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MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

USA ECONOMIC REVIEW

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GROSS DOMESTIC PRODUCT

In the Second quarter of 2023, real gross domestic product (GDP) grew at an annual rate of 2.4%, according to the Bureau of Economic Analysis' "advance" estimate. The real GDP increased by 2.0% in the first quarter.

The rise in real GDP was due to higher private inventory investment, consumer spending, federal, state, and local government expenditure, as well as non-residential fixed investment; however, these increases were somewhat offset by lower residential fixed investment and exports. Imports , which are deducted from the GDP calculation, declined. Higher farm and nonfarm inventories led the increase in private inventory investment. Spending by consumers went up as a result of rising prices for both products and services. Health care, housing and utilities, insurance, financial and transportation services lead the increase in services. Recreational goods, automobiles, and their components (energy goods) were the main contributor in terms of commodities. The increase in spending by state and local governments was mostly due to an increase in employee remuneration and general structural investments. A rise in intellectual property, structures and equipment accounted for higher non-residential fixed investments.

In the second quarter of 2023 current-dollar GDP increased by $305.2 billion (4.7%) at an annual rate to $26.84 trillion, relative to a $391.8 billion increase (6.1%) in the first quarter.

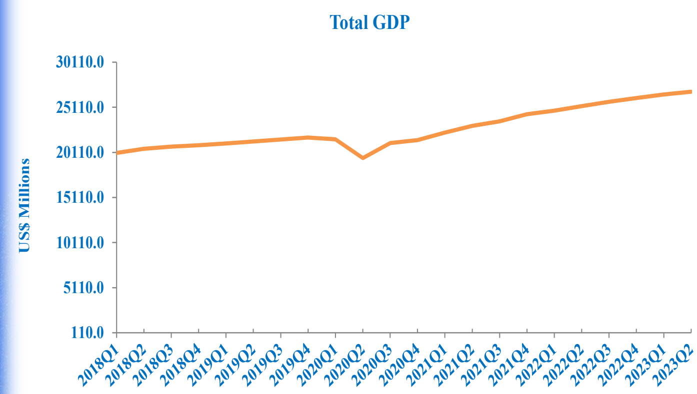
The price index for gross domestic purchases increased by 1.9% in the second quarter of 2023 versus a 3.8% increase in the first quarter.

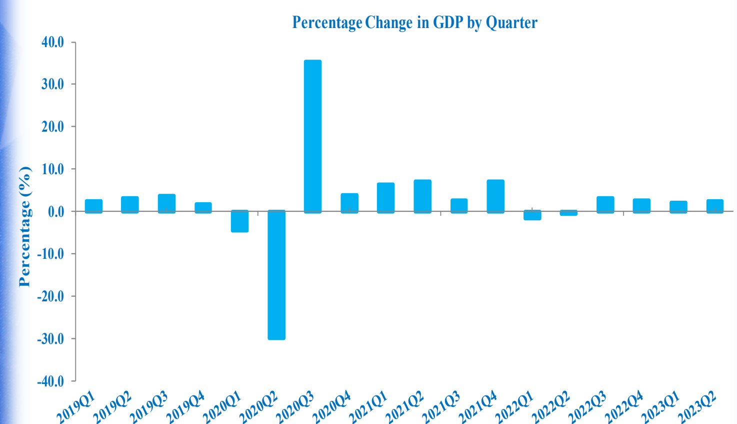
The Personal Consumption Expenditure (PCE) price index rose 2.6%, relative to a 4.1% increase. However, with the exclusion of food and energy prices , the PCE increased 3.8% versus a 4.9% increase.

Personal Income

Relative to the first quarter hike of $278.0 billion, current-dollar personal income increased $236.1 billion in the second quarter. Increases in remuneration (driven by private earnings and salaries), social benefits provided by the government, and both personal interest and dividend income were the main factors contributing to the growth.

