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MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

USA ECONOMIC REVIEW

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GROSS DOMESTIC PRODUCT

According to the "advance" estimate of the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 4.9% in the third quarter of 2023. The real GDP increased by 2.1% in the second quarter.

The rise in real GDP reflected increases in consumer spending, private inventory investment, exports, state and local government spending, federal government spending, and residential fixed investment that were partly offset by a decline in non-residential fixed investment. Imports, which are deducted in the calculation of GDP, increased. Higher consumer spending reflected increases in both services and goods divisions. Within services, the leading contributors were housing and utilities, health care, financial services and insurance, and food services and accommodations. Within goods, the leading contributors to the increase were other nondurable goods as well as recreational goods and vehicles. The increase in private inventory investment reflected increases in manufacturing and retail trade. Within non-residential fixed investment, a decrease in equipment was partly offset by increases in intellectual property products and structures.

Compared to the second quarter, the rise in real GDP in the third quarter primarily reflected increases in consumer spending, private inventory investment, and federal government spending and also a rise in exports and residential fixed investment. These movements were partly offset by a decline in non-residential fixed investment and a deceleration in state and local government spending. Imports turned up.

In the third quarter of 2023 current-dollar GDP increased by $560.5 billion (8.5%) at an annual rate to $27.62 trillion, relative to a $249.4 billion (3.8%)increase in the second quarter.

The price index for gross domestic purchases increased by 3.0% in the third quarter of 2023, relative to an increase of 1.4% in the second quarter.

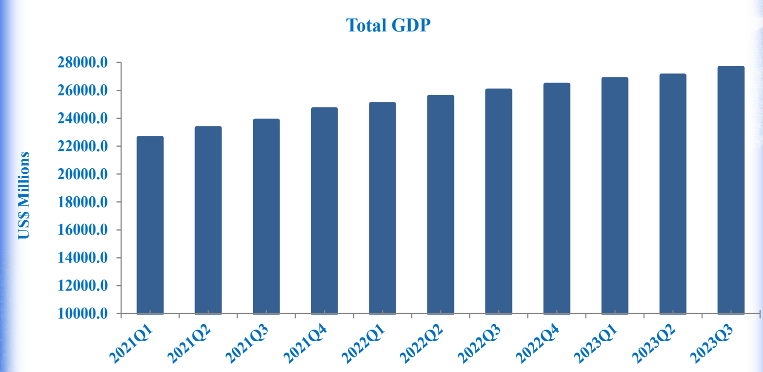
The personal consumption expenditures (PCE) price index rose 2.9 percent, compared with an increase of 2.5 percent. However, with the exclusion of food and energy prices, the PCE increased 2.4%, relative to an increase of 3.7%.

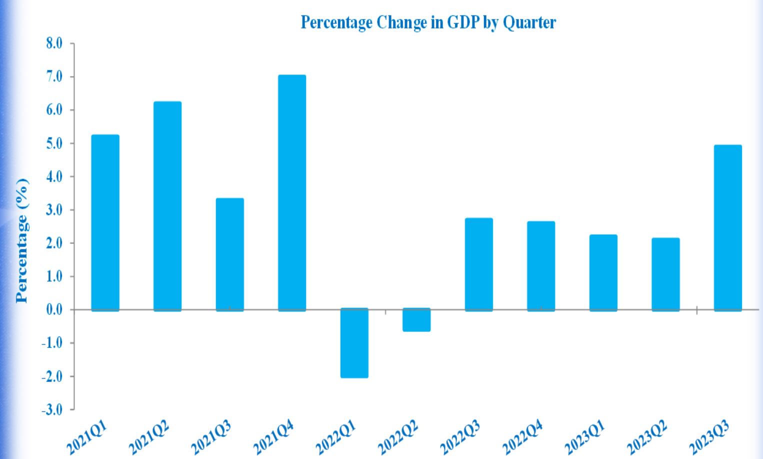
Personal Income

Current-dollar personal income increased $199.5 billion in the third quarter, relative to an increase of $239.6 in the second quarter. Increases in compensation, proprietors' income, personal income receipts on assets, and rental income were the main factors contributing to the growth, while personal current transfer receipts decreased to party offset the movement.

