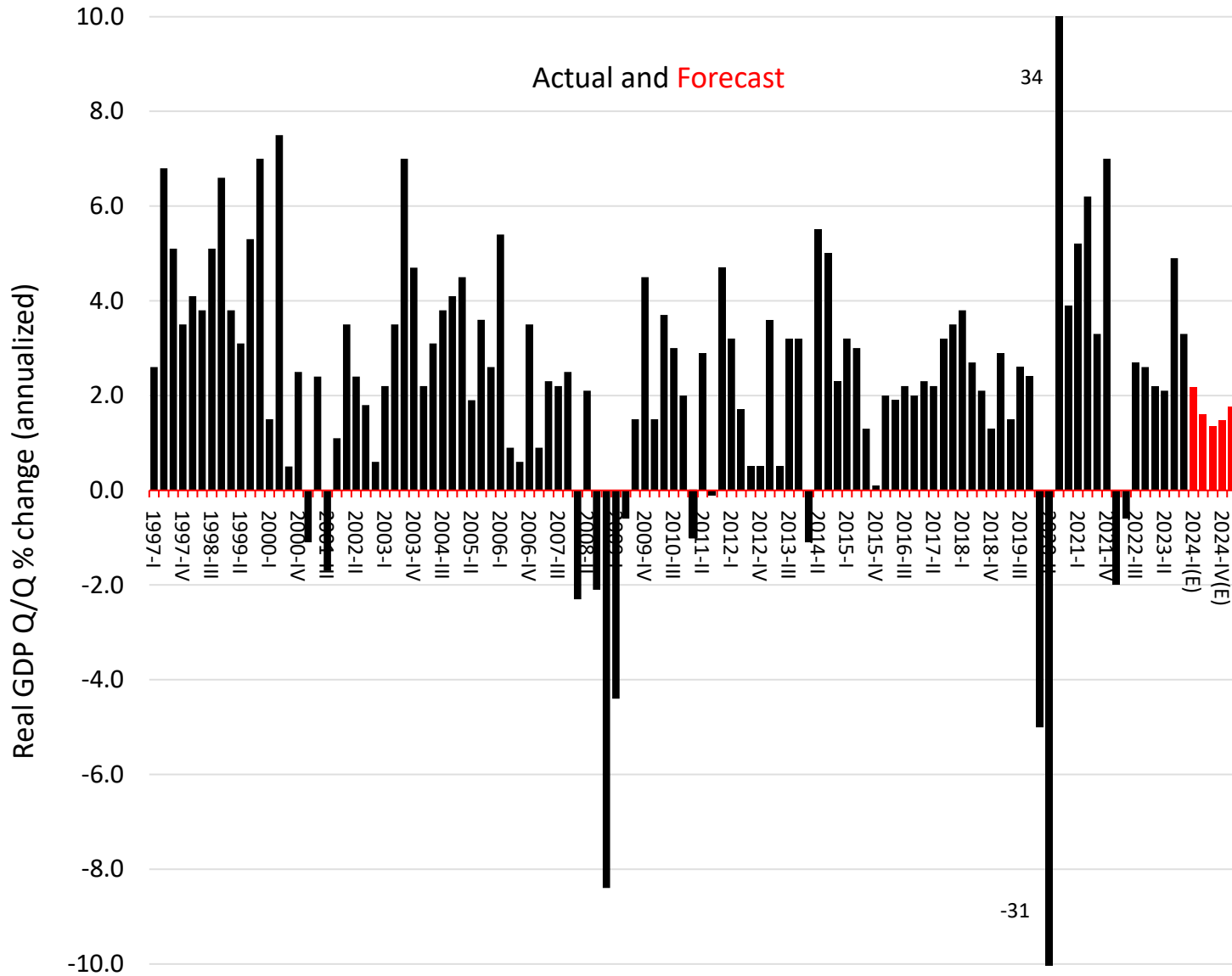
Expand

The New York Fed Staff Nowcast (Apr 12, 2024)		
Release Date	Series	Value
Apr 12	◆ Nowcast	2.23
	■ 68% probability	0.7, 3.76
	■ 50% probability	1.18, 3.22
Apr 05	◆ Nowcast	2.25
	■ 68% probability	0.72, 3.77
	■ 50% probability	1.19, 3.24

Source: Federal Reserve Bank of New York, April 12, 2024.

Consensus GDP forecast

GDP



The 69 economists surveyed in April see slowing growth ahead, but no recession.

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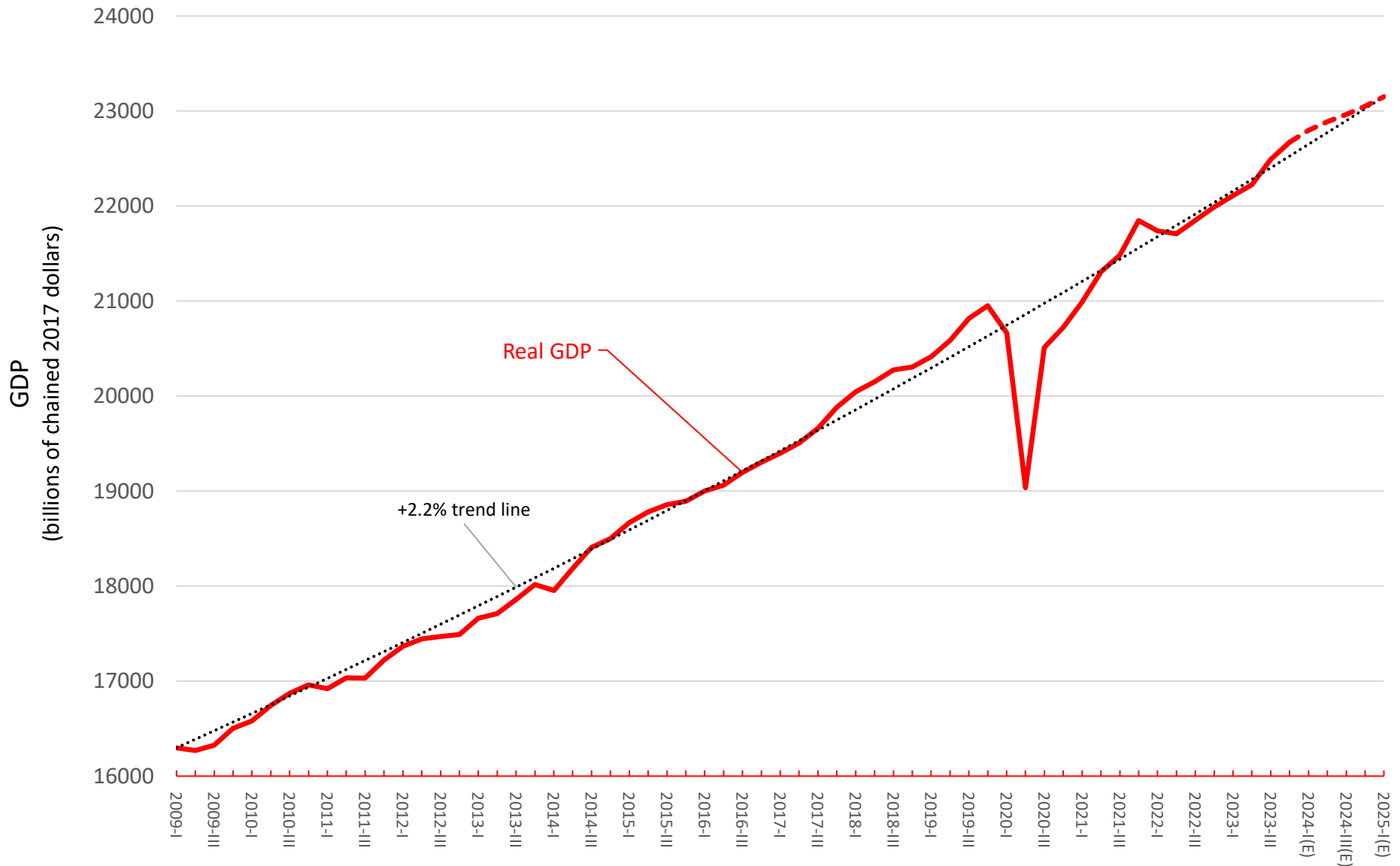
Economic Forecasters See Good Times Ahead

It has been two years since forecasters felt this good about the economic outlook. In the latest quarterly survey by The Wall Street Journal, business and academic economists lowered the chances of a recession within the next year to 29% from 39% in the January survey. That was the lowest probability since April 2022, when the chances of a recession were set at 28%.

Economists, in fact, don't think the economy will get even close to a recession. In January, they on average forecast sub-1% growth in each of the first three quarters of this year. Now, they expect growth to bottom out this year at an inflation-adjusted 1.4% in the third quarter.

GDP forecast

2.2% trend rate of growth

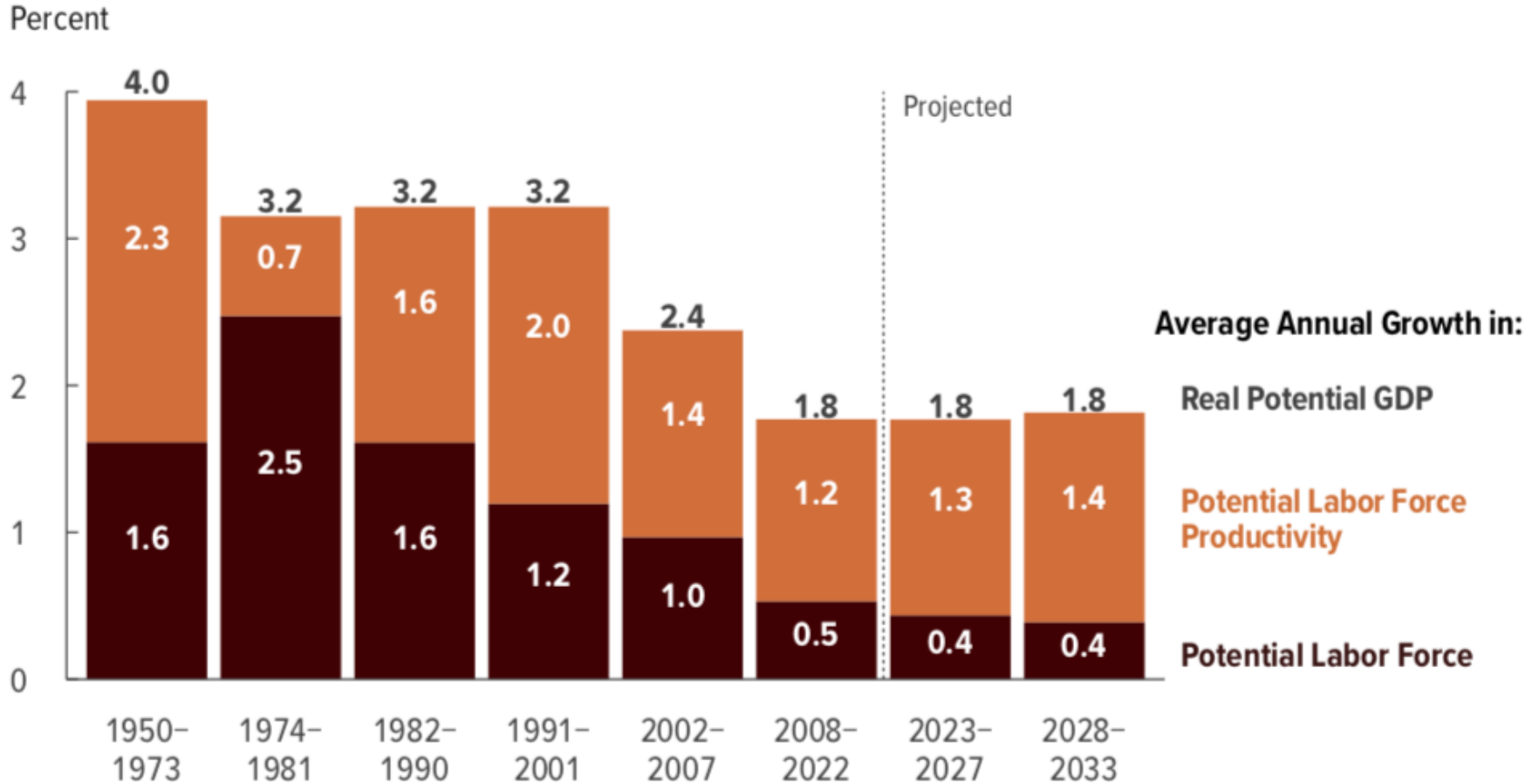


Sources: Bureau of Economic Analysis, actual quarterly data through December 2023. Dotted line represents the forecast from *The Wall Street Journal* survey released April 2024.

GDP growth potential = Δ productivity + Δ labor force
 CBO's potential growth calculations

Figure 2-5.

Composition of the Growth of Real Potential GDP

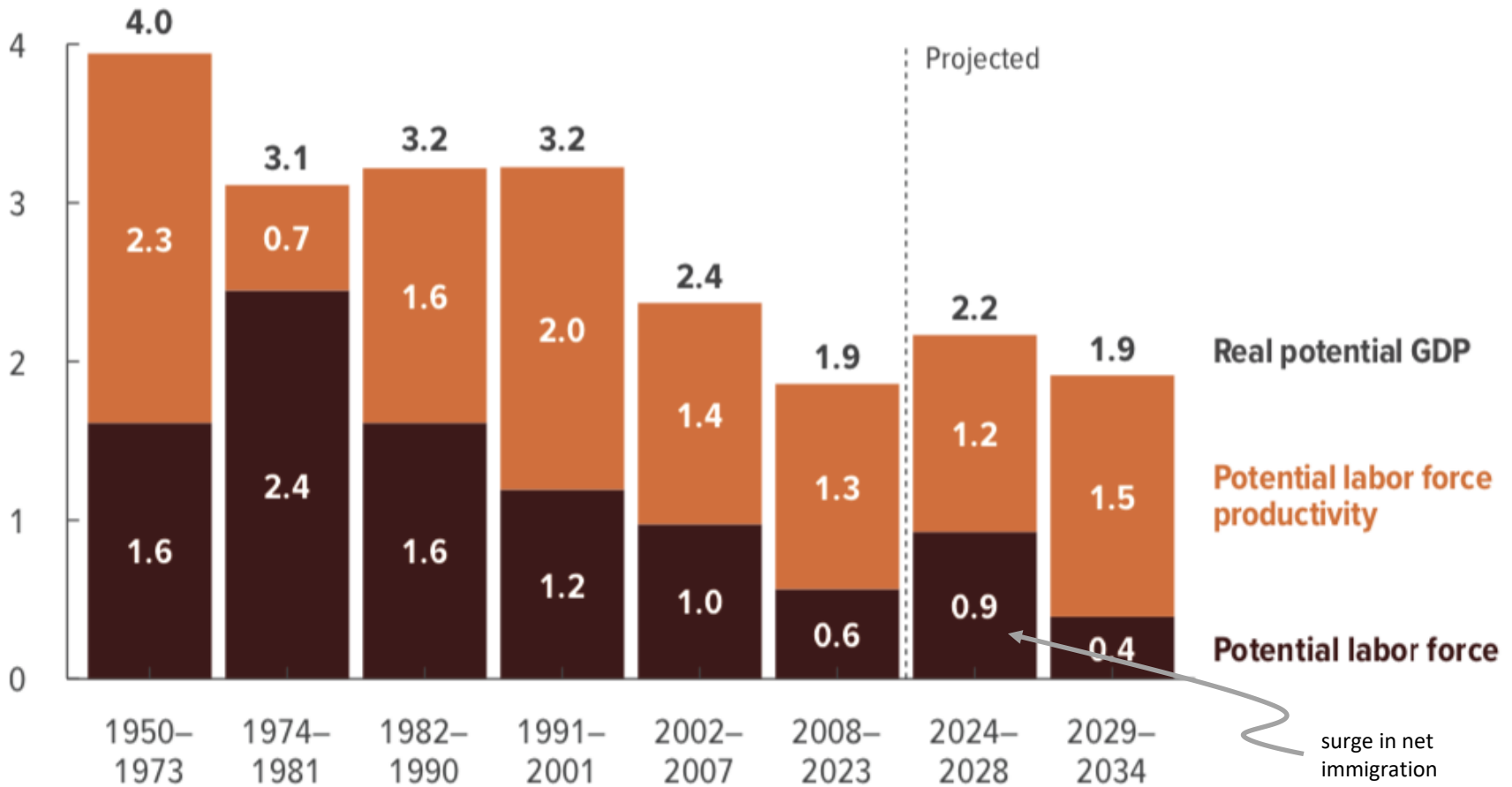


GDP growth potential = Δ productivity + Δ labor force
 CBO's potential growth calculations