Comparing the second quarter to the first, disposable personal income rose by $248.2 billion, or 5.2%, in Q2 2023 as opposed to $587.9 billion, or 12.9% in Q1 2023. Compared to a growth of 8.5% in the first quarter, real disposable personal income rose by 2.5% in the current quarter. In comparison to the first quarter's $840.9 billion, personal saving totalled $869.5 billion in the second quarter. In the second quarter, the personal saving rate increased from the first quarter's 4.3% to 4.4% as a proportion of disposable personal income.





UNEMPLOYMENT

According to the U.S. Bureau of Labour Statistics report, nonfarm payroll employment expanded overall by 187,000 in July, while the unemployment rate remained stable at 3.5 percent. Health care, financial activities, wholesale trade and social assistance all saw notable job growth.

Since March 2022, the unemployment rate has been stuck in a small range of 3.5 percent to 3.7 percent, having slightly changed to 3.5 percent in July. In July, the number of unemployed people changed slightly to 5.8 million.

The unemployment rate for Asian, one of the main working groups, decreased to 2.1 percent in July. There was little to no change in the month-over-month unemployment rates for adult males (3.3%), adult women (3.1%), teens (11.3%), Blacks (5.8%), whites (3.1%), and Hispanics (4.4%).

In July, The number of long-term unemployed individuals (jobless for 27 weeks or more) was little changed at 1.2 million, accounting for 19.9 percent of all unemployed persons.

The labour force participation rate remained constant at 62.6 percent for the fifth consecutive month, and the employment-population ratio also remained relatively unchanged at 60.4 percent in July.

The number of persons employed part-time for economic reasons showed little change at 4.0 million. These individuals preferred full-time employment but were working part-time due to reduced hours or inability to find full-time jobs.

In July, there were 5.2 million persons not in the labour force who desired a job but were not actively looking for work during the preceding four weeks or were unavailable to take a job.

Among those not in the labour force but wanting a job, approximately 1.4 million were marginally attached to the labour force, indicating they were available and had looked for work within the past 12 months but not within the previous four weeks. The number of discouraged workers, a subset of the marginally attached who believed no jobs were available for them, remained relatively stable at 335,000 in July.

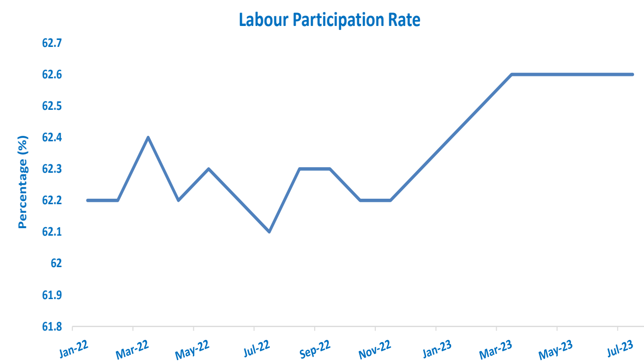
Overall, the employment situation in July showed little change in various key indicators, such as unemployment rates, the number of employed individuals, and the labour force participation rate.

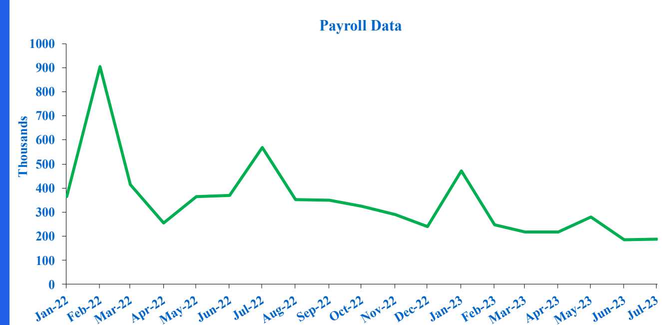
In July, total nonfarm payroll employment in the United States increased by 187,000, which is lower than the average monthly gain of 312,000 over the previous 12 months. Job gains were seen in various sectors, including health care (+63,000), social assistance (+24,000), financial activities (+19,000), wholesale trade (+18,000), and construction (+19,000). Employment in other services (+20,000) and leisure and hospitality (+17,000) showed little change, while professional and business services saw a slight decline (-8,000).