Disposable personal income rose by $95.8 billion, or 1.9%, in Q3 2023, compared to an increase of $296.5 billion, or 6.1%, in Q2 2023. Real disposable personal income decreased by 1.0%, relative to an increase of 3.5%.

Personal saving was $776.9 billion in the third quarter, compared with $1.04 trillion in the second quarter. The personal saving rate as a proportion of disposable personal income was 3.8% versus 5.2% in the second quarter.





UNEMPLOYMENT

In October, total nonfarm payroll employment in the United States increased by 150,000, and the unemployment rate remained largely unchanged at 3.9 percent. Job gains were observed in the health care, government, and social assistance sectors, while employment in manufacturing decreased due to strike activity. The U.S. Bureau of Labor Statistics reported these findings based on two monthly surveys: the household survey, which assesses labour force status, including unemployment by demographic characteristics, and the establishment survey, which measures nonfarm employment, hours, and earnings by industry.

Household Survey Data

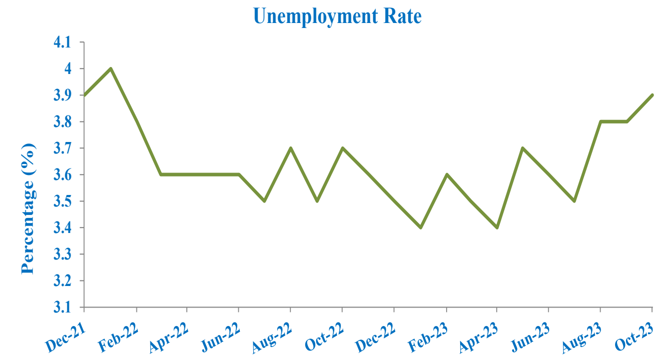
In October, the U.S. unemployment rate remained at 3.9 percent, with 6.5 million unemployed individuals. These figures have increased slightly since their lows in April, rising by 0.5 percentage points and 849,000, respectively. Unemployment rates for different demographic groups showed little change in October, with adult men at 3.7 percent, adult women at 3.3 percent, teenagers at 13.2 percent, Whites at 3.5 percent, Blacks at 5.8 percent, Asians at 3.1 percent, and Hispanics at 4.8 percent. The number of permanent job losers increased by 164,000 to reach 1.6 million in October, while the number of individuals on temporary layoff remained stable at 873,000. The number of long-term unemployed (jobless for 27 weeks or more) saw little change at 1.3 million, accounting for 19.8 percent of all unemployed persons. The labour force participation rate and the employment-population ratio remained largely unchanged at 62.7 percent and 60.2 percent, respectively. There were 4.3 million individuals employed part-time for economic reasons, which means they preferred full-time work but were working part-time due to reduced hours or the inability to find full-time employment. Additionally, there were 5.4 million persons not in the labour force who wanted a job, and 1.4 million of them were marginally attached to the labour force. These individuals wanted to work and had looked for a job sometime in the prior 12 months but had not actively searched for work in the past four weeks. The number of discouraged workers, a subset of the marginally attached who believed that no jobs were available for them, remained steady at 416,000.