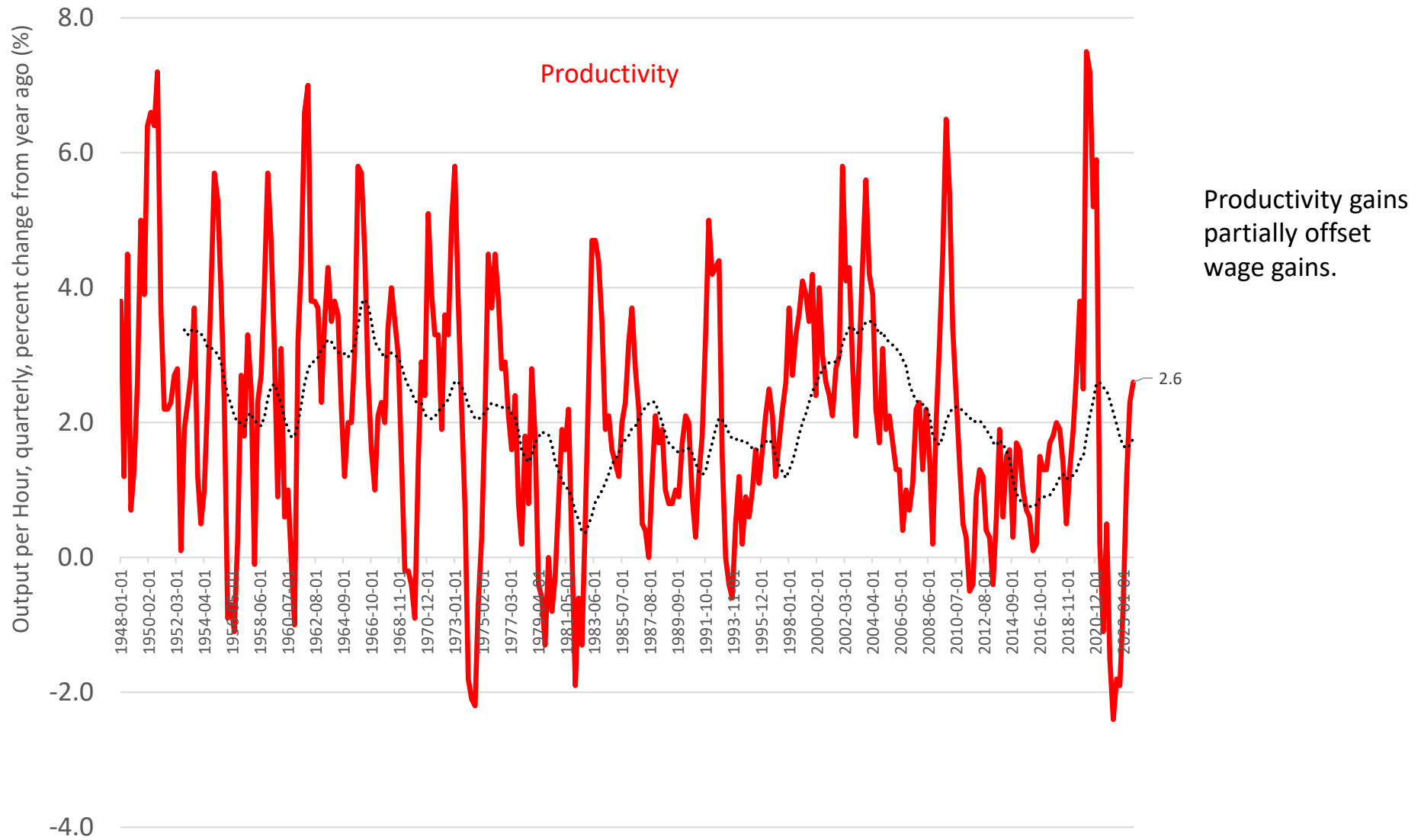
Figure 2-3.

Average Annual Growth of Real Potential GDP and Its Components

Percent



Inflation Productivity

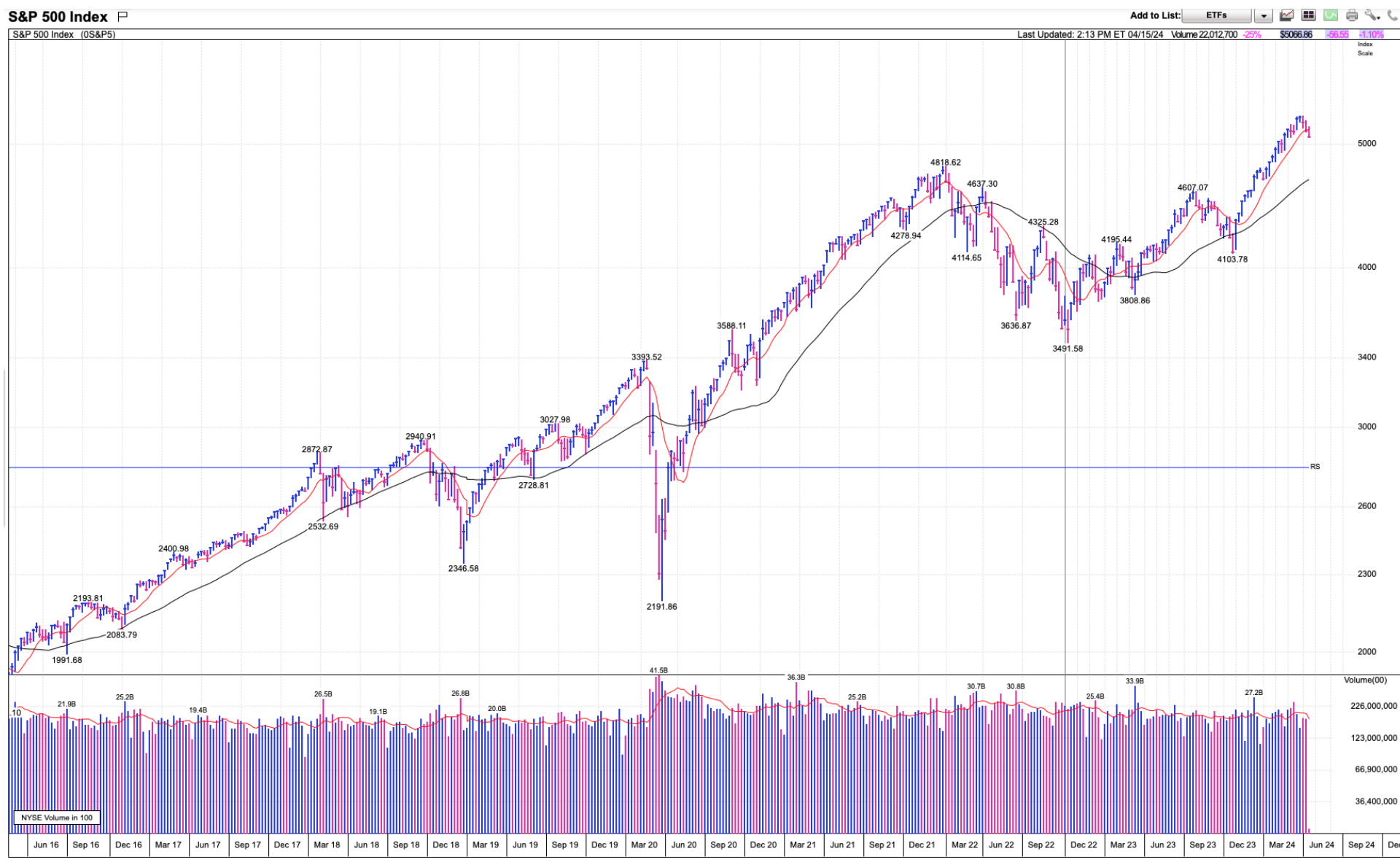


Stock Market

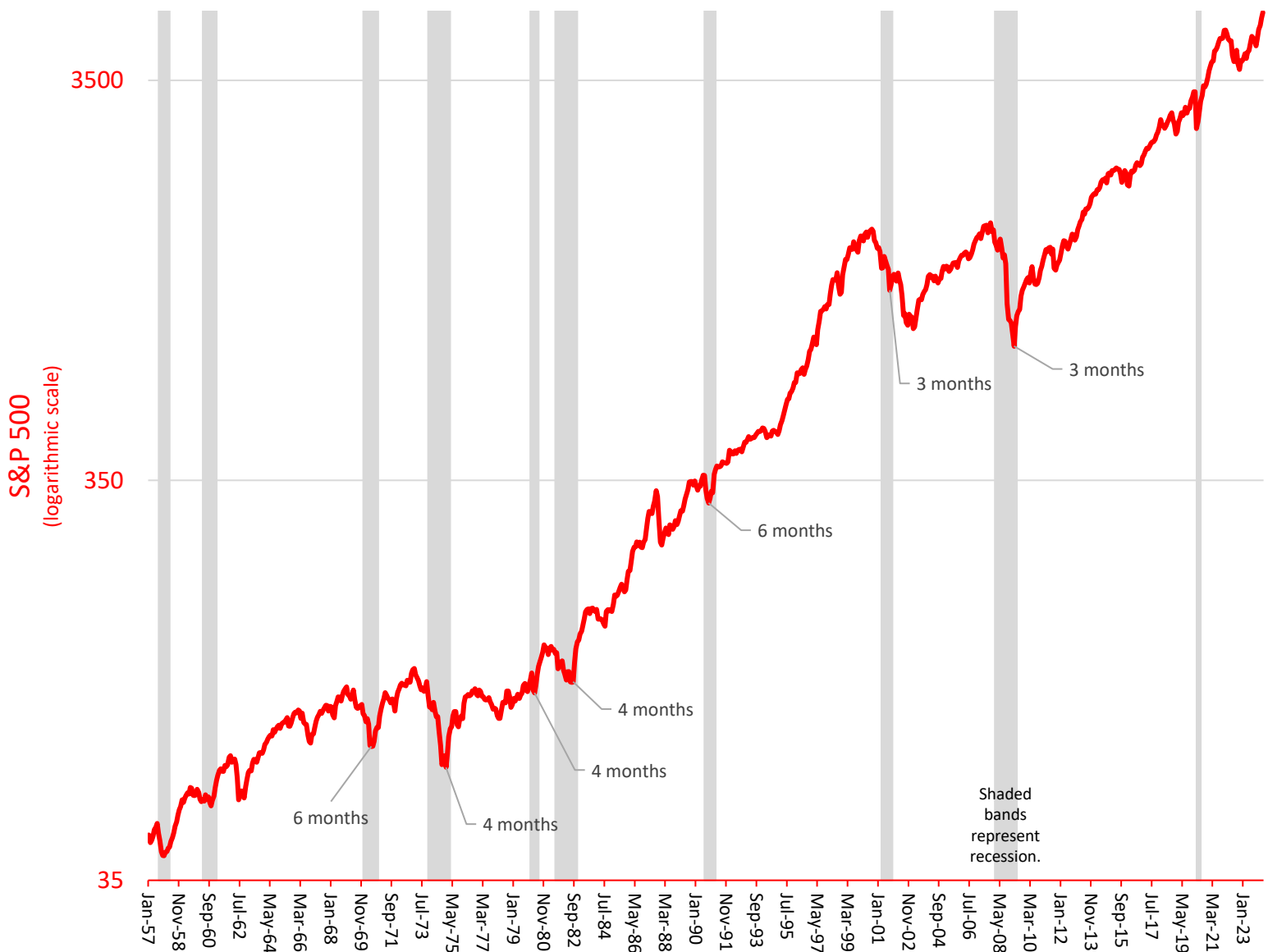
- bull market
- stocks vs. recessions
- “parabolic” is normal
- 2024/2025 earnings estimates
- P/E multiple

Stock market

S&P 500



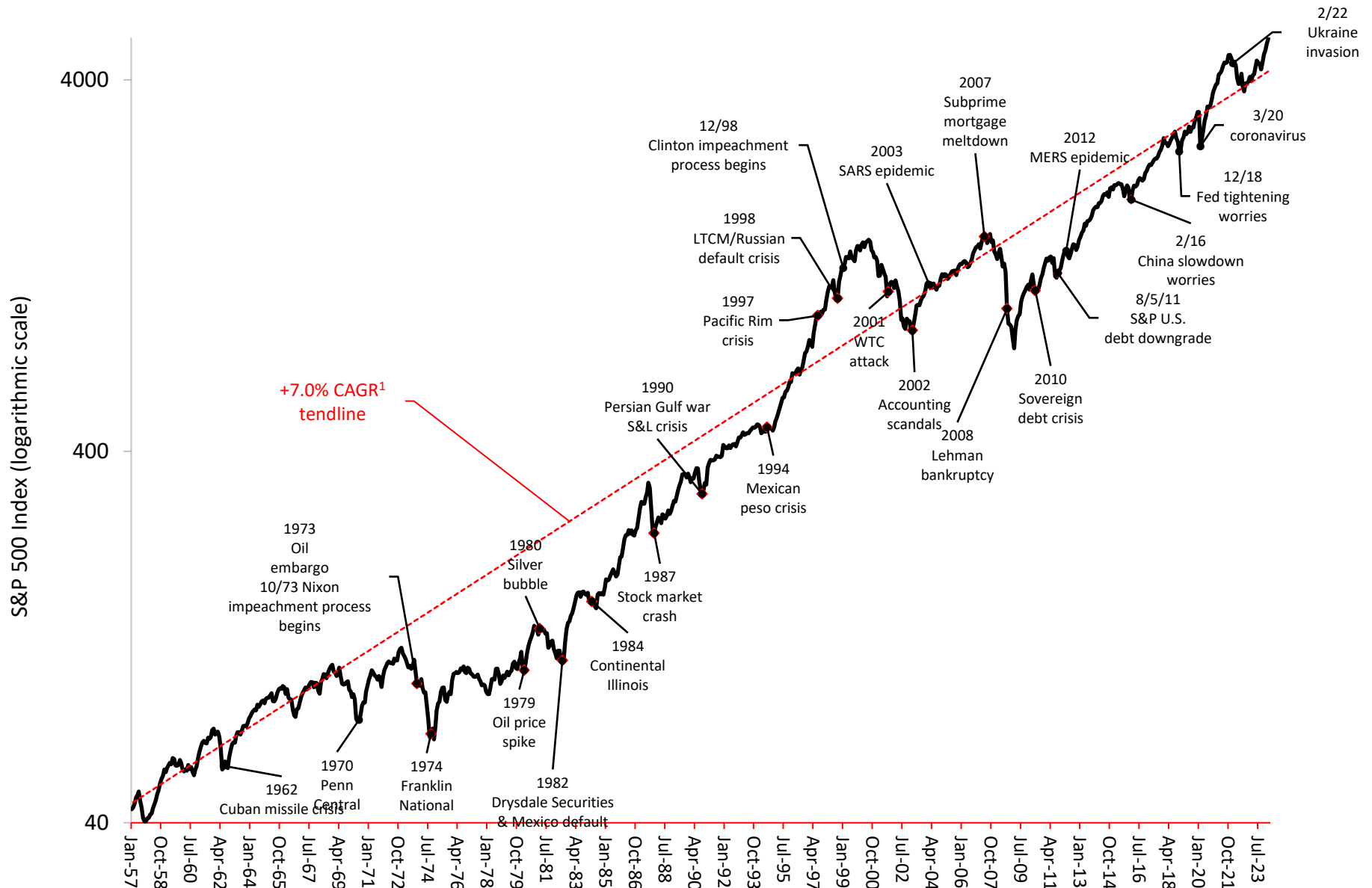
S&P 500 vs. recessions



Big declines are associated with recessions.

