

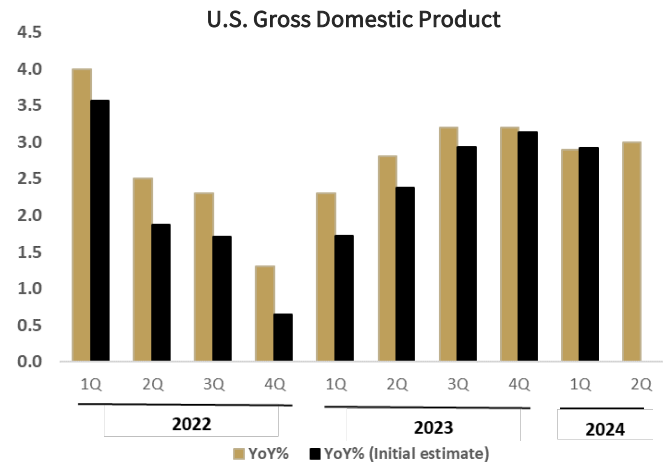
How Restrictive Are Interest Rates?

Long awaited stimulative actions from the Chinese government captivated investor attention last week. Whether these actions deliver their intended jolt to China’s economy remains to be seen. Indisputable, however, was the stimulative effect on the Chinese stock market. The CSI-300, which tracks the performance of the top 300 stocks traded in the Shanghai Stock Exchange, rose 25% in one week—the strongest week for that market since 2008.

Perhaps lost amid that frenzy were updated figures to U.S. economic growth following the Covid-19 related economic shutdowns. These updated figures signaled the U.S. economy expanded more significantly than previously understood, particularly throughout 2022 and the first half of 2023. Altogether, the Bureau of Economic Analysis reported that the economy grew by 5.5% (inflation adjusted) from the second quarter of 2020 through the end of 2023. This updated figure compares to a previously reported 5.1%.

The most dramatic revisions to the data occur in 2022 and 2023—the period in which the Federal Reserve embarked on its most aggressive interest-rate hikes in 40 years. That the U.S. economy appears to have taken those hikes in stride suggests that interest-rates may not need to fall far from here for economic growth to continue.

CHART OF THE WEEK



Source: Bureau of Economic Analysis, Bloomberg.

Index Returns (%)							Index Characteristics				
Equities	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld
S&P 500	5762	0.79	5.89	22.08	36.33	11.11	24.0	16.8	3.0	1.7	1.3
Russell 1000 Growth	3781	0.68	3.19	24.55	42.19	11.11	31.9	19.8	5.4	2.0	0.6
Russell 1000 Value	1870	0.76	9.43	16.68	27.73	8.39	18.9	14.9	1.9	1.4	2.0
FTSE High Dividend Yield*	452	0.51	8.81	17.33	28.04	10.48	14.4	14.2	1.6	1.6	3.9
S&P Small and Mid Cap	17473	0.25	7.92	12.25	26.51	5.76	18.9	19.0	1.3	1.2	1.6
MSCI EAFE	2469	1.83	7.35	13.55	25.45	6.37	15.1	14.7	1.5	1.1	3.0
MSCI EM	1171	5.44	8.82	17.13	26.41	0.92	14.0	12.6	1.5	1.3	2.5

* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income							Levels				
	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	Currencies	Last	1 Wk Ago	Prev YE	3 Yrs Ago
U.S. Aggregate	4.23	-0.19	5.20	4.45	11.57	-1.48	DX	100.78	100.85	101.33	94.23
U.S. Int. Gov/Credit	3.92	-0.11	4.17	4.68	9.45	0.11	\$ per €	1.11	1.11	1.10	1.16
U.S. Corporates	4.72	-0.19	5.84	5.32	14.28	-1.31	\$ per £	1.34	1.33	1.27	1.35
High Yield	6.99	0.16	5.28	8.00	15.74	3.10	¥ per \$	143.63	143.61	141.04	111.29
Municipals (1-10)	2.87	0.11	2.67	1.87	7.44	0.53					

Key Rates							Levels				
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	Commodities	Last	1 Wk Ago	Prev YE	3 Yrs Ago
2-yr Treasury	3.64	3.59	4.76	4.25	5.05	0.28	Oil (WTI)	68.17	70.37	70.65	58.77
10-yr Treasury	3.78	3.75	4.40	3.88	4.57	1.49	Gasoline	3.22	3.21	3.12	3.19
30-yr Treasury	4.12	4.09	4.56	4.03	4.70	2.05	Natural Gas	2.92	2.61	2.51	5.87
3-mo. LIBOR	4.85	4.93	5.59	5.59	5.66	0.13	Gold	2635	2629	2063	1757
6-mo. CD rate	4.41	4.44	5.42	5.28	5.79	0.13	Copper	9173	9413	8464	8945
Prime Rate	8.00	8.00	8.50	8.50	8.50	3.25	Wheat	584	583	628	726
30-yr fixed mortgage	6.68	6.67	7.26	6.99	7.74	3.18	BBG Index	239.69	236.41	226.43	215.17

LAST WEEK IN REVIEW

- **S&P Flash PMIs (Sept.):** Manufacturing – 47, Services - 55, continuing year-long trend of manufacturing contraction, services expansion.
- **Conf. Board Consumer Confidence (Sept.):** 98.7 vs. 103.3 month prior. Confidence over job market continues to weaken.
- **PCE & PCE Price Index (Sept.):** Personal income and spending decelerated in September from one month ago. Headline inflation (0.1% MoM, 2.2% YoY) and core inflation (0.1% MoM, 2.7% YoY) confirmed progress on slowing inflation.

THIS WEEK

- **JOLTs Job Openings (Aug.):** 10/01
- **ISM Manufacturing (Sept.):** 10/01
- **ISM Services (Sept.):** 10/03
- **Payrolls and Unemployment (Sept.):** 10/04

S & P SECTOR RETURNS