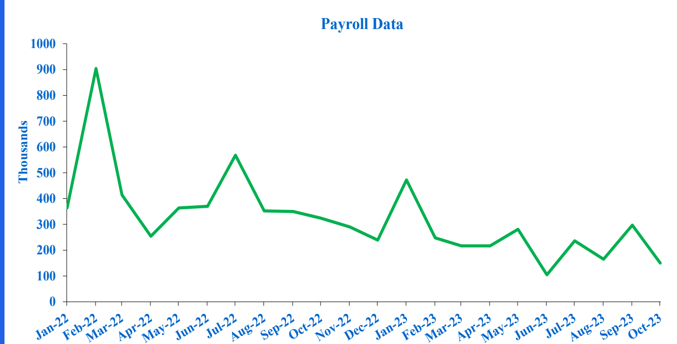
Establishment Survey Data

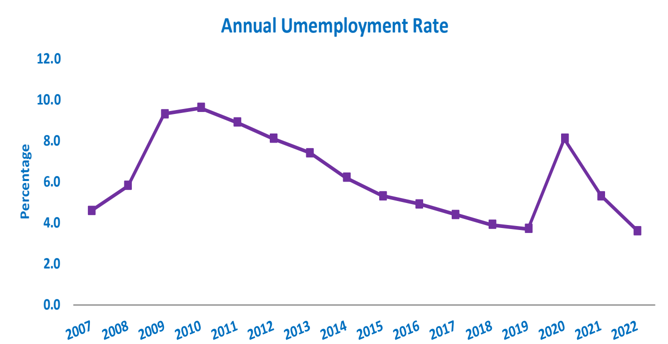
In October, total nonfarm payroll employment in the United States increased by 150,000 jobs, which was below the average monthly gain of 258,000 jobs over the previous 12 months. Job gains were observed in the health care sector (58,000 jobs), government (51,000 jobs), and social assistance (19,000 jobs). Construction employment also increased (23,000 jobs), while manufacturing employment declined by 35,000 jobs, primarily due to a strike-related decrease in motor vehicle and parts production. In the leisure and hospitality industry, employment remained relatively stable in October, with a gain of 19,000 jobs, whereas the industry had been adding an average of 52,000 jobs per month over the previous year. Employment in professional and business services showed minimal change in October (+15,000 jobs) and has seen little net change since May. Temporary help services employment remained largely unchanged (+7,000 jobs) but was still below its peak in March 2022 by 229,000 jobs.

Transportation and warehousing employment had little change in October (-12,000 jobs) and has shown little net change over the year. Information employment also saw little change (-9,000 jobs), with the motion picture and sound recording industry experiencing a continued decline (-5,000 jobs). Across various other major industries such as mining, quarrying, and oil and gas extraction; wholesale trade; retail trade; financial activities; and other services, employment remained relatively stable in October.

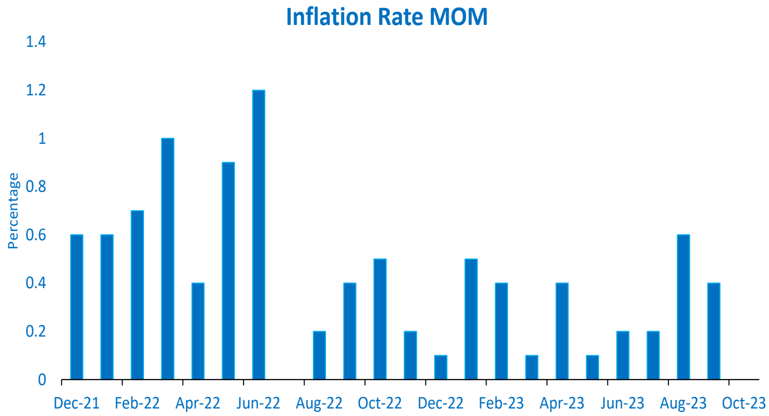
Average hourly earnings for all employees on private nonfarm payrolls increased by 7 cents (0.2 percent) to reach $34.00 in October. Over the past 12 months, average hourly earnings have risen by 4.1 percent. For private-sector production and nonsupervisory employees, average hourly earnings increased by 10 cents (0.3 percent) to $29.19. The average workweek for all employees on private nonfarm payrolls slightly decreased by 0.1 hour to 34.3 hours in October.