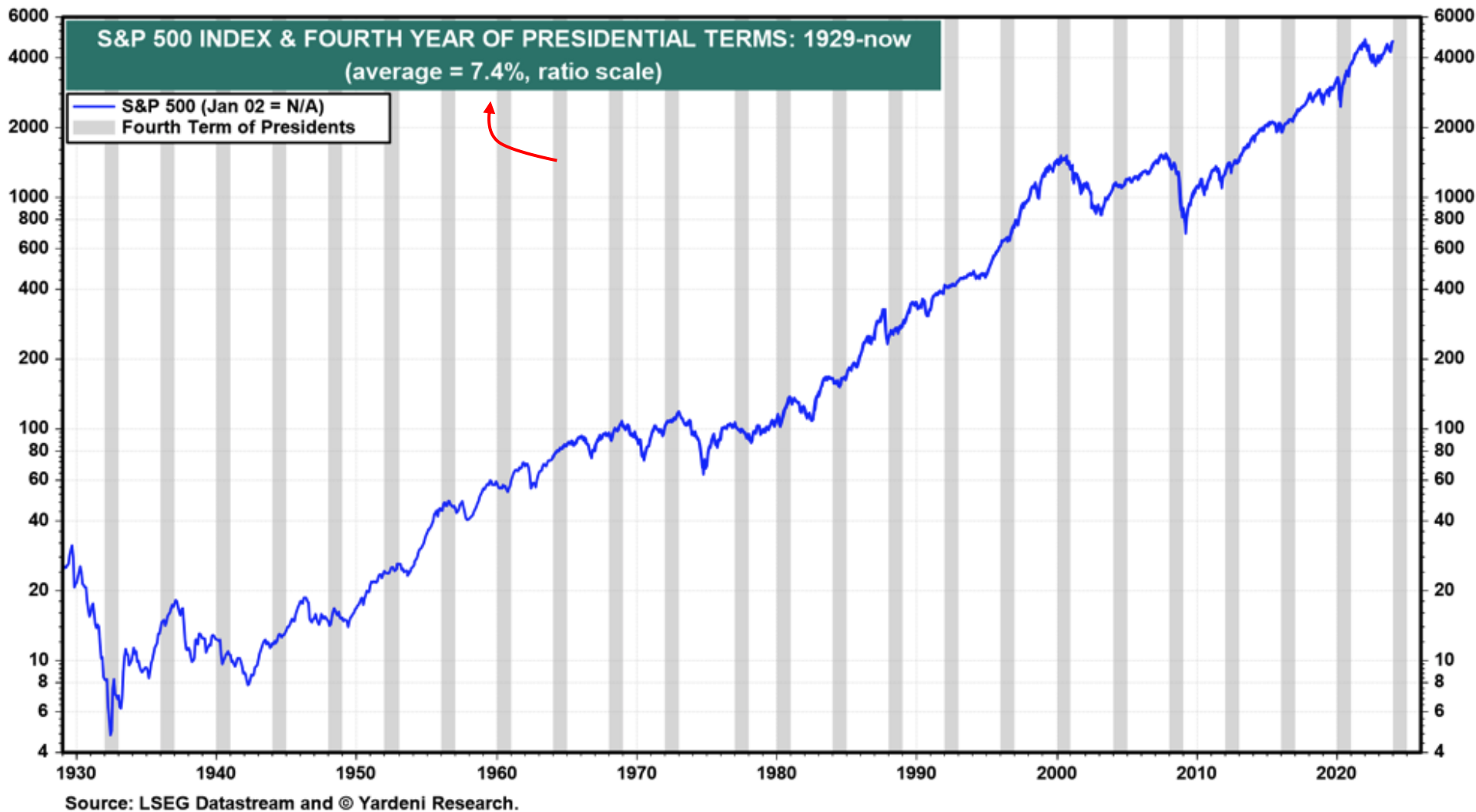
Stocks often bottom months before recession-end.

Stock market S&P 500 and crises



Source: Standard and Poor's. Data through March 2024. ¹ Compound annual growth rate.

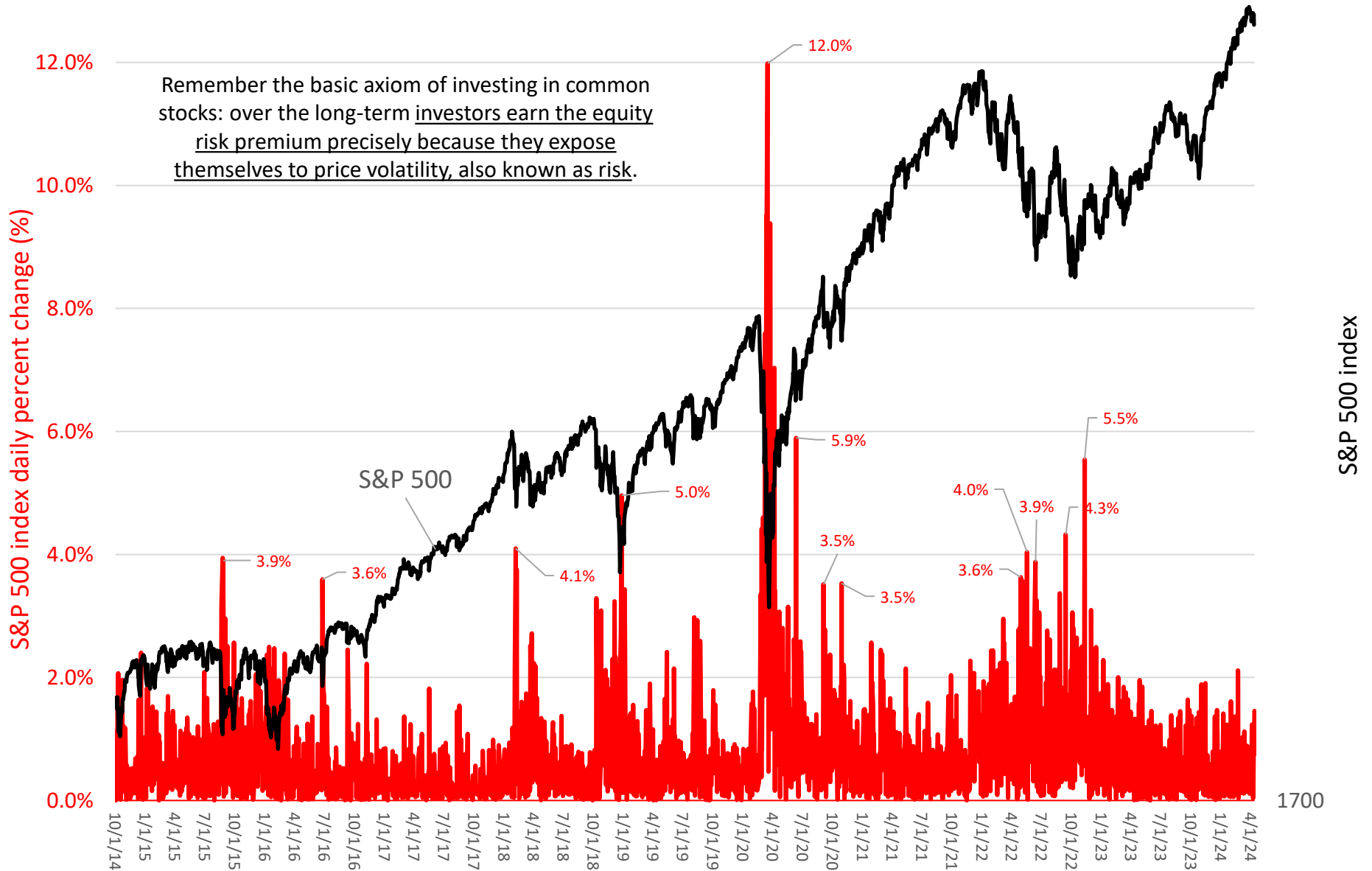
S&P 500 and election cycle



Stock market

S&P 500 volatility

Remember the basic axiom of investing in common stocks: over the long-term investors earn the equity risk premium precisely because they expose themselves to price volatility, also known as risk.



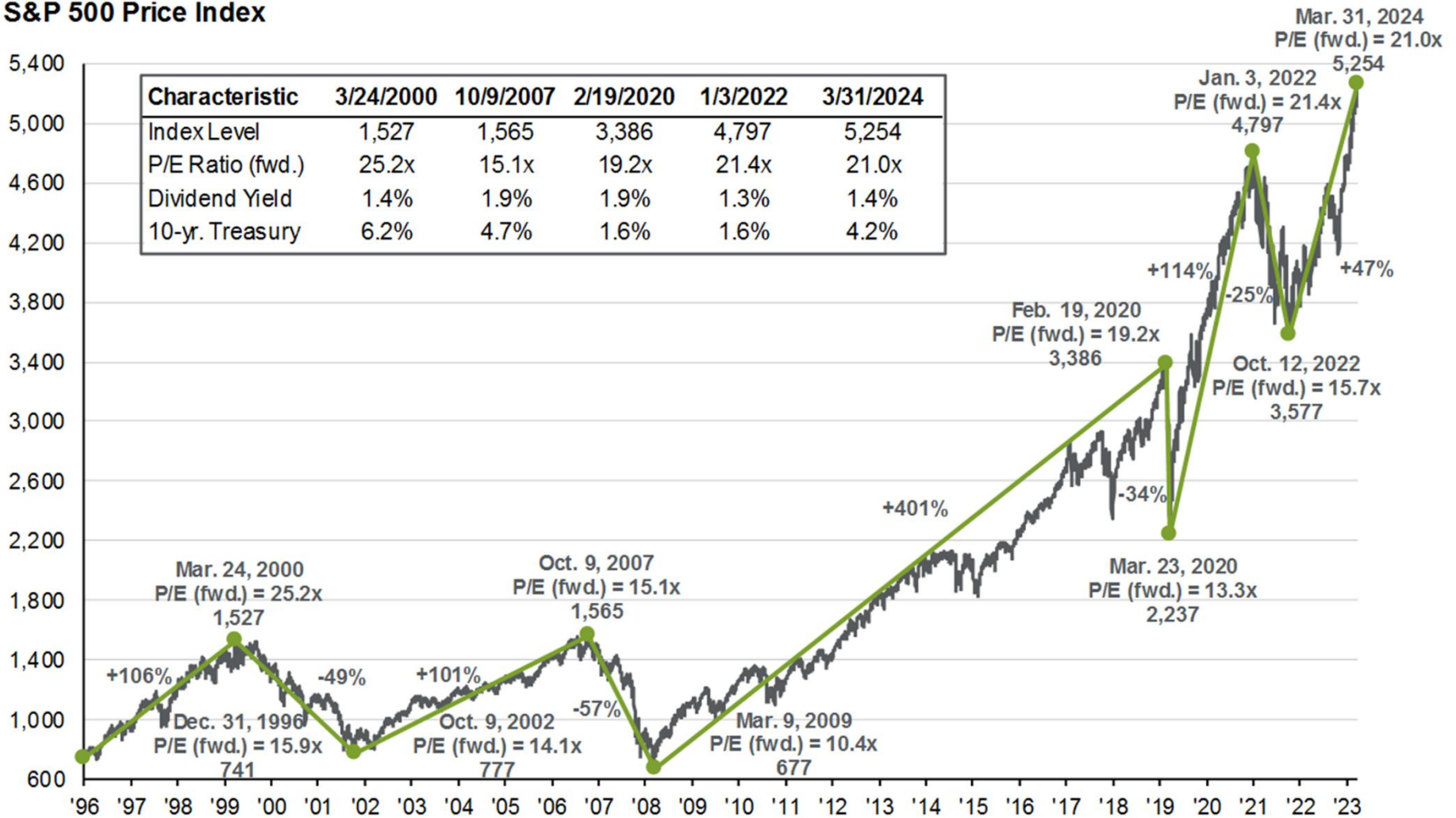
Source: Standard & Poor's, data through April 12, 2024.

Stock market

S&P 500

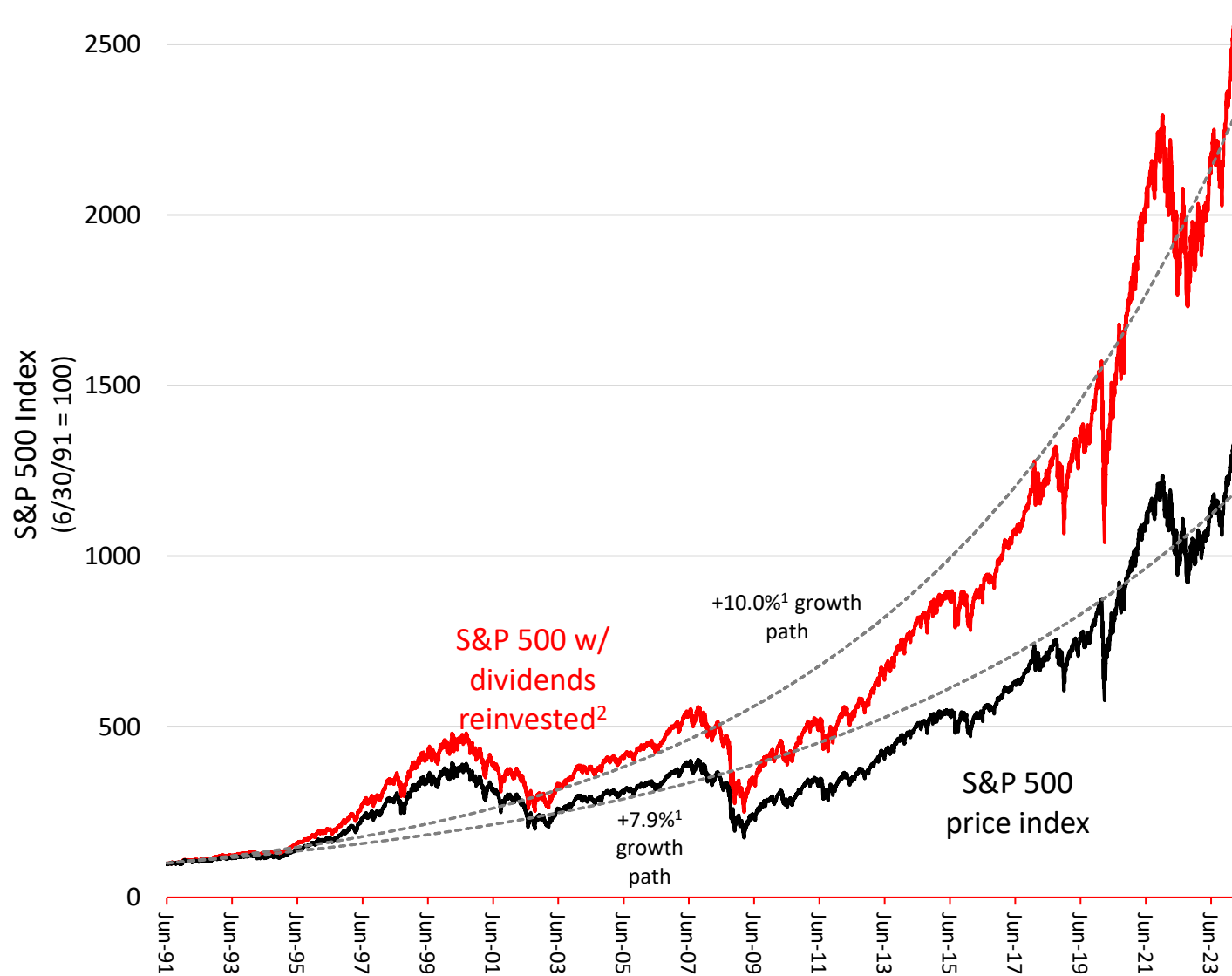
S&P 500 Price Index

Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	3/31/2024
Index Level	1,527	1,565	3,386	4,797	5,254
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	21.0x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.4%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	4.2%