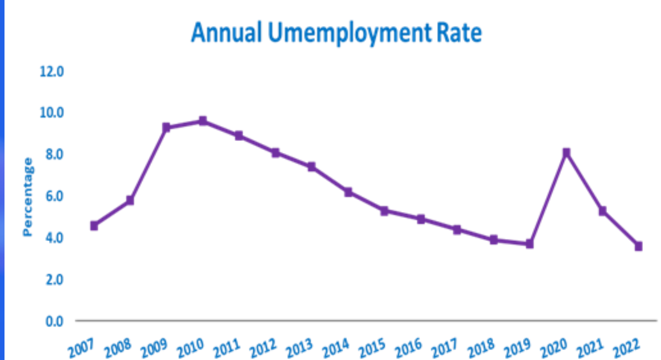
The average hourly earnings for all employees on private nonfarm payrolls rose by 14 cents (0.4 percent) to $33.74, with a 4.4 percent increase over the past 12 months. For private-sector production and nonsupervisory employees, average hourly earnings rose by 13 cents (0.5 percent) to $28.96.

The average workweek for all employees on private nonfarm payrolls edged down by 0.1 hour to 34.3 hours in July, with manufacturing and production workers' workweeks remaining relatively unchanged.

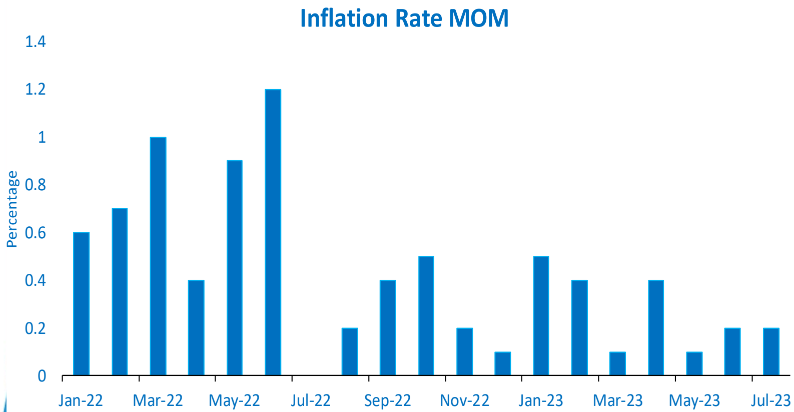
Overall, there was moderate job growth in key industries, with some sectors showing stability, while others experience fluctuations. Average earnings have increased, but workweek hours have seen slight adjustments.

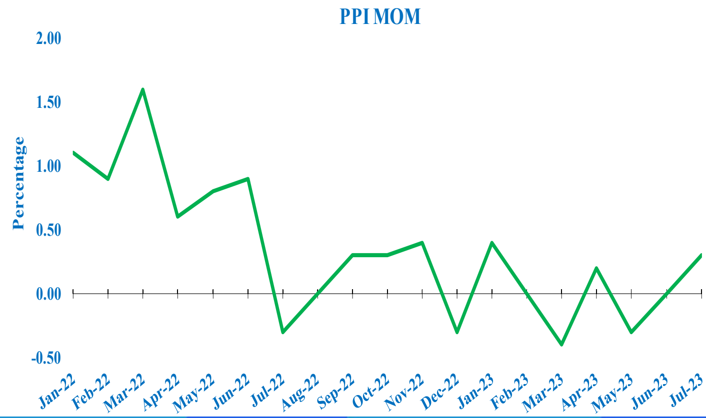






Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,245	415,632	417,897	420,260
2015	422,315	424,437	426,384	428,478
2016	430,274	431,909	434,140	435,666
2017	437,459	439,149	440,678	442,045
2018	444,009	446,147	447,655	448,953
2019	450,526	451,990	453,308	454,873
2020	455,413	401,105	421,623	427,697
2021	430,841	435,499	441,557	447,474
2022	452,540	456,132	459,994	462,837
2023	465,734	467,814	-	-





CONSUMER PRICE INDEX

The U.S. Bureau of Labour Statistics, reported that the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent on a seasonally adjusted basis in July, the same increase as in June. Before seasonal adjustment, the all items index rose 3.2 percent over the previous 12 months.