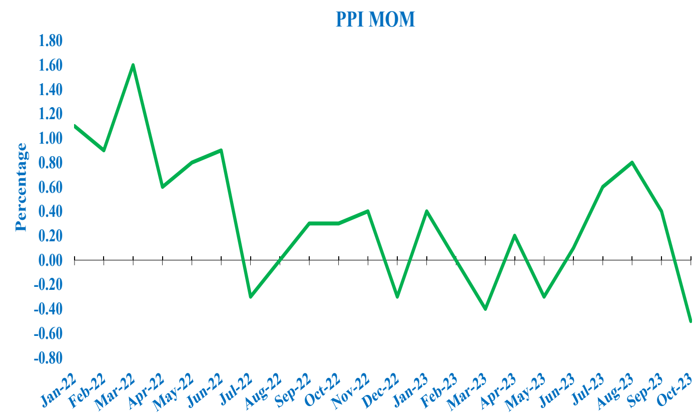






Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,245	415,632	417,897	420,260
2015	422,315	424,437	426,384	428,478
2016	430,274	431,909	434,140	435,666
2017	437,459	439,149	440,678	442,045
2018	444,009	446,147	447,655	448,953
2019	450,526	451,990	453,308	454,873
2020	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	467,734	469,560	-





CONSUMER PRICE INDEX

According to the U.S. Bureau of Labor Statistics' report, the Consumer Price Index for All Urban Consumers (CPI-U) remained unchanged in October on a seasonally adjusted basis, following a 0.4 percent increase in September. Over the past 12 months, the all items index rose by 3.2 percent before seasonal adjustment, showcasing a slower increase compared to the previous period.

In October, the rise in the shelter index offset a decline in the gasoline index, resulting in the overall index being unchanged for the month. The energy index experienced a notable 2.5 percent decline, mainly due to a 5.0-percent drop in the gasoline index, despite increases in other energy component indexes. The food index increased by 0.3 percent in October, with food at home rising by 0.3 percent and food away from home increasing by 0.4 percent.

Excluding food and energy, the index for all items increased by 0.2 percent in October, slightly lower than the 0.3 percent rise in September. Among the categories that saw increases in October were rent, owners' equivalent rent, motor vehicle insurance, medical care, recreation, and personal care. Conversely, indexes for lodging away from home, used cars and trucks, communication, and airline fares decreased during the month.

Over the 12 months ending in October, the overall all items index rose by 3.2 percent, showing a smaller increase compared to the 3.7 percent increase for the 12 months ending in September. Meanwhile, the all items index, excluding food and energy, increased by 4.0 percent over the last year, marking its smallest 12-month change since September 2021. The energy index decreased by 4.5 percent for the 12 months ending in October, while the food index increased by 3.3 percent over the same period.

PRODUCER PRICE INDEX

The U.S. Bureau of Labor Statistics released data indicating a 0.5 percent decline in the Producer Price Index (PPI) for final demand in October, following a 0.4 percent increase in September. This marks the most significant decrease in final demand prices since April 2020, reflecting a seasonally adjusted pattern. On an unadjusted basis, the index for final demand showed a 1.3 percent increase over the 12 months ending in October.

The decline in October was largely driven by a substantial 1.4 percent fall in the index for final demand goods, while prices for final demand services remained unchanged during the same period.

Excluding the impact of foods, energy, and trade services, the index for final demand showed a modest 0.1 percent increase in October, marking the fifth consecutive monthly rise. Over the 12 months ending in October, prices for final demand, excluding foods, energy, and trade services, moved up by 2.9 percent, indicating a continued but relatively moderate upward trend.

Final Demand Goods

In October, prices for final demand goods experienced a notable decline of 1.4 percent, marking the first decrease since a 1.5 percent fall in May. The primary contributor to this decline was the substantial drop of 6.5 percent in the index for final demand energy. Prices for final demand foods also saw a decrease, falling by 0.2 percent. However, the index for final demand goods excluding foods and energy showed a slight increase of 0.1 percent.