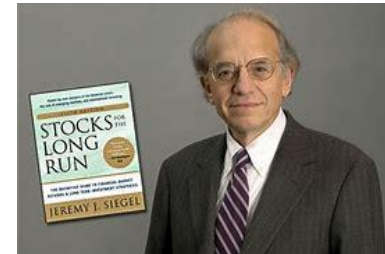


Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.³



Source: Standard and Poor's. Data through April 12, 2024.¹ Compound annual growth rate. ² S&P 500 total return index. ³ per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

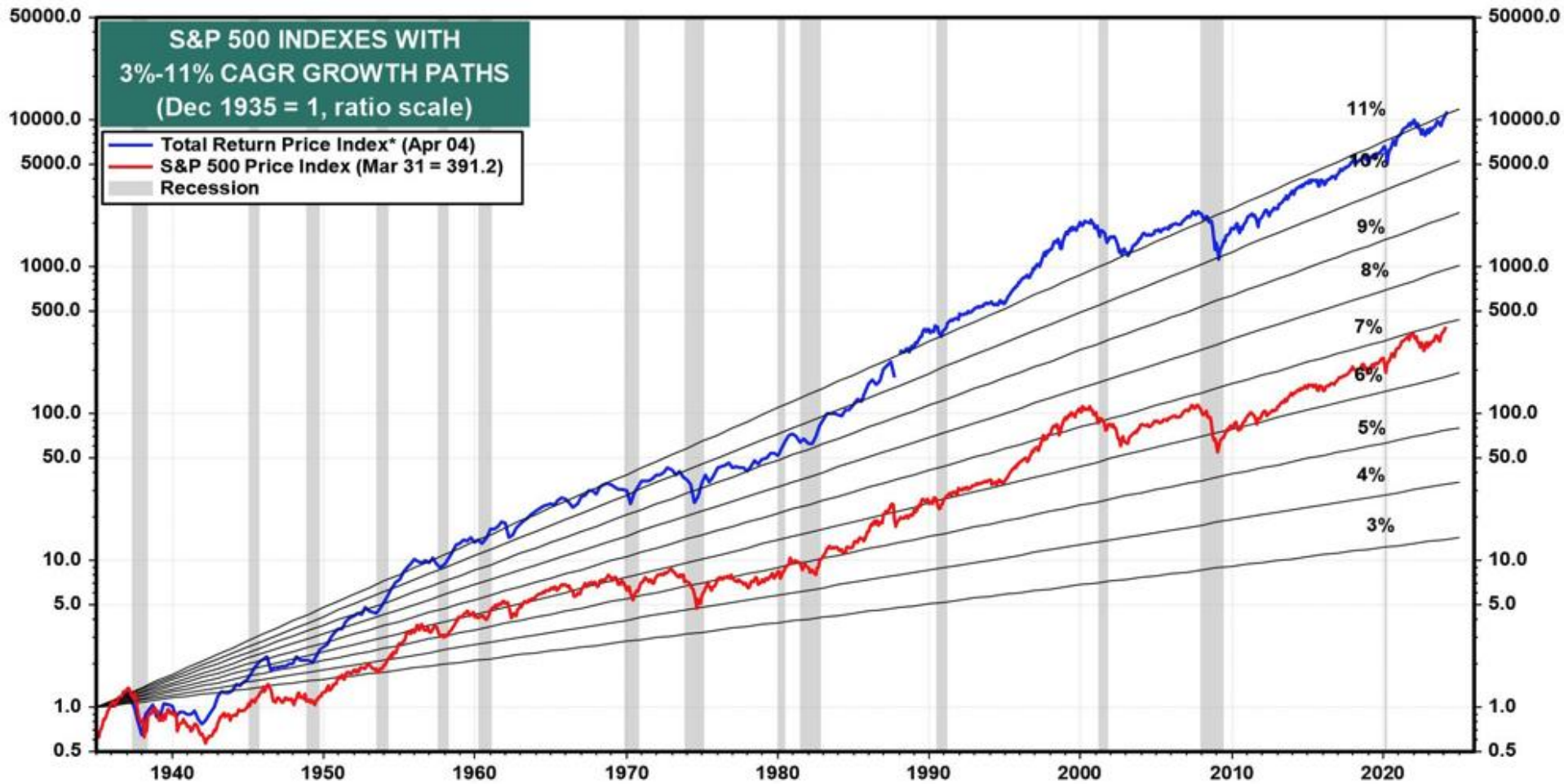
On a logarithmic scale a constant rate of appreciation, say 10%, is represented by a constant interval on the y-axis, say one-eighth of an inch.

Hence, the +10% growth trajectory is a straight line rather than a hyperbolic curve (previous chart).



Source: Standard and Poor's. Data through April 12, 2024. ¹ Compound annual growth rate. ² S&P 500 total return index.

Total return and price return



Stock market arithmetic

85 years of S&P 500 earnings growth



Source: LSEG Datastream and ©Yardeni Research.

Earnings

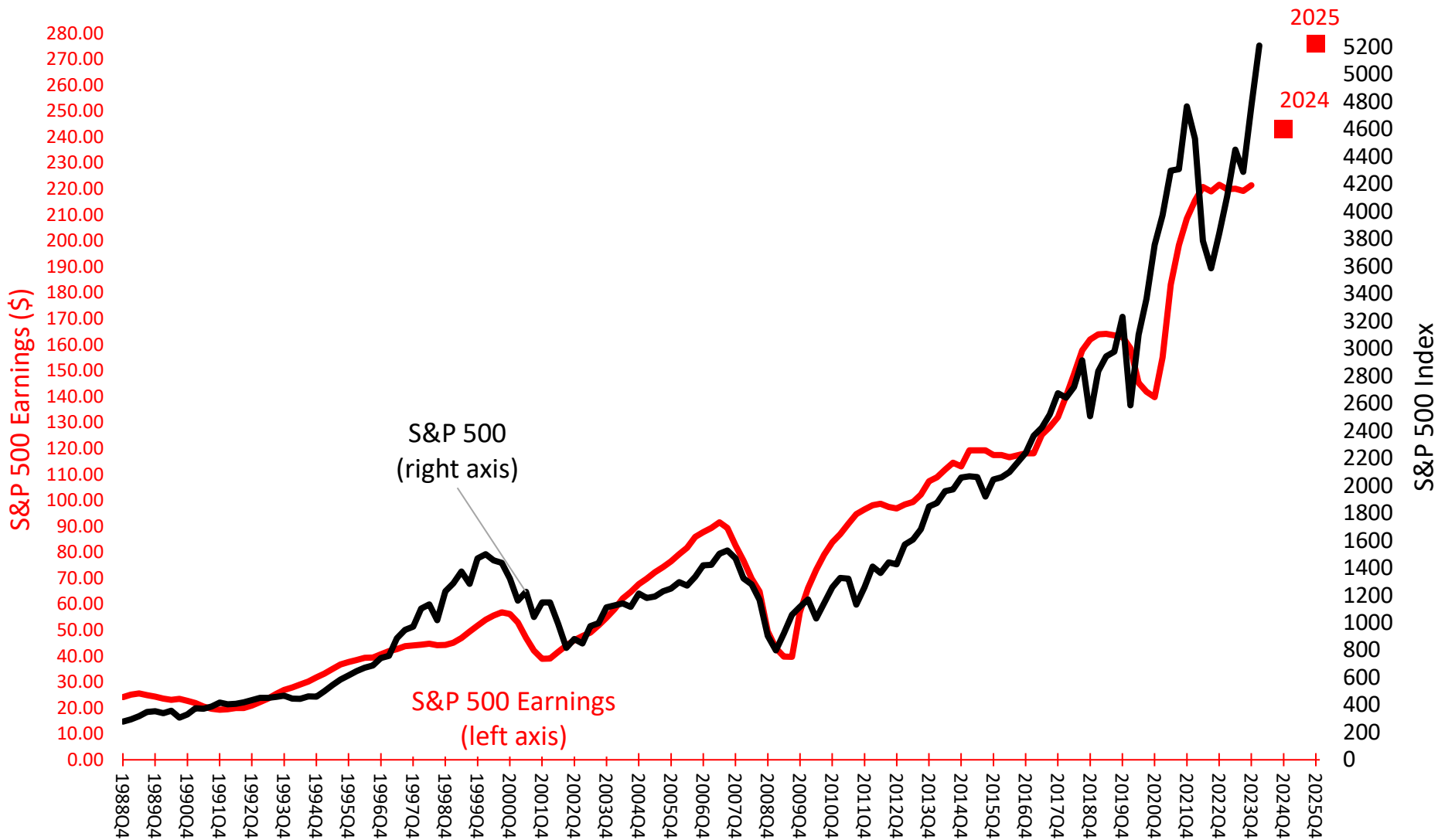
S&P 500 earnings – actual and I/B/E/S estimates



2023 (actual), 2024 (estimated) and 2025 (estimated) bottom-up S&P 500 operating earnings per share as of March 31, 2024: for 2023(a), \$221.40; for 2024(e), \$242.90; for 2025(e), \$276.10. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.

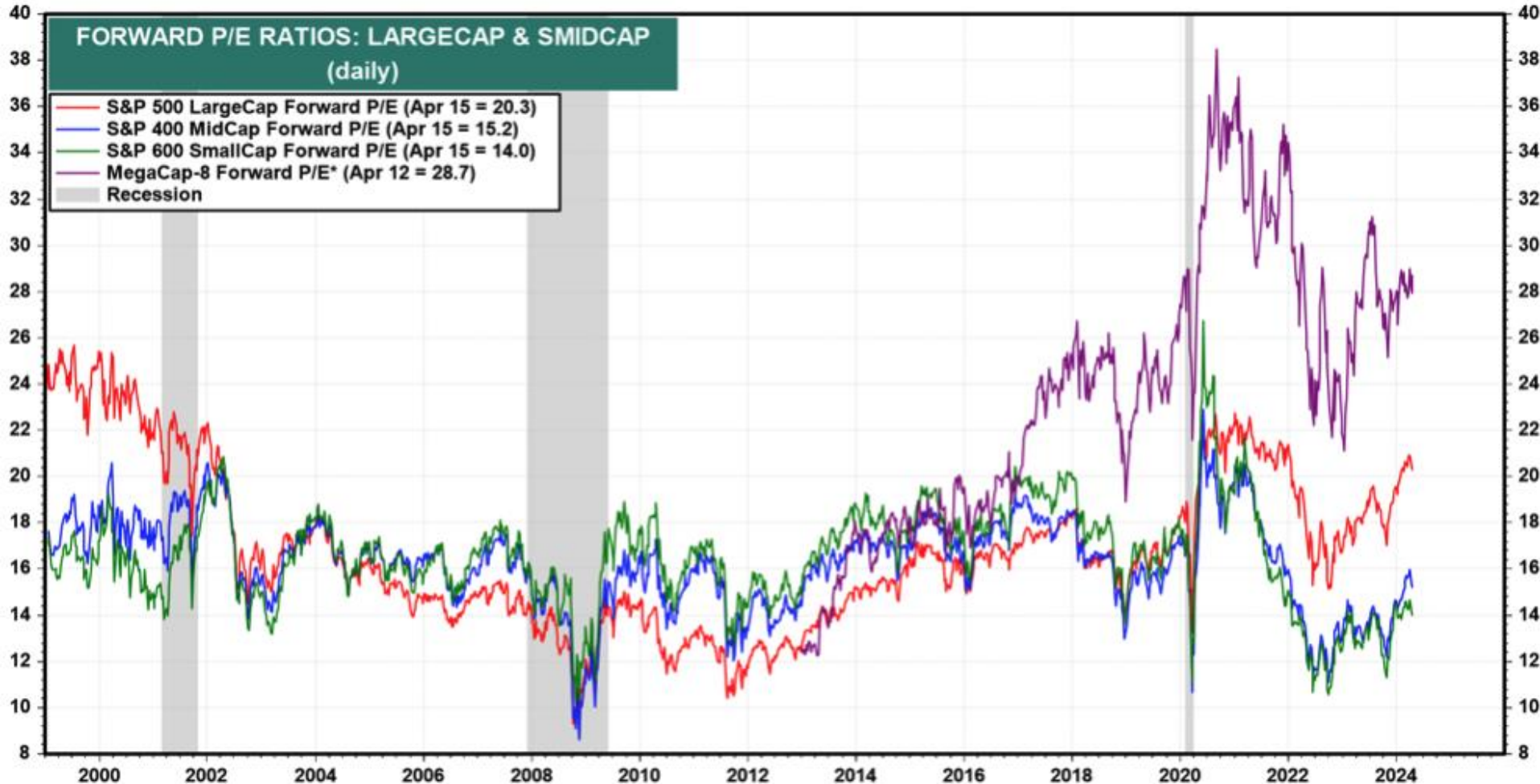
Valuation

S&P 500 vs. actual and I/B/E/S estimated earnings



2023 (actual), 2024 (estimated) and 2025 (estimated) bottom-up S&P 500 operating earnings per share as of March 31, 2024: for 2023(a), \$221.40; for 2024(e), \$242.90; for 2025(e), \$276.10. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014; index price data through April 5, 2024.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research.

* MegaCap-8 stocks include Alphabet, Amazon, Apple, Meta, Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.

S&P 500 index forward P/E ratio



Source: LSEG Datastream and © Yardeni Research.