Shelter was by far the biggest factor in the monthly increase in all categories, more than offsetting rises in the indexes for motor vehicle insurance. The food index climbed by 0.2% during the course of the month, while the index for food consumed at home increased by 0.3%. The major energy component indexes were mixed, and of this, the energy index saw a 0.1 percent increase.

After increasing 0.2 percent in June, the index for all products excluding food and energy increased by the same in July. Shelter, motor vehicle insurance, education, and recreation all saw increases in June and July. Among the indexes that fell over the course of the two months were those for used vehicles and trucks, medical care, communication and airline tickets.

The increase in the all-items index for the 12 months ending in July was 3.2 percent, which was slightly higher than the 3.0 percent increase in June. Over the past 12 months, the index for all items minus food and energy increased by 4.7%. The food index grew 4.9% percent over the past year, while the energy index increased 12.5%.

Food

The food index increased by 0.2 percent in July, after being unchanged in June. In July, the food at home index increased 0.3%. Four of the six main food group indexes from grocery stores have risen this month. In July, the index for fish, poultry, meats, and eggs gained 0.5 percent, while the index for beef increased 2.4 percent. While the index for non-alcoholic beverages held firm in July, the index for other meals consumed at home increased by 0.2 percent over the month.

Energy

The energy index rose 0.6 percent in June before increasing 0.1 percent in July. Following a 1.0-percent increase in June, the gasoline index rose 0.2 percent over the course of the month. (Prices of gasoline increased 0.6% in July prior to seasonal adjustment.) Following five consecutive monthly decreases, the natural gas index increased 2.0 percent over the course of the month. In July, the electricity index fell by 0.7 percent.

All items less food and energy

In both June and July, the index for all products except food and energy increased by 0.2 percent. The shelter index increased by the same rate as it did last month, 0.4 percent. The owners' equivalent rent index increased by 0.5 percent while the rent index increased by 0.4 percent during the course of the month. Following a decrease of 2.0% in June, the index for lodging away from home dropped by 0.3% in July. The monthly increase in the index for all products except food and energy was mostly driven by the shelter index, while the other components varied between gains and losses.

PRODUCER PRICE INDEX

The Producer Price Index for final demand rose 0.3 percent in July after being seasonally adjusted. Prices on final demand remained stable in June and fell 0.3% in May. The index for final demand climbed 0.8 percent for the 12 months ended in July on an unadjusted basis.

In July, the final demand services index surged by 0.5 percent, the biggest jump since August 2022. Notably, prices for final demand services, excluding trade, transportation, and warehousing, increased by 0.3 percent. Final demand trade service margins rose by 0.7 percent, while transportation and warehousing services index also went up by 0.5 percent.

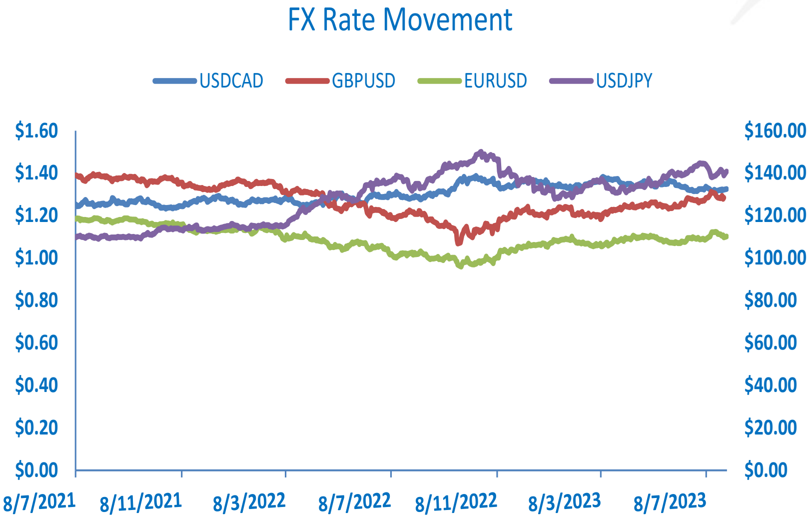
In July, the index for final demand, excluding foods, energy, and trade services, rose by 0.2 percent, marking the most substantial monthly increase since February's 0.3-percent uptick. Over the twelve months ending in July, prices for final demand, excluding foods, energy, and trade services, grew by 2.7 percent.