Final Demand Services

In October, prices for final demand services remained unchanged, marking the end of six consecutive months of increases. Notably, there was a 1.5 percent increase in the index for final demand transportation and warehousing services, along with a 0.1 percent rise in prices for final demand services excluding trade, transportation, and warehousing. These increases balanced out a 0.7 percent decline in margins for final demand trade services, where trade indexes measure changes in margins received by wholesalers and retailers.

U.S. DOLLAR

Over the course of October 2023, the US dollar has strengthened against the CAD and the Pound, closing the month at USDCAD 1.3829 and GBPUSD 1.2166, respectively. However, relative to the EUR and the YEN, the dollar has weekended, closing October at EURUSD 1.0615 and USDJPY 149.11, respectively.

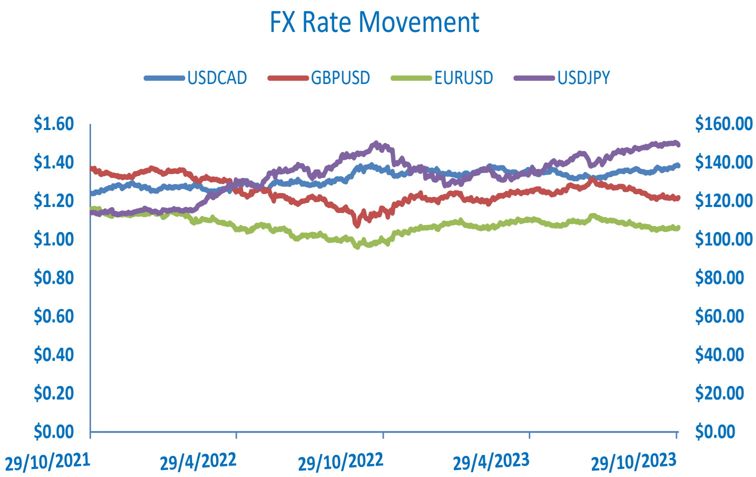
According to FX Empire, “The US Dollar weakened after the Federal Reserve decided to keep interest rates unchanged, signaling a possible halt to rate hikes due to a balanced approach amid rising risks, as seen in declining US Treasury yields. The dollar index reacted with a dip of 0.1% to 106.41, while other major currencies like the euro, Swiss franc, and yen saw upward movements. The yen, in particular, rebounded after the Bank of Japan relaxed its yield curve control policy earlier this week.”

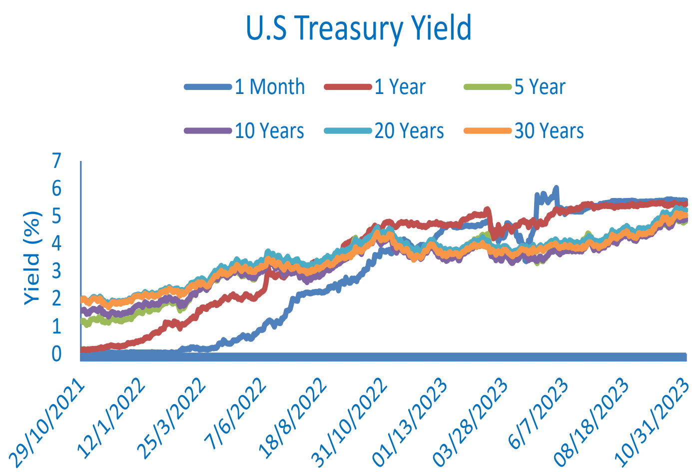
U.S. TREASURY YIELD CURVE

Treasury Par Yield Curve Rates closed October 2023 at the following rates:

- 1 month: 5.56%
- 1 year: 5.44%
- 5 years: 4.82%
- 10 years: 4.88%
- 20 years: 5.21%
- 30 years: 5.04%

Throughout October 2023, the U.S Treasury yield curve continued to slope downward. This shows that bonds of longer maturities are currently providing a lower yield, relative to short term bonds. As at October 31, 2023, the yield for a one-year U.S government bond was 5.56%, as opposed to 4.88%, 5.21% and 5.04% being the yield for a ten-year, twenty-year and thirty-year bond, respectively.