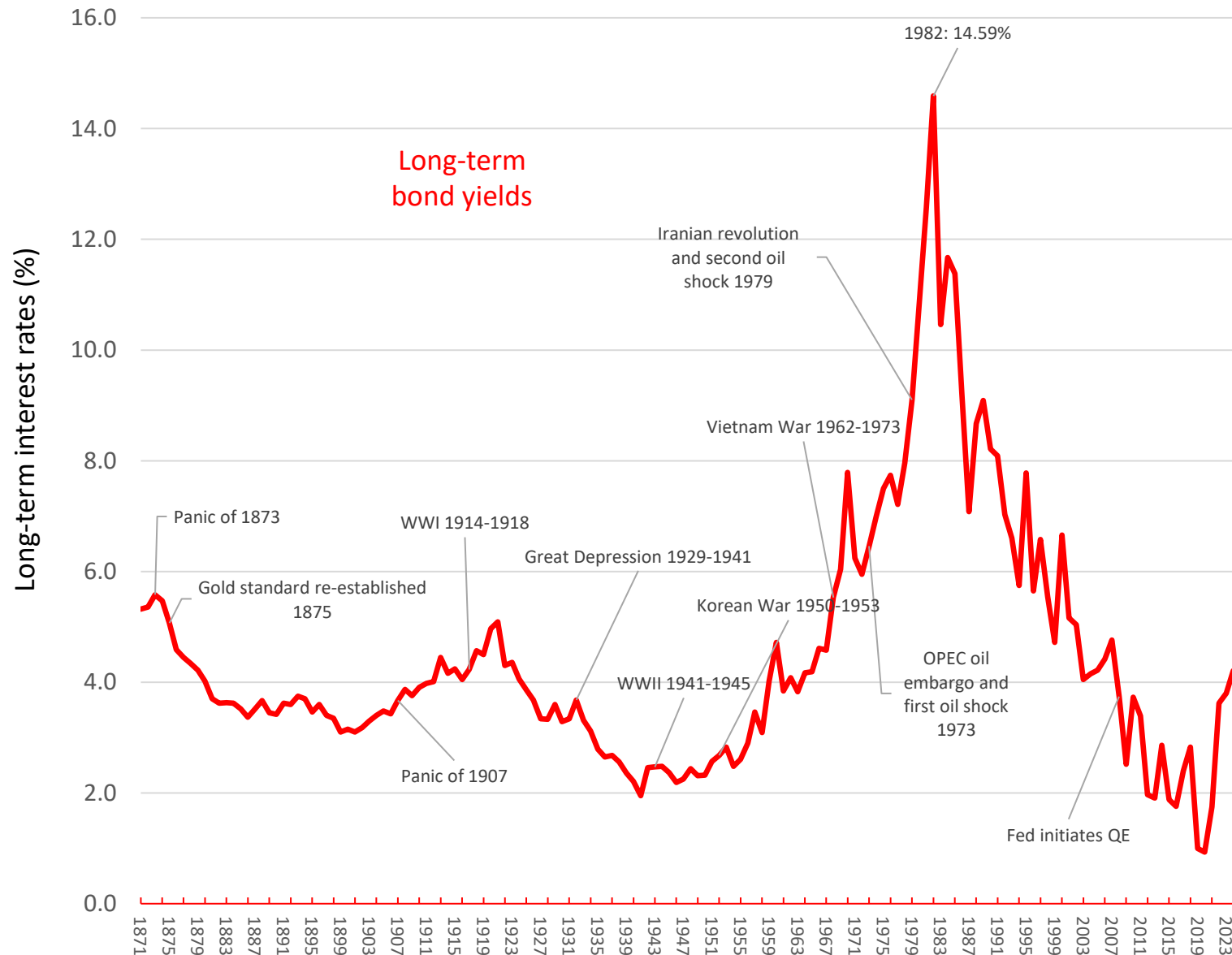
* Price divided by 52-week forward consensus expected operating earnings per share.

Bond Yields

- Normal yields by historic comparison

Bond yields

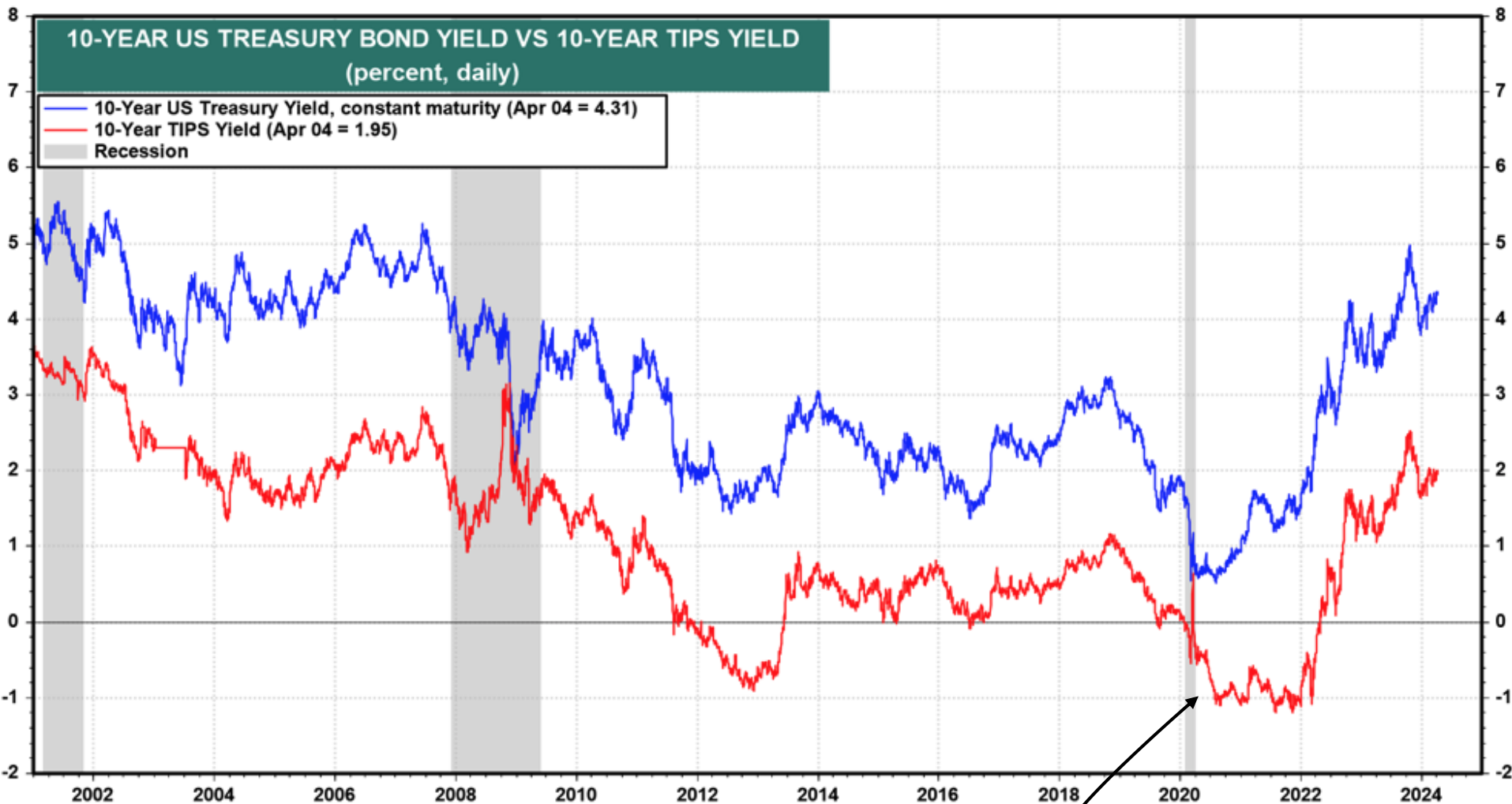
U.S. Treasury bond yields



Rising from the lowest long-term interest rates in U.S. history.

Bond yields

U.S. Treasury bond and TIPS yields



Source: LSEG Datastream and © Yardeni Research, and Federal Reserve.

Negative real returns
didn't make sense.

Federal Reserve

- Rate cuts ahead
- Raised growth forecast
- Inverted the yield curve

Federal Reserve

Inflation is still too high

LIVE

**POWELL: INFLATION HAS EASED SUBSTANTIALLY
BUT IS STILL TOO HIGH**

1:34P
CENTRAL

CNBC

7 +0.005 ▼	iShares Russell 2K IWM 202.83 +0.73 ▼	Citigroup C 59.49 +0.00
DOW 39,164.36 ▼	S&P 500 5,182.40 ▼	NASDAQ 16,203.90 ▼

THE WALL STREET JOURNAL.

Fed Chief Still Sees Room for Rate Cuts This Year

Stronger-than-anticipated economic activity this year hasn't changed the Federal Reserve's broad expectation that declining inflation will allow for interest-rate cuts this year, Chair Jerome Powell said Wednesday.

"The recent data do not...materially change the overall picture, which continues to be one of solid growth, a strong but rebalancing labor market, and inflation moving down to 2% on a sometimes bumpy path," he said.

THE WALL STREET JOURNAL.

Fed Rate Cuts are a Matter of If, Not When

Firmer-than-anticipated inflation has delivered a meaningful setback to the Federal Reserve's hope that it could buoy prospects of a so-called soft landing by dialing back some of the past year's interest-rate increases.

Solid hiring and the prospect that inflation might settle out closer to 3% than the Fed's 2% goal could call into question whether the central bank will be able to cut rates until much later in the year without evidence of a sharper slowdown in the economy.

The consumer-price index, a measure of goods and services prices across the economy, rose 3.5% in March from a year earlier, the Labor Department said Wednesday.

Federal Reserve Central tendency forecasts

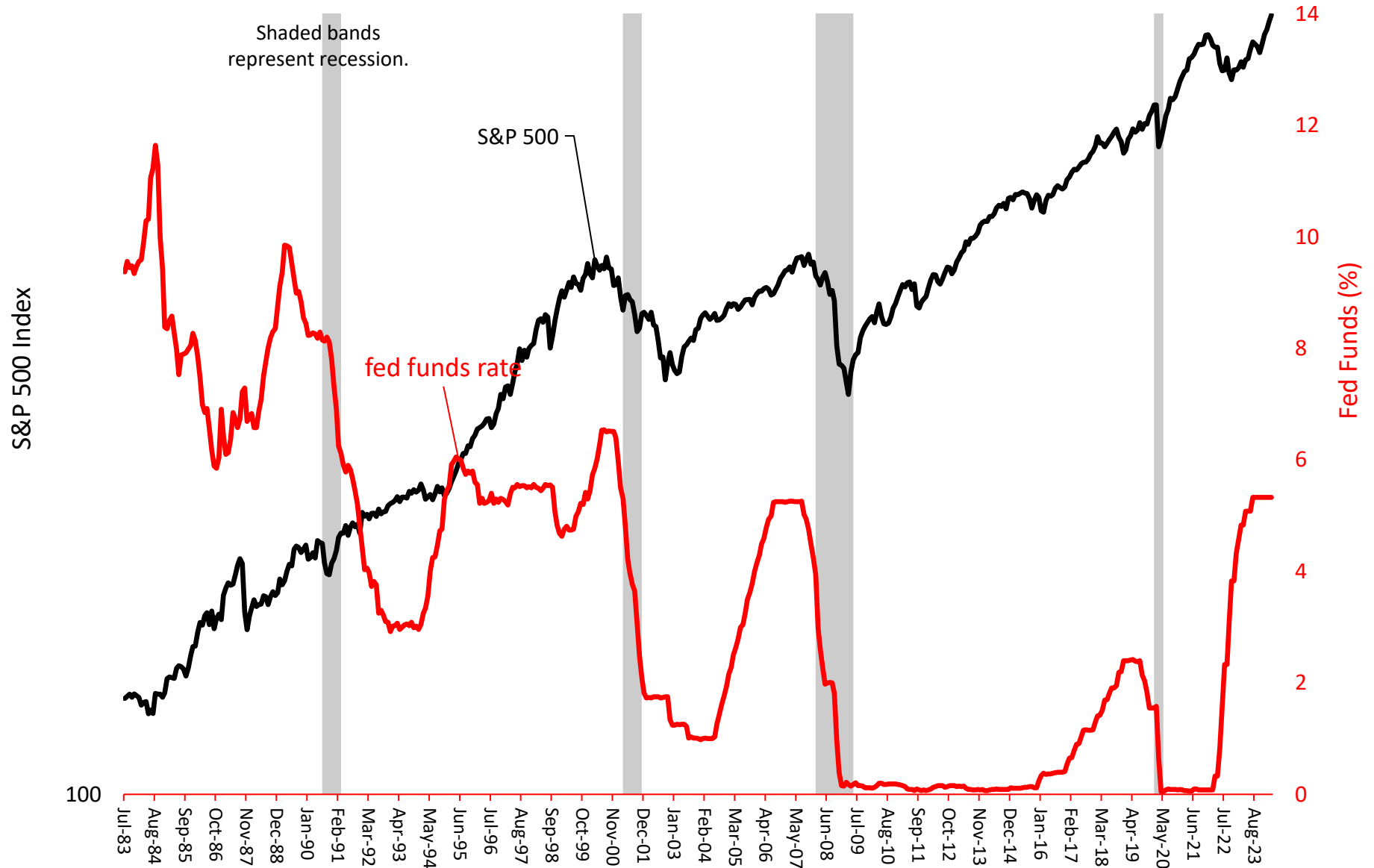
For release at 2:00 p.m., EDT, March 20, 2024

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2024

Percent

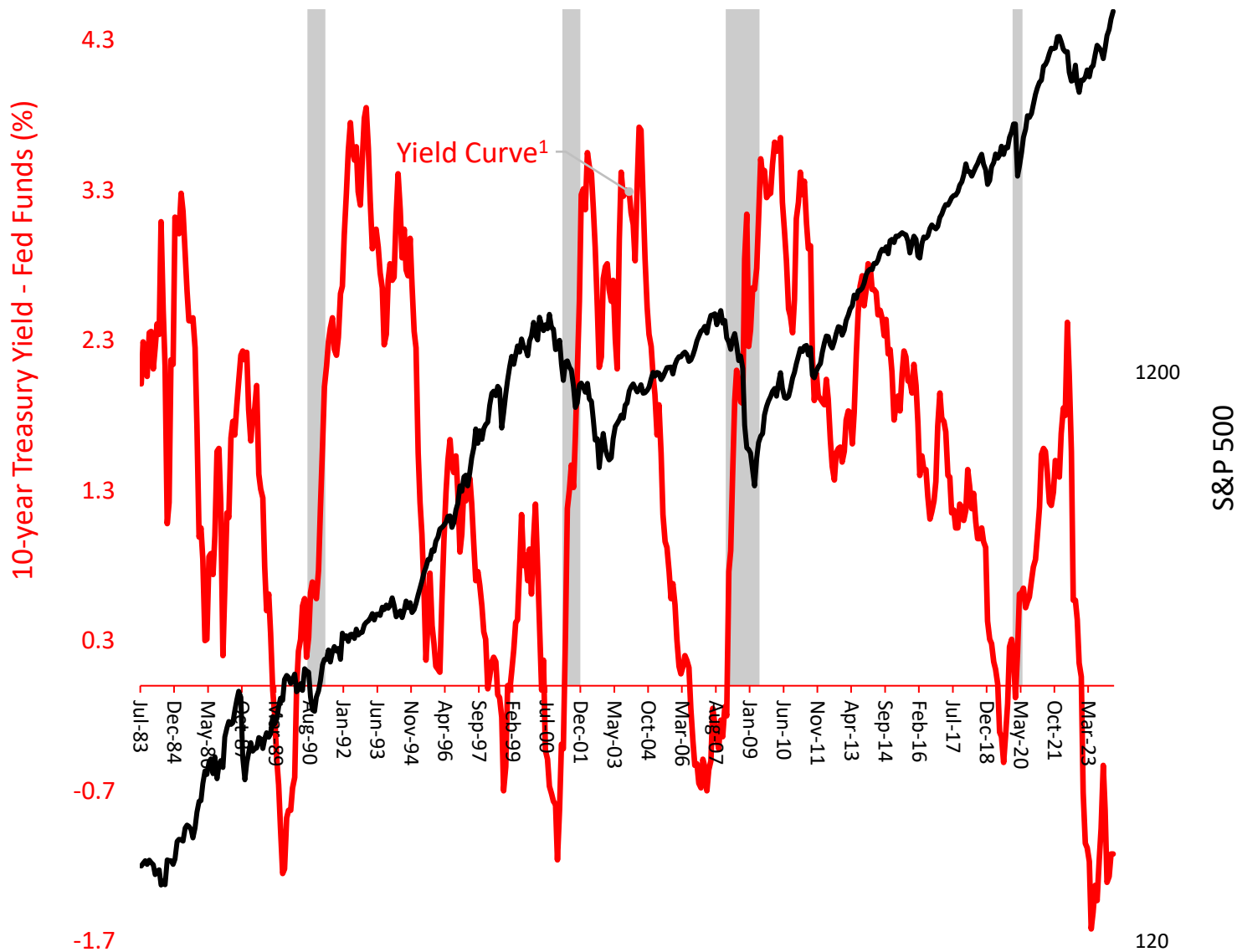
Variable	Median ¹				Central Tendency ²				Range ³			
	2024	2025	2026	Longer run	2024	2025	2026	Longer run	2024	2025	2026	Longer run
Change in real GDP	2.1	2.0	2.0	1.8	2.0–2.4	1.9–2.3	1.8–2.1	1.7–2.0	1.3–2.7	1.7–2.5	1.7–2.5	1.6–2.5
December projection	1.4	1.8	1.9	1.8	1.2–1.7	1.5–2.0	1.8–2.0	1.7–2.0	0.8–2.5	1.4–2.5	1.6–2.5	1.6–2.5
Unemployment rate	4.0	4.1	4.0	4.1	3.9–4.1	3.9–4.2	3.9–4.3	3.8–4.3	3.8–4.5	3.7–4.3	3.7–4.3	3.5–4.3
December projection	4.1	4.1	4.1	4.1	4.0–4.2	4.0–4.2	3.9–4.3	3.8–4.3	3.9–4.5	3.8–4.7	3.8–4.7	3.5–4.3
PCE inflation	2.4	2.2	2.0	2.0	2.3–2.7	2.1–2.2	2.0–2.1	2.0	2.2–2.9	2.0–2.5	2.0–2.3	2.0
December projection	2.4	2.1	2.0	2.0	2.2–2.5	2.0–2.2	2.0	2.0	2.1–2.7	2.0–2.5	2.0–2.3	2.0
Core PCE inflation ⁴	2.6	2.2	2.0		2.5–2.8	2.1–2.3	2.0–2.1		2.4–3.0	2.0–2.6	2.0–2.3	
December projection	2.4	2.2	2.0		2.4–2.7	2.0–2.2	2.0–2.1		2.3–3.0	2.0–2.6	2.0–2.3	
Memo: Projected appropriate policy path												
Federal funds rate	4.6	3.9	3.1	2.6	4.6–5.1	3.4–4.1	2.6–3.4	2.5–3.1	4.4–5.4	2.6–5.4	2.4–4.9	2.4–3.8
December projection	4.6	3.6	2.9	2.5	4.4–4.9	3.1–3.9	2.5–3.1	2.5–3.0	3.9–5.4	2.4–5.4	2.4–4.9	2.4–3.8