In July, prices for final demand goods increased by 0.1 percent, driven by a 0.5 percent rise in final demand foods index. Prices for final demand goods excluding foods and energy, as well as final demand energy, remained unchanged.

U.S. DOLLAR

As of the end of July 2023 the US dollar has strengthened against the Pound, Euro and Cad, closing the month at GBPUSD 1.2854, EURUSD 1.1024 and CAD 1.3251 respectively. The US dollar weakened against the Japanese Yen, closing the month at USDCAD 140.76.

“Following the release of positive data showing growth in the U.S economy, the dollar surged on the closing days of July. This suggests that the highly anticipated recession is less likely in the second half of this year. Additionally, the Federal Reserve hiked interest rates at its latest July 2023 meeting and could continue to do so through the year in light of stronger economic numbers across the board,” Yahoo Finance highlighted.

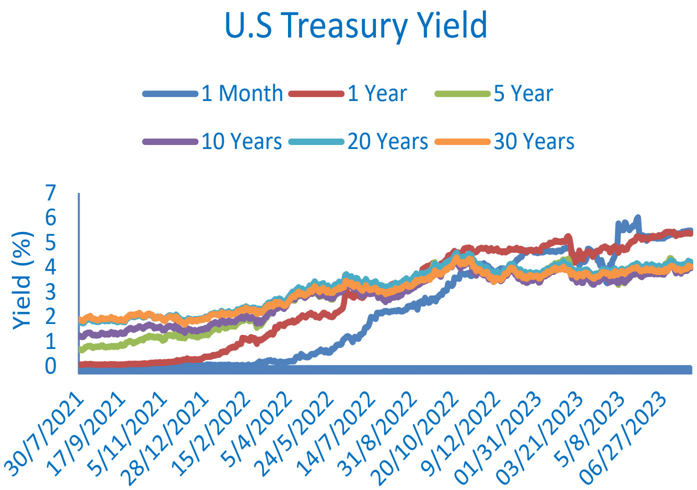


U.S. TREASURY YIELD CURVE

Treasury Par Yield curves closed July 2023 at the following rates:

- 1 month: 5.48%,
- 1 year: 5.37%
- 5 year: 4.18%
- 10 year: 3.97%
- 20 year: 4.22%
- 30 year: 4.02%

In recent times, the U.S Treasury yield curve has been steep. This is illustrated with an inverted yield curve whereby bonds of longer maturities provide a lower yield. At the beginning of July, the yield for a two-year U.S government bond was 4.94%, while the yield for a ten-year bond was 3.86%. This is also reflective of financial markets uncertainty and investor’s expectation for lower long-term interest rates.