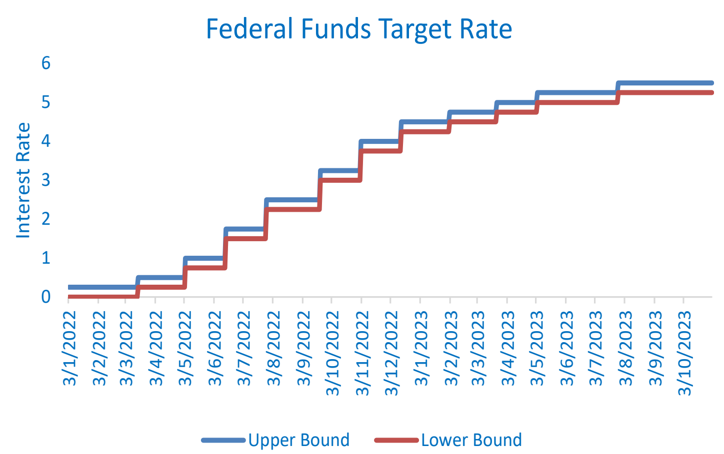
GOVERNMENT DEBT/ DEFICIT

The federal budget deficit for fiscal year 2023, which concluded on September 30th, totalled approximately $1.7 trillion. This reflects an increase of $320 billion (or 23 percent) from the shortfall recorded in the previous year. Revenues and outlays alike declined from 2022 totals—revenues fell by 9 percent, or $457 billion, and outlays decreased by 2 percent, or $137 billion. The 2023 deficit was equivalent to 6.3 percent of the nation's gross domestic product (GDP). That deficit is greater than the 50-year average of 3.7 percent and has been exceeded only six times since 1946. Relative to the economy's size, federal debt increased in 2023 to 97.3 percent of GDP from 95.8 percent of GDP at the end of fiscal year 2022.

Budget Totals, Fiscal Year 2023 Billions of Dollars			
	Actual, FY 2022	Preliminary, FY 2023	Estimated Change
Receipts	4,896	4,439	-457
Outlays	6,272	6,134	-138
Deficit (-)	-1,376	-1,695	-319

FEDERAL RESERVE MINUTES

In the recent monetary policy meeting, members of the MPC acknowledged a robust expansion in economic activity during the third quarter, though job gains had moderated. The unemployment rate remained low, while inflation remained elevated. Members recognized the soundness and resilience of the U.S. banking system but expressed concerns about the potential impact of tighter financial and credit conditions on economic activity, hiring, and inflation, noting uncertainty about the extent of these effects. Committed to achieving maximum employment and 2 percent inflation over the longer run, members opted to maintain the federal funds rate target range at 5¼ to 5½ percent. They pledged to assess incoming information and its implications for monetary policy, considering the cumulative tightening of policy, lags in its effects, and economic and financial developments. Additionally, they agreed to continue reducing the Federal Reserve's holdings of securities. Emphasizing a strong commitment to returning inflation to the 2 percent objective, members committed to monitoring various indicators, including labor market conditions and international developments, and expressed readiness to adjust monetary policy as needed to address emerging risks to the Committee's goals.



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 5¼ to 5½ percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 5.5 percent and with an aggregate operation limit of $500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 5.3 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.

The Global Economy

The global economy has been facing multiple challenges, including the impact of the pandemic, Russia's invasion of Ukraine, and a cost-of-living crisis. Despite these disruptions and the turmoil in energy and food markets due to the war, as well as significant global efforts to combat high inflation, the global economy has not come to a standstill. However, the recovery has been slow and uneven, and there are noticeable divergences among countries. In essence, the global economy is showing resilience but is far from running at full speed.

Global economic activity hit its lowest point at the end of the previous year, and there is gradual progress in controlling both headline and underlying (core) inflation. Nevertheless, a complete return to pre-pandemic growth trends seems increasingly unlikely, particularly for emerging market and developing economies. The road to recovery remains challenging, and the global economy is still struggling to regain its pre-pandemic momentum, suggesting that the journey ahead will continue to be a slow and uncertain one.