Stock market S&P 500 vs. fed funds rate



Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

Today, the yield curve is inverted.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through March 2024.

¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline PCE +2.5%, +2.8% core
- Inflation expectations (TIPS spread)

Inflation

CPI and PCED



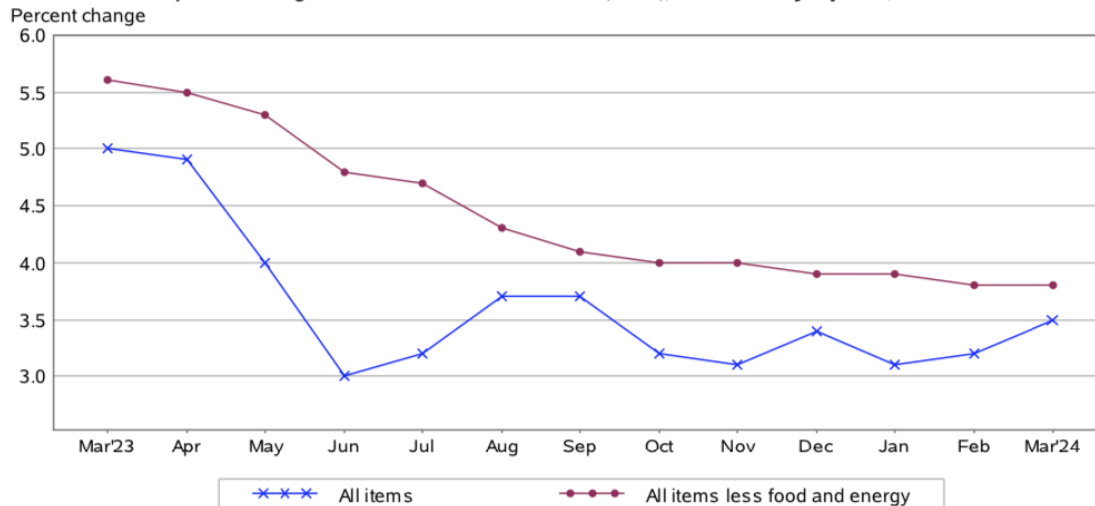
Source: LSEG Datastream and © Yardeni Research, and Bureau of Economic Analysis, Bureau of Labor Statistics.

* Personal consumption expenditures deflator.

Inflation

CPI – headline and core

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Mar. 2023 - Mar. 2024



Core up +3.8% y/y
in March.

Up +3.5% y/y
in March.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

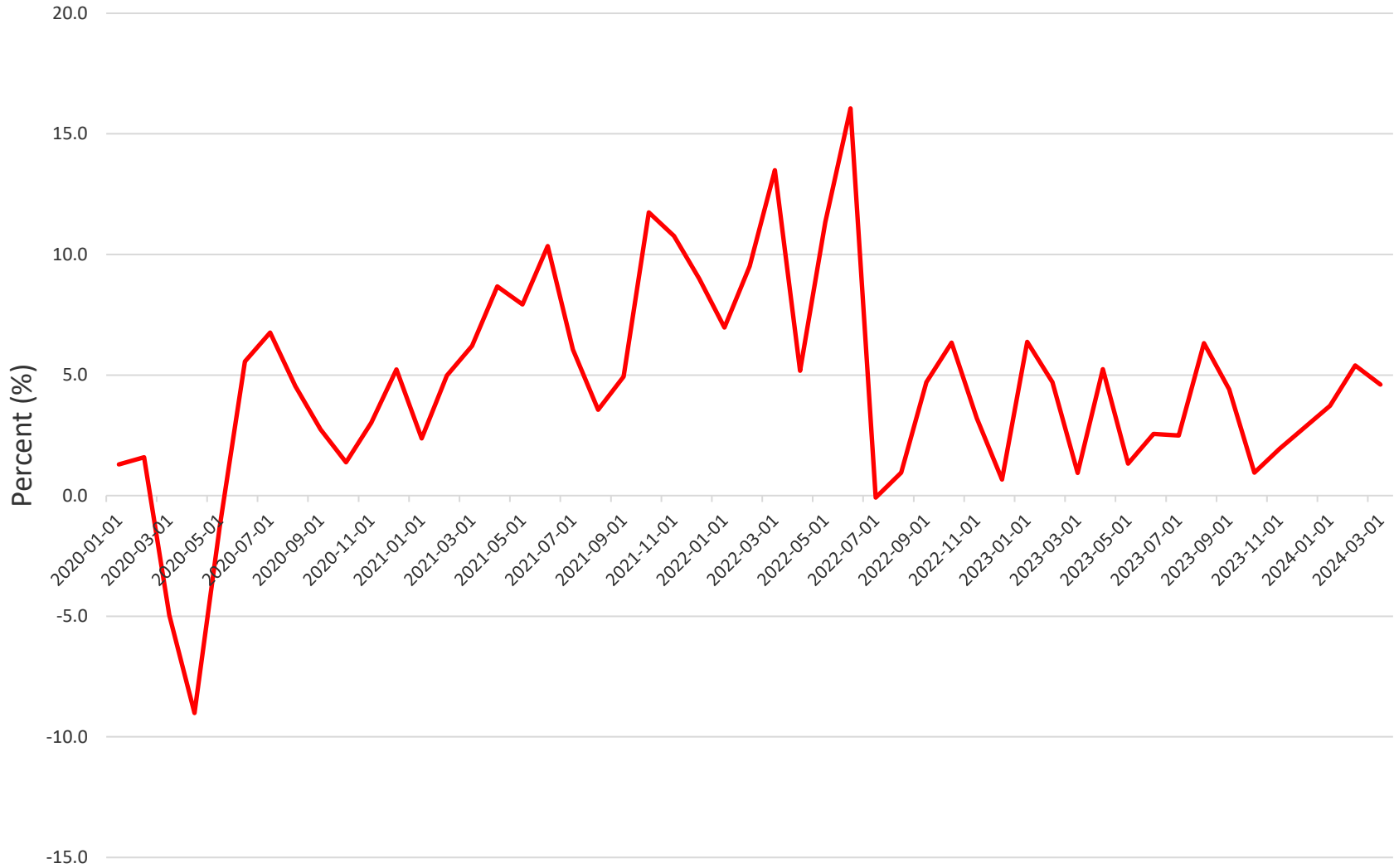
	Seasonally adjusted changes from preceding month							Un- adjusted 12-mos. ended Mar. 2024
	Sep. 2023	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024	
All items.....	0.4	0.1	0.2	0.2	0.3	0.4	0.4	3.5
Food.....	0.2	0.3	0.2	0.2	0.4	0.0	0.1	2.2
Food at home.....	0.1	0.3	0.0	0.1	0.4	0.0	0.0	1.2
Food away from home ¹	0.4	0.4	0.4	0.3	0.5	0.1	0.3	4.2
Energy.....	1.2	-2.1	-1.6	-0.2	-0.9	2.3	1.1	2.1
Energy commodities.....	1.8	-4.3	-3.8	-0.7	-3.2	3.6	1.5	0.9
Gasoline (all types).....	1.6	-4.3	-4.0	-0.6	-3.3	3.8	1.7	1.3
Fuel oil.....	6.4	-6.4	-1.1	-3.3	-4.5	1.1	-1.3	-3.7
Energy services.....	0.3	0.4	1.0	0.3	1.4	0.8	0.7	3.1
Electricity.....	0.8	0.4	1.0	0.6	1.2	0.3	0.9	5.0
Utility (piped) gas service.....	-1.4	0.3	1.2	-0.6	2.0	2.3	0.0	-3.2
All items less food and energy.....	0.3	0.2	0.3	0.3	0.4	0.4	0.4	3.8
Commodities less food and energy commodities.....	-0.2	0.0	-0.2	-0.1	-0.3	0.1	-0.2	-0.7
New vehicles.....	0.2	-0.1	0.0	0.2	0.0	-0.1	-0.2	-0.1
Used cars and trucks.....	-1.8	-0.4	1.4	0.6	-3.4	0.5	-1.1	-2.2
Apparel.....	-0.3	0.0	-0.6	0.0	-0.7	0.6	0.7	0.4
Medical care commodities ¹	-0.3	0.4	0.5	-0.1	-0.6	0.1	0.2	2.5
Services less energy services.....	0.5	0.3	0.5	0.4	0.7	0.5	0.5	5.4
Shelter.....	0.6	0.3	0.4	0.4	0.6	0.4	0.4	5.7
Transportation services.....	0.7	0.9	1.0	0.1	1.0	1.4	1.5	10.7
Medical care services.....	0.2	0.2	0.5	0.5	0.7	-0.1	0.6	2.1

WSJ headline 4/11/24:

Inflation Upsets Rate-Cut Plans

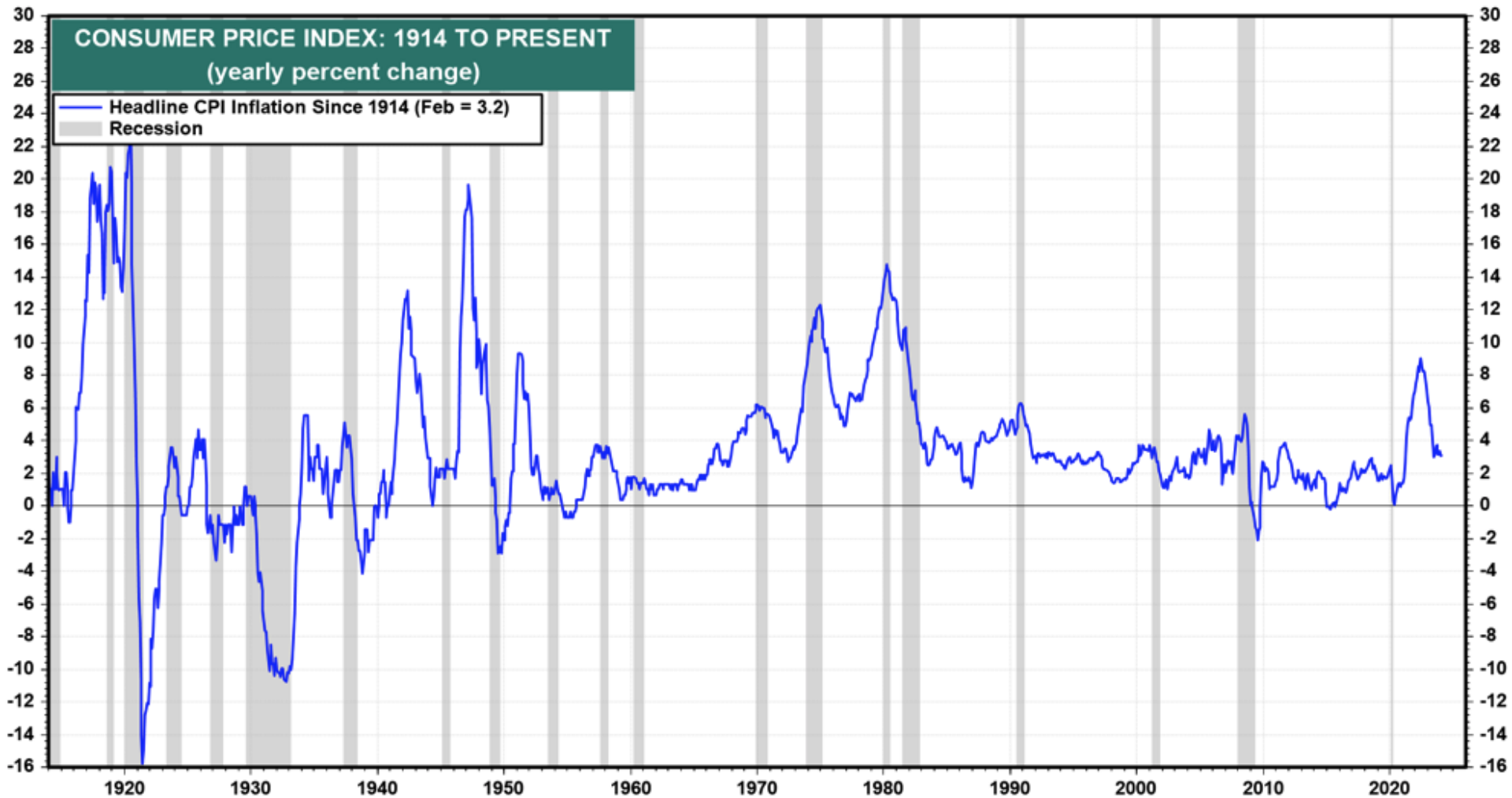
Inflation CPI – monthly annualized

CPI
Monthly Rate of Change Annualized



Source: BLS. Data through March 2024.

Inflation CPI



Source: LSEG Datastream and © Yardeni Research.

