Fargo, North Dakota

Market Update

Headline and core Consumer Price Index (CPI) data was slightly higher than expected in September.

Quick Hits

1. **Report releases:** Year-over-year consumer inflation fell to a three-year low in September

2. **Financial market data:** Long-term yields continued to rise as recent employment and inflation readings surprised to the upside.

3. **Looking ahead:** This week's data will focus on retail sales, industrial production, and housing.

Report Releases: October 7–11, 2024

Trade Balance:
August
(Tuesday)

The trade deficit shrank slightly more than anticipated in August, reducing the monthly trade gap to its smallest level in five months.
• Expected/prior trade deficit: –$70.5 billion/–$78.9 billion
• Actual trade deficit: –$70.4 billion

Federal Open Market Committee (FOMC) Meeting Minutes:
September
(Wednesday)

Minutes from the September FOMC meeting showed that most board members favored the interest rate cut of 50 basis points (bps) they announced after the meeting. A handful of participants favored a smaller cut.

Consumer Price Index (CPI):
September
(Wednesday)

Year-over-year consumer inflation continued to improve, falling to a three-year low of 2.4 percent in September.
• Prior monthly CPI/core CPI growth: +0.2%/+0.2%
• Expected monthly CPI/core CPI growth: +0.1%/+0.3%
• Actual monthly CPI/core CPI growth: +0.2%/+0.3%
• Prior year-over-year CPI/core CPI growth: +2.5%/+3.2%
• Expected year-over-year CPI/core CPI growth: +2.3%/+3.2%
• Actual year-over-year CPI/core CPI growth: +2.4%/+3.3%

Preliminary University of Michigan Consumer Sentiment Survey:
October
(Friday)

Consumer sentiment fell more than expected to start October. Consumer views on current conditions and future expectations soured.
• Expected/prior month consumer sentiment survey: 70.1/71.0
• Actual consumer sentiment survey: 68.9

>> The Takeaway

• FOMC meeting minutes showed some discourse regarding last month's 50 bps rate cut.

• Headline and core CPI were slightly higher than expected in September.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.13%	0.96%	23.25%	34.80%
Nasdaq Composite	1.13%	0.86%	22.89%	35.30%
DJIA	1.22%	1.31%	15.42%	29.32%
MSCI EAFE	0.25%	−2.00%	10.73%	21.54%
MSCI Emerging Markets	−1.66%	−0.94%	15.76%	24.31%
Russell 2000	0.99%	0.22%	11.42%	27.86%

Source: Bloomberg, as of October 11, 2024

U.S. equities moved higher as earnings season kicked off. Banks were stronger than expected, with JPMorgan and Wells Fargo reporting better-than-expected results. Nvidia continued its recent rebound, but Tesla struggled after disappointment surrounded its robotaxi event. Technology, industrials, and financials were among the top performers, whereas utilities, communication services, and consumer discretionary lagged.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−1.46%	2.93%	9.77%
U.S. Treasury	−1.60%	2.18%	7.74%
U.S. Mortgages	−1.43%	3.01%	10.59%
Municipal Bond	−0.56%	1.72%	8.95%