Forecast Highlights

According to the IMF latest projections, global economic growth is expected to slow down in the coming years. After reaching 3.5 percent in 2022, global growth is forecasted to decline to 3 percent in the current year and further to 2.9 percent in the following year, marking a 0.1 percentage point downgrade for 2024 compared to previous projections made in July. This trajectory indicates that global economic performance will remain well below the historical average, reflecting ongoing challenges and uncertainties in the global landscape.

In terms of inflation, headline inflation is on a decelerating path, dropping from 9.2 percent in 2022 to 5.9 percent in the current year and further to 4.8 percent in 2024, measured on a year-over-year basis. Core inflation, which excludes food and energy prices, is also expected to decline, albeit at a more gradual pace compared to headline inflation, reaching 4.5 percent in 2024. These trends suggest a gradual easing of inflationary pressures, aligning with a scenario referred to as a "soft landing," where inflation is brought under control without triggering a major downturn in economic activity.

These projections indicate a relatively stable economic environment, particularly in the United States, where the increase in unemployment is expected to be modest, with a forecasted rise from 3.6 to 3.9 percent by 2025. This suggests that policymakers are aiming for a balance between controlling inflation and sustaining economic growth, aiming for a smooth transition that avoids sharp disruptions in the economy. However, the overall global economic outlook remains uncertain, with many factors at play that could influence these projections as events unfold in the coming years.

Policy Rates Movement

The U.S. Federal Reserve (Fed), has consecutively maintained its policy rate at its meeting ended November 1, 2023, with the target range standing at 5.25%-5.50%. Although the decision was widely anticipated, The fed expressed discontent with the progress on the inflation front, suggesting that further hikes are on the horizon. Similarly, The Bank of England (BOE) also maintained its bank rate, holding firm at 5.25% on November 2, 2023. This followed 14 consecutive meetings from December 2021 to August 2023 where rates were increased. Also, The European Central Bank holds interest rates steady at 4% in October, following 10 consecutive hikes that began in July 2022. The ECB reiterated its view that the current rate levels if held for a sufficiently long duration can bring inflation to target.

Australia, Switzerland, Canda, and Japan were among other developed states that opted to hold its policy rate steady in October. Similarly, many developing economies have took a cautious approach to monetary policy in October.

U.S. Economic Outlook

Economy has 'Moderated'

In the Fed's post-meeting statement, it was highlighted that economic activity in the third quarter expanded strongly, reflecting robust growth compared to the previous statement in September, which described the economy as expanding at a "solid pace." The statement also acknowledged that while employment gains had moderated from earlier in the year, they remained robust. Gross domestic product (GDP) grew at an annualized rate of 4.9% in the third quarter, exceeding even high expectations, and nonfarm payrolls added 336,000 jobs in September, surpassing Wall Street's predictions.

The Federal Reserve's decision to maintain interest rates reflects a backdrop of slowing inflation compared to the rapid pace seen in 2022 and a surprisingly resilient labour market, with a focus on rebalancing supply and demand in the job market. Even as core inflation has decreased to 3.7%, it remains significantly above the Fed's 2% target. The Fed's post-meeting statement suggests confidence in the overall strength of the economy, which could potentially lead to a more prolonged tightening of monetary policy.

Surging bond yields

The recent surge in Treasury yields, reaching levels not seen since the early days of the 2007 financial crisis, can be attributed to several factors. These include stronger-than-expected economic growth, persistent high inflation, a hawkish Federal Reserve, and an elevated "term premium" in the bond market. The rise in yields reflects a decrease in investor appetite for Treasurys, which are typically considered one of the largest and most liquid markets globally. As a result, investors are demanding higher yields as compensation for the increased risk associated with holding longer-duration fixed income securities, contributing to the current bond yield surge.