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As Rent Rises Cool, So Will Inflation

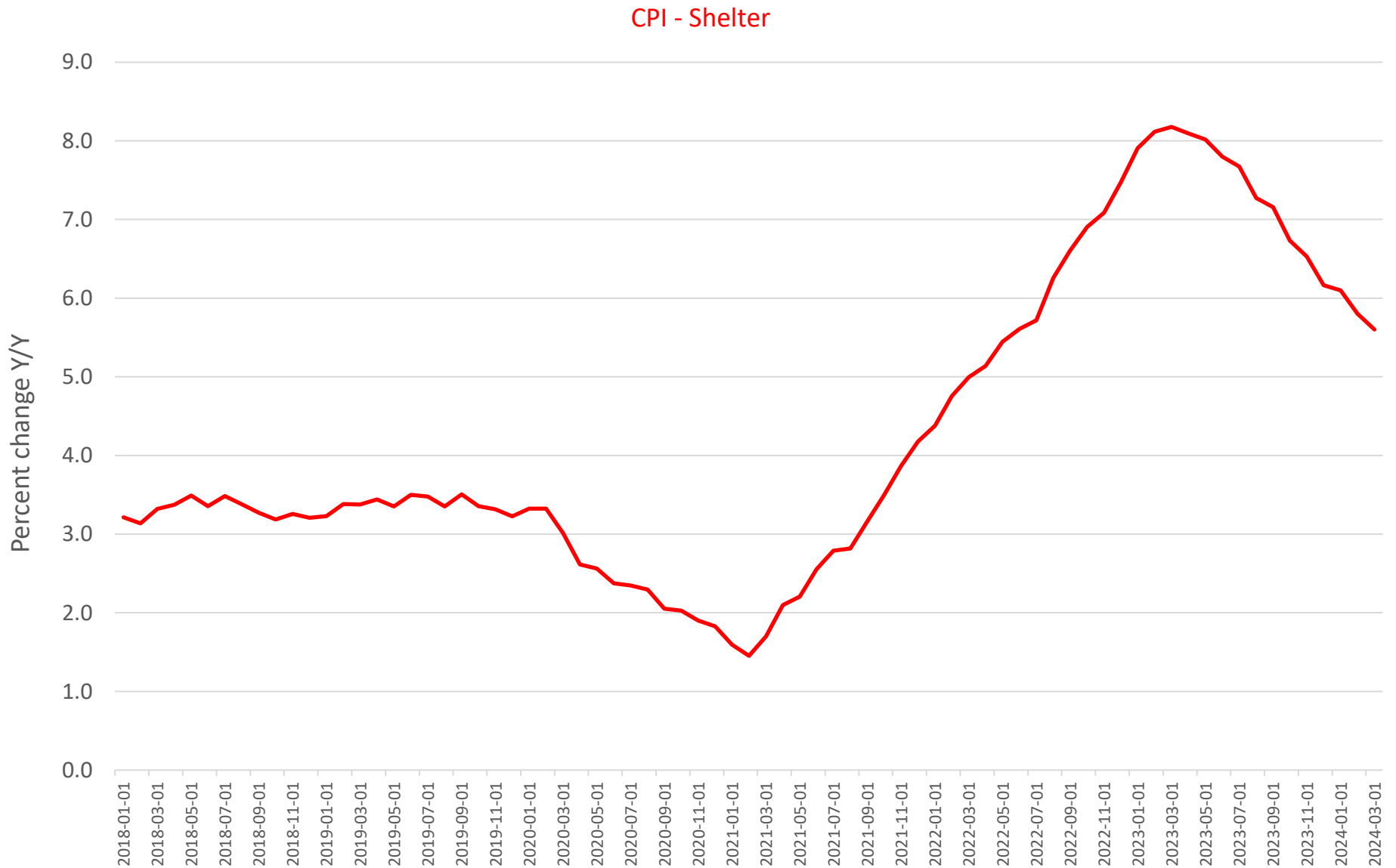
The Labor Department's measure of shelter inflation has come down a lot—it has a lot further to go.

Inflation has been cooling, and a big part of why is that rent increases have as well. That is also why inflation is likely to keep going lower in the months ahead.

Shelter costs, which account for about two-fifths of the Labor Department's measure of core spending, have played a large role in the decline in core inflation.

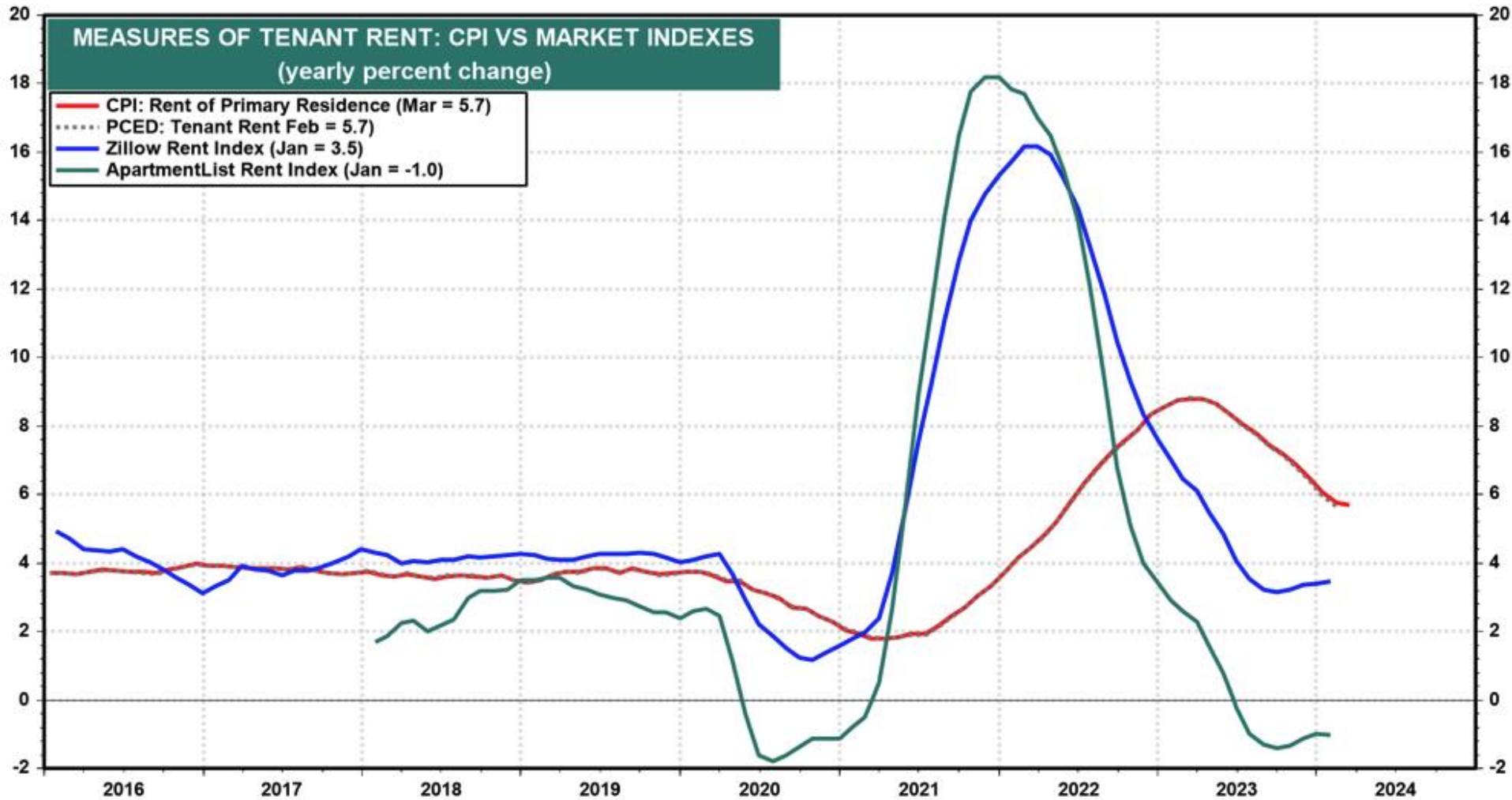
Inflation

CPI – shelter¹ ... a long way to drop



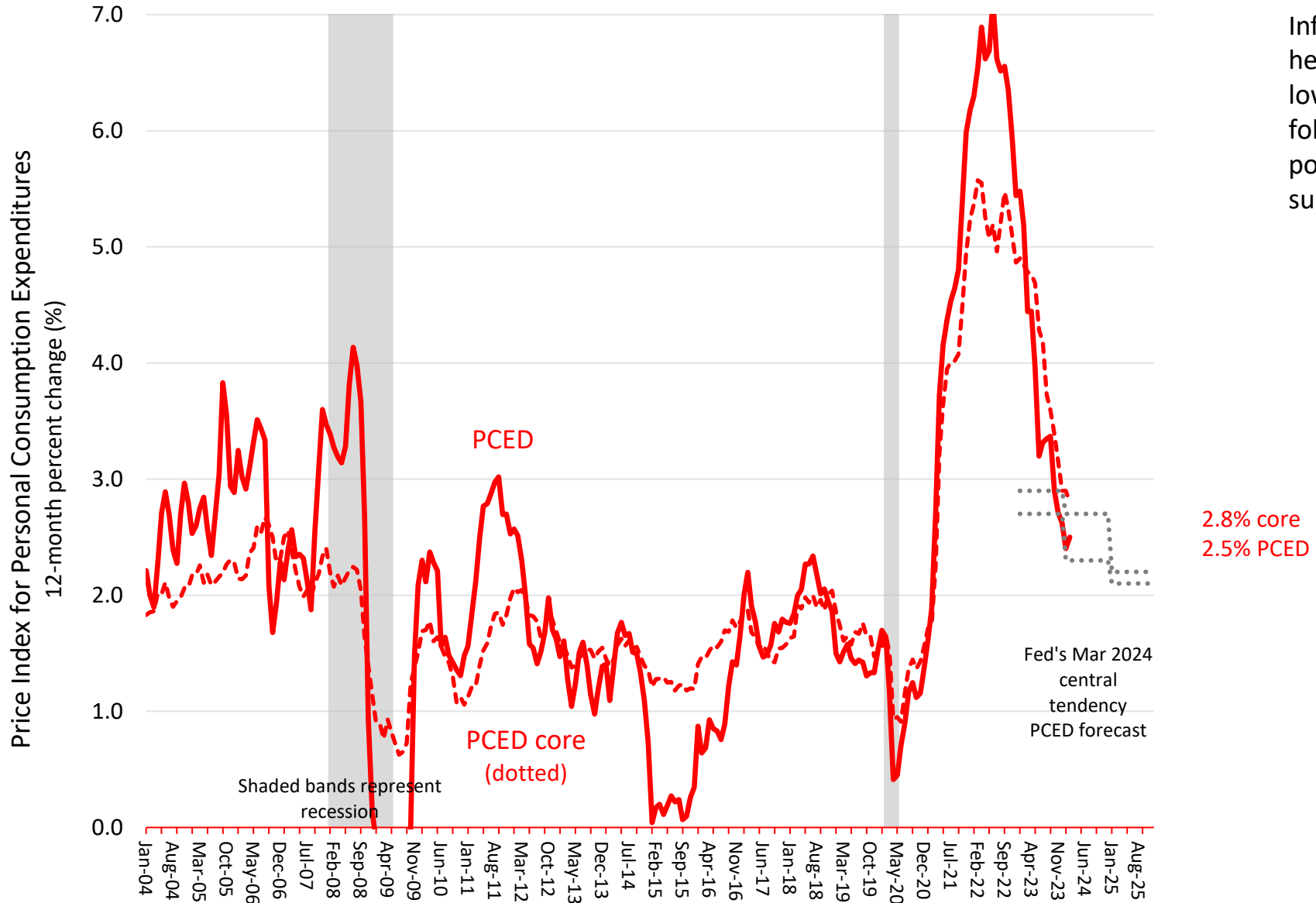
Inflation

CPI – shelter



Source: LSEG Datastream and © Yardeni Research.

Inflation PCED – headline and core



Inflation heading lower following the post-Covid surge.

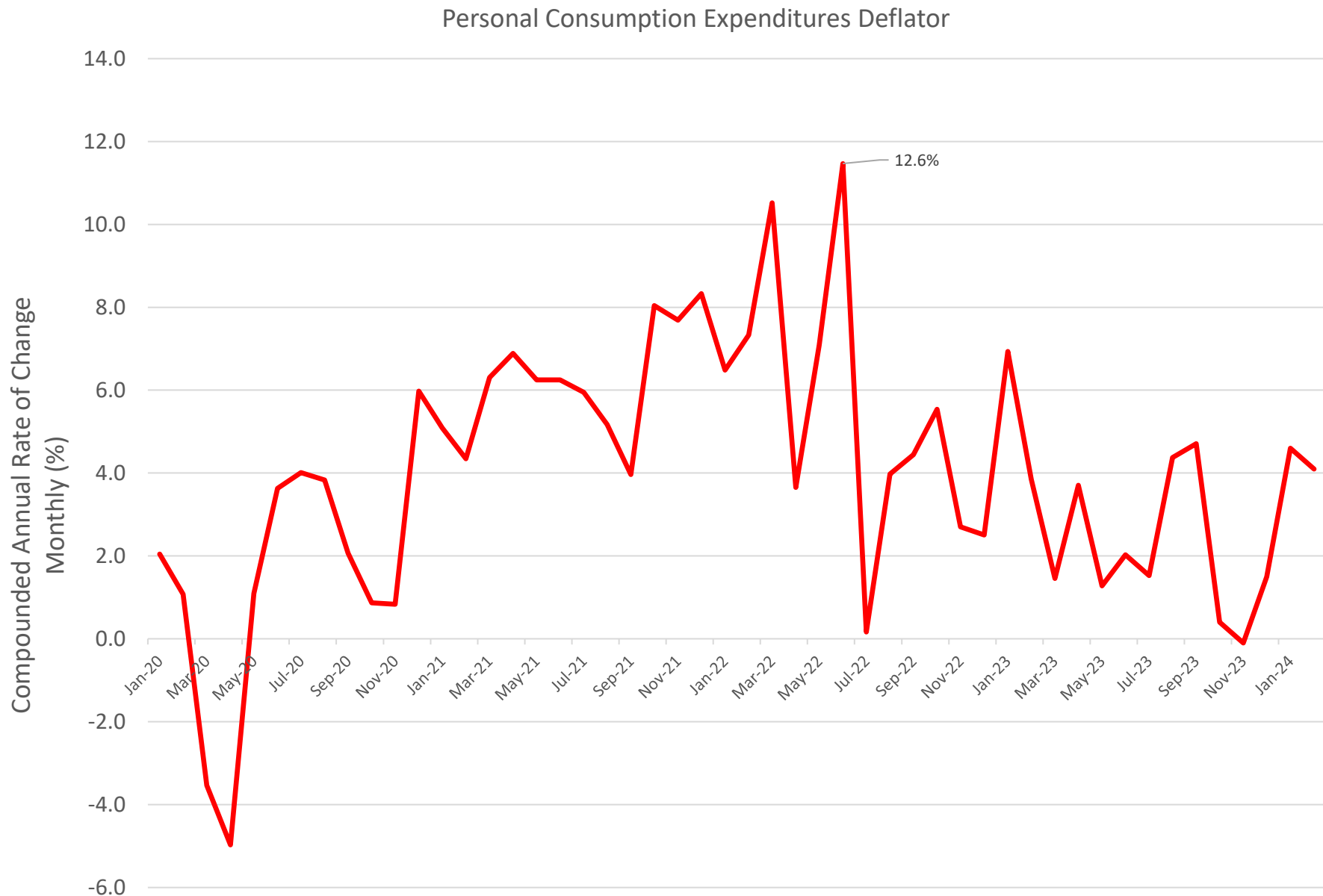
2.8% core
2.5% PCED

Fed's Mar 2024 central tendency
PCED forecast

Source: NBER, Federal Reserve Bank of St. Louis. Data through February 2024.