Source: Bloomberg, as of October 11, 2024

The long end of the curve continued its recent rise as data continued to be mostly positive after the hotter-than-expected September jobs report. As a result, inflation is expected to be higher than previously expected; investors are therefore expecting higher yields/compensation for this potential risk. The 10-year Treasury yield closed at 4.11 percent, up 13 bps.
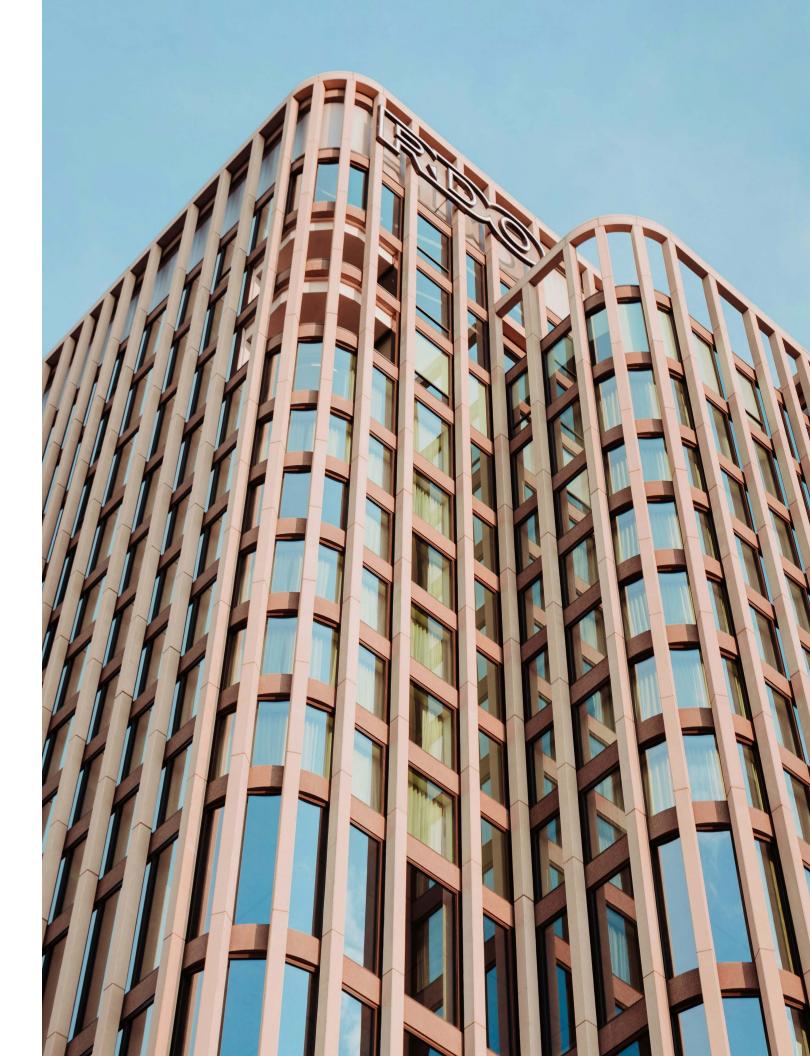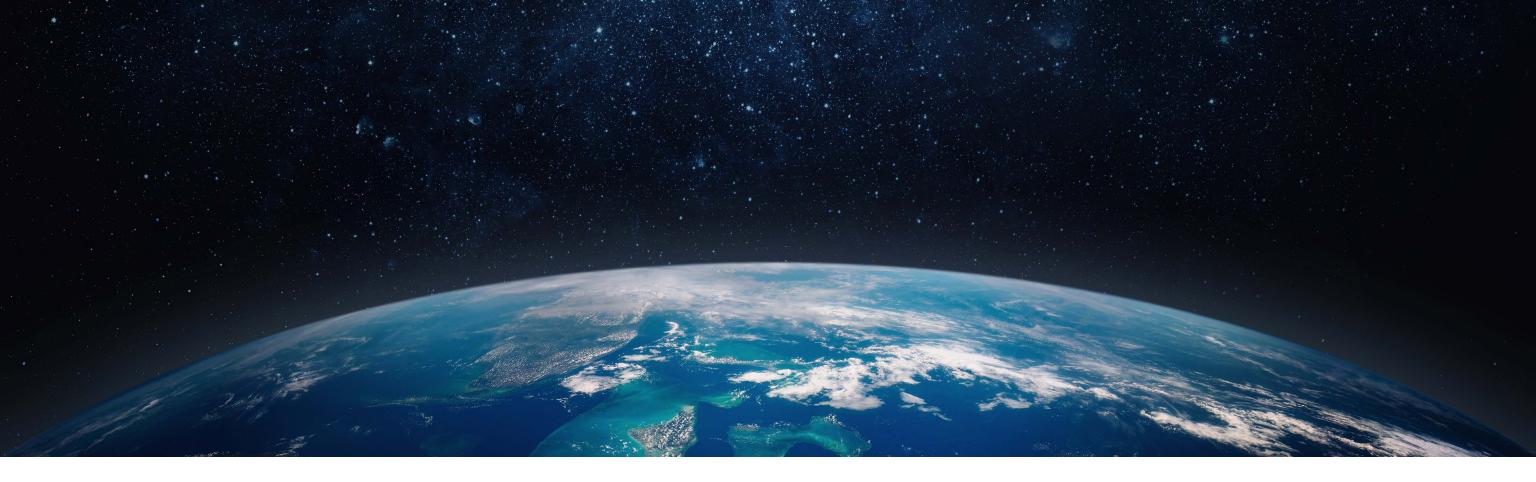
>> The Takeaway

- Solid bank earnings helped propel equities higher.

- Yields continued to increase on the long end of the curve as concerns regarding a rebound in inflation seeped in.

Looking Ahead

This week, we expect data on retail sales, industrial production, and housing.

- Most of the data will be released on Thursday, with retail sales, industrial production, and the NAHB Housing Market Index anticipated:

  - **Retail sales** are expected to improve in September after surprising to the upside in August. Core sales are also set to accelerate.

  - **Industrial production** is expected to pull back modestly in September after surging in August.

  - **Home builder confidence** is anticipated to improve yet remain in contractionary territory.

- On Friday, **housing starts and building permits** for September will be released. These measures of new home construction are expected to fall after rebounding more than expected in August.

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