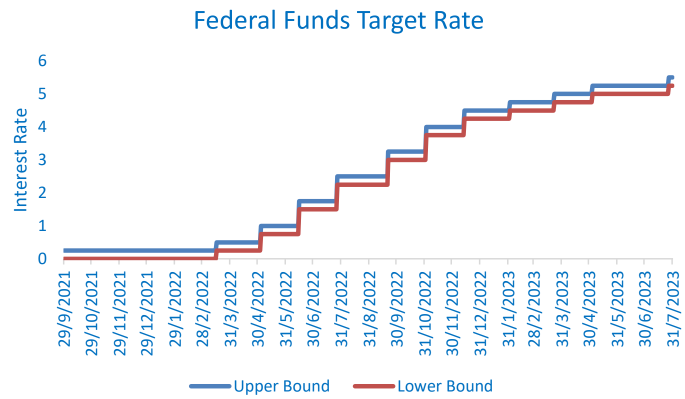
GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first ten months of fiscal year 2023 was $1.6 trillion, which is $891 billion higher than the deficit seen during the same time in fiscal year 2022. In comparison to the period from October through to July of fiscal year 2022, revenues were $418 billion (or 10%) lower and expenses were $473 billion (or 10%) higher. As a result of certain payments totalling $63 billion being moved from October 1, 2022 (the start of fiscal year 2023) to October 1, 2022 (the first day of fiscal year 2022), which fell on a weekend, expenditures in fiscal year 2023 declined.

Budget Totals, October 2022 –July 2023
Billions of Dollars

	Actual, FY 2022	Preliminary, FY 2023	Estimated Change
Receipts	4,105	3,687	-418
Outlays	4,831	5,304	473
Deficit (-)	-726	-1,617	-891

FEDERAL RESERVE MINUTES



In July's monetary policy meeting, several monetary policy actions were discussed by members of the FOMC. Members discussed current economic conditions, highlighting modest economic expansion, strong job gains, low unemployment, and elevated inflation. The banking system was deemed sound, but tighter credit conditions could impact economic activity, hiring, and inflation with uncertain effects. The goal remains maximum employment and 2% inflation. The federal funds rate target was maintained at 5-5¼ percent for now, with future policy adjustments based on economic and financial factors. The reduction of Federal Reserve holdings and commitment to achieving 2% inflation were affirmed. Flexibility in policy adjustment based on incoming information and potential risks was emphasized, considering labor market, inflation, and international developments.

The Federal Reserve Bank of New York has been authorized and directed by the Committee to carry out transactions in the SOMA in line with the following domestic policy directive, until otherwise directed:

- undertake open market operations as necessary to maintain the federal funds rate in a target range of 5 to 5¼ percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 5.25 percent and with an aggregate operation limit of $500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 5.05 percent and with a per-counterparty limit of $160 billion per day.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of $60 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in each calendar month that exceeds a cap of $35 billion per month.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
- Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions.

GLOBAL ECONOMIC REVIEW

Forecast Highlights

As per Fitch Solutions Global Market forecast, global growth prospects in the near term have improved once again, driven by resilient consumption and job creation in the US, a swift resurgence in services activity due to China's reopening, and better-than-expected expansion in emerging markets excluding China. The projected global growth for 2023 has been upgraded to 2.4%, a 0.4 percentage point increase, although this still signifies a deceleration from the 2.7% growth seen in 2022. However, the outlook dims for 2024, with a downward revision to 2.1% from the previous 2.4% forecast due to more challenging base effects in emerging markets after robust recoveries this year. This revision also reflects the belief that the impact of US and European monetary policy tightening on aggregate demand is taking longer than initially foreseen

Emerging markets (EM) have experienced significant upward revisions to their 2023 growth forecasts, driven by stronger-than-anticipated first-quarter GDP performance in key economies including China, Brazil, Russia, India, and Mexico. China's swift easing of pandemic restrictions led to a substantial surge in activity in 1Q23, although recent indicators like property and exports have shown some weakening. Despite this, the normalization of consumption from tight levels in 2022 continues due to declining unemployment and gradually recovering household confidence. Chinese authorities are taking assertive measures to ease policy, including expected cuts in banks' reserve requirement ratios. While momentum may slow in the latter part of the year, achieving a 5.6% annual GDP growth seems feasible. Although the property sector's recovery remains uncertain, signs of stabilization are emerging, with reduced unsold housing inventory compared to 2015.