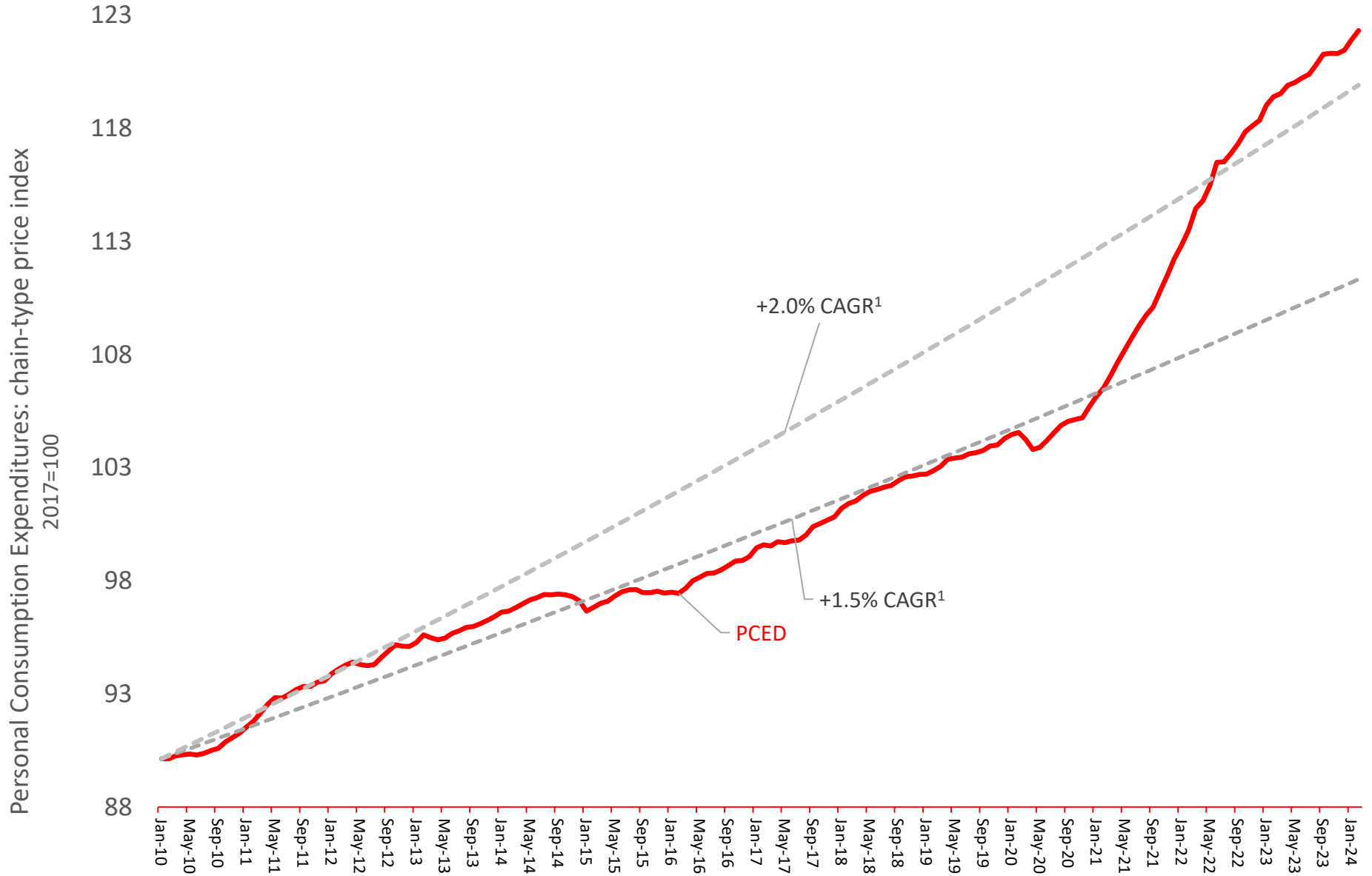
Inflation

PCED – monthly rate of change annualized



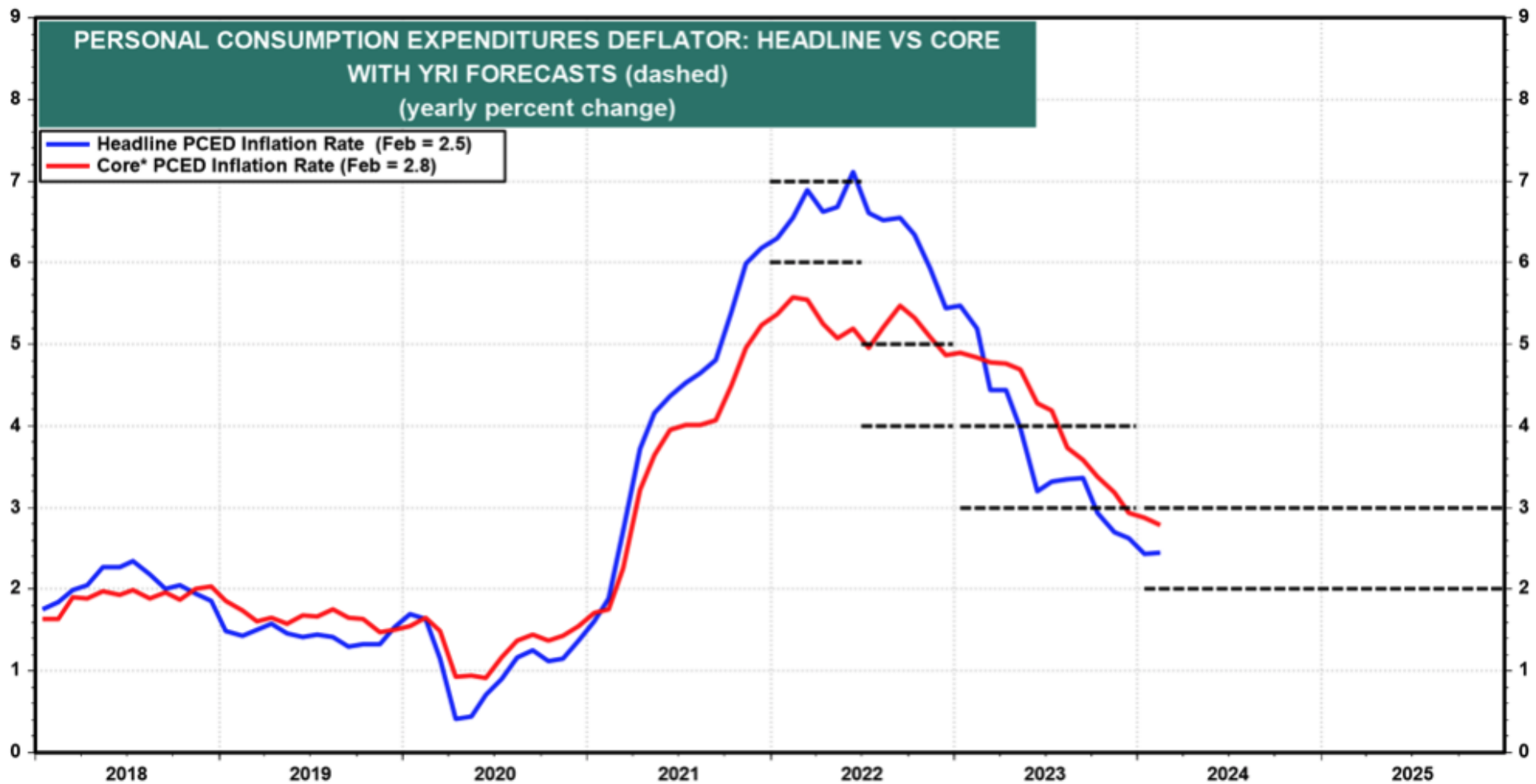
Source: Federal Reserve Bank of St. Louis. Data through February 2024.

Inflation PCED – headline



Source: Federal Reserve Bank of St. Louis. Data through February 2024.

Ed Yardeni's inflation forecast

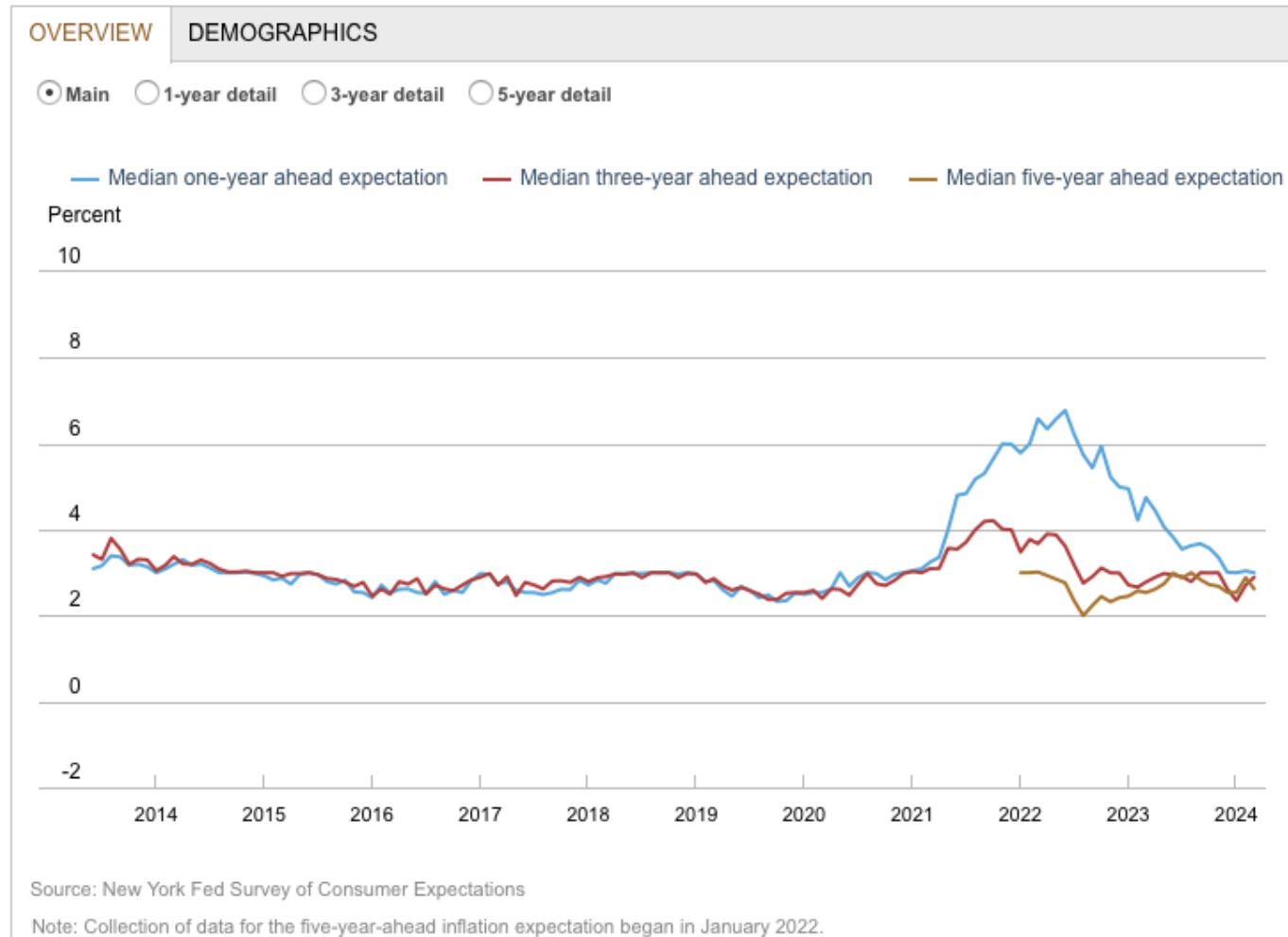


Source: LSEG Datastream and © Yardeni Research.

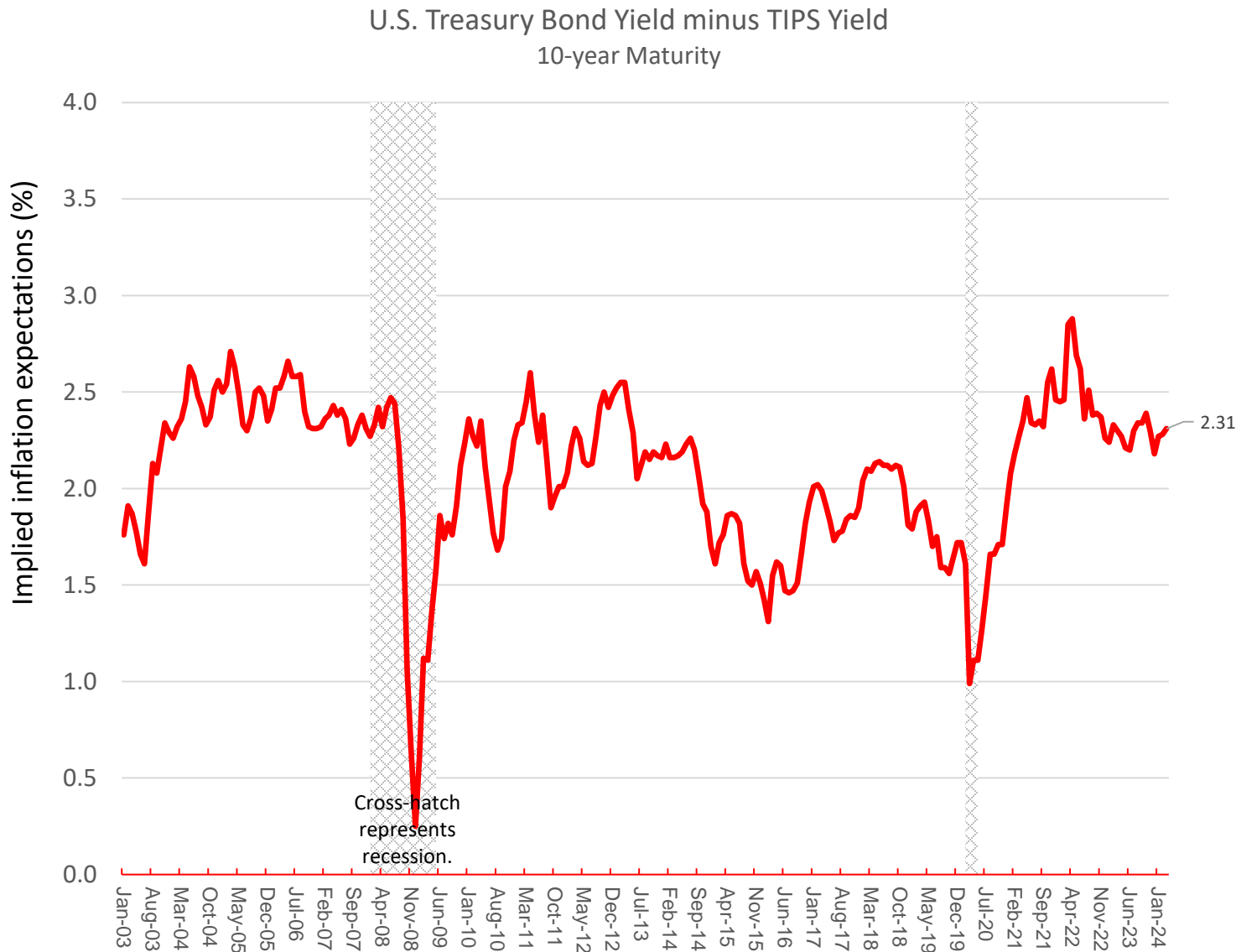
* Less energy & food prices. Dashed lines are YRI forecasts.

Inflation expectations

Median one-, three-, and five-year ahead expected inflation rate



Consumers expect substantially moderating inflation.



The difference between the nominal 10-year Treasury bond yield and the TIPS yield gives the market's opinion for a 10-year inflation forecast.

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