During the first quarter of 2023, Brazil experienced a substantial economic expansion, attributed to a robust harvest and boosted by domestic demand stemming from a strong labour market and fiscal relaxation. While sustaining this pace is doubtful, the growth forecast for 2023 has been revised up to 2.3% from 0.7% in the previous March assessment. India's economy has displayed comprehensive strength, with a 6.1% year-on-year increase in 1Q23 GDP and continued strength in indicators like auto sales, PMI surveys, and credit growth. Consequently, the fiscal year ending in March 2024 (FY23-24) is projected to see a 6.3% growth, up by 0.3 percentage points. Mexico's economy is benefiting from tight labour markets, confident consumers, and robust remittance inflows, with an expected policy rate cut by Banxico further supporting the economy, leading to a 2.5% growth forecast for 2023. Russia's economy is on track for moderate growth this year, as the 1Q23 GDP decline was less severe than anticipated, business and consumer surveys improved, and credit growth began recovering.

The initial projection of a US recession beginning in the third quarter of 2023 has proven premature, given the sustained strength in job growth and consumer spending extending into the second quarter. However, the anticipation of tighter credit conditions, a decline in business investment, increased pressure on the savings ratio, and a slowdown in exports is still expected to lead to contraction in the fourth quarter of 2023 and the first quarter of 2024. In the UK, economic growth remained slightly positive in the first quarter of 2023, but a recession is anticipated to take hold in the second quarter due to the impact of higher mortgage interest rates on household debt servicing. Although the UK's GDP is forecasted to experience an annual decline in 2023—a unique situation among the Fitch 20—this contraction will likely be less severe than previously anticipated in March.

Regarding the eurozone, aggregate GDP forecasts remain unchanged. While a partial alleviation of the natural gas crisis is offset by more aggressive monetary policy tightening, the region faced a modest recession in the fourth quarter of 2022 and the first quarter of 2023 due to the terms-of-trade shock affecting real incomes and disrupting industrial production, particularly in Germany. Despite this, employment levels have held up, and both Italy and Spain have shown surprising resilience in their growth. These countries are poised to benefit from increased investment from NextGeneration EU (NGEU) initiatives and the recovery of international tourism.

Policy Rates Higher for Longer

The Federal Reserve (Fed), after increasing rates by 25bp in February, March, and May, held the rate in June then raised it once more in July. At its latest meeting, the Fed hinted at the need for additional increases in the future. Forecasts anticipate another 25bp hike in September, indicating a federal funds rate of 5.75%. Similarly, the European Central Bank (ECB) raised rates by 25bp in July, signalling a likely further increase in September, potentially reaching a MRO rate of 4.5%. The Bank of England (BOE) is expected to raise rates as well, reaching 5.50%. With rate hikes also projected in Australia, Canada, and Switzerland, interest rate predictions for developed economies have been revised upward for end-2023, except for Japan. Emerging markets show a mixed scenario, with rate projections lowered for several countries. Anticipated rate cuts by the Fed and ECB are not foreseen until 2024, keeping end-2024 rates above previous estimates.

Global outlook as at July 2023

The Fight against Inflation Continues

Global inflation varies with easing trends but lingering high levels, impacted by energy, food prices, and supply chain normalization. Core inflation remains above central banks' targets due to factors like past shocks, strong wages, and weak productivity growth. Central banks are tightening policies in response. Some economies have low core inflation due to prolonged service demand restrictions. China's inflation is below target, leading to policy rate cuts; Bank of Japan maintains near-zero rates.

Tight Credit Availability

In March 2023, quick action by authorities contained a banking scare, limited to certain US and Swiss banks. Since April 2023, global financial conditions improved, indicating reduced banking sector concerns. Despite this, tight monetary policy is straining banks through higher funding costs and credit risks. US and European banks curtailed credit access in Q1 2023, with declining corporate and commercial real estate loans.

China’s recovery falters

China's manufacturing and service consumption rebounded as strict lockdown measures were lifted, with net exports benefiting from supply chain normalization. However, real estate slump hampers investment, foreign demand is low, and high youth unemployment (20.8% in May 2023) signals labor market challenges. Recent data shows Q2 2023 momentum decline.