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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 "second" estimate of the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 3.2% in the fourth quarter of 2023. The real GDP increased by 4.9% in the third quarter.

The rise in real GDP reflected increases in consumer spending, exports, state and local government spending, non-residential fixed investment, federal government spending, and residential fixed investment that were partly offset by a decrease in private inventory investment. Imports increased.

Compared to the third quarter of 2023, the deceleration in real GDP in the fourth quarter primarily reflected a downturn in private inventory investment and slowdowns in federal government spending, residential fixed investment, and consumer spending. Imports decelerated.

Current dollar GDP increased 4.9 percent at an annual rate, or $334.5 billion, in the fourth quarter to a level of $27.94 trillion, an upward revision of $5.8 billion from the previous estimate.

The price index for gross domestic purchases increased 1.9 percent in the fourth quarter, the same as in the previous estimate.

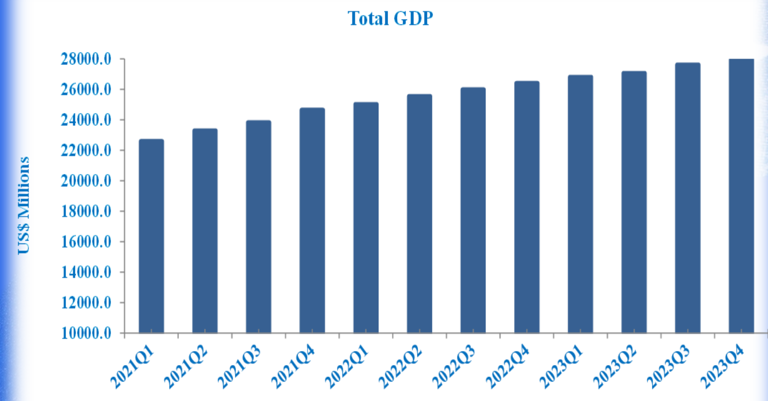
The personal consumption expenditures (PCE) price index increased 1.8 percent, an upward revision of 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 2.1 percent, an upward revision of 0.1 percentage point.

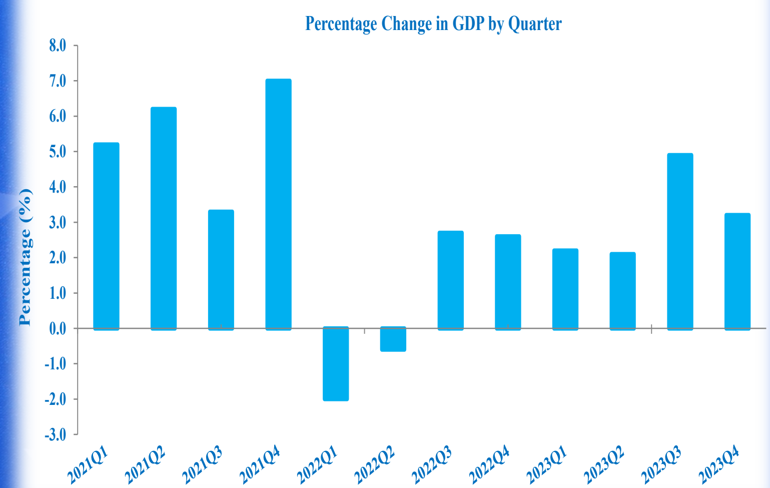
Personal Income

Current-dollar personal income increased $219.5 billion in the fourth quarter, a downward revision of $5.4 billion from the previous estimate. The increase primarily reflected increases in compensation, personal income receipts on assets, and proprietors' income that were partly offset by a decrease in personal current transfer receipts.

Disposable personal income rose $202.5 billion, or 4.0 percent, in the fourth quarter, a downward revision of $9.2 billion from the previous estimate. Real disposable personal income increased 2.2 percent, a downward revision of 0.3 percentage point.

Personal saving was $809.2 billion in the fourth quarter, a downward revision of $22.4 billion from the previous estimate. The personal saving rate—personal saving as a percentage of disposable personal income—was 3.9 percent in the fourth quarter, a downward revision of 0.1 percentage point.





EMPLOYMENT SITUATION

In February, total nonfarm payroll employment in the United States increased by 275,000 jobs, according to the U.S. Bureau of Labor Statistics. However, the unemployment rate also rose slightly to 3.9 percent. Job gains were observed across various sectors including health care, government, food services and drinking places, social assistance, and transportation and warehousing. This suggests a robust labour market with growth in several key industries, despite a slight uptick in unemployment. The U.S. Bureau of Labor Statistics reported these findings based on two monthly surveys: the household survey, which assesses labor force status, including unemployment by demographic characteristics, and the establishment survey, which measures nonfarm employment, hours, and earnings by industry.

Household Survey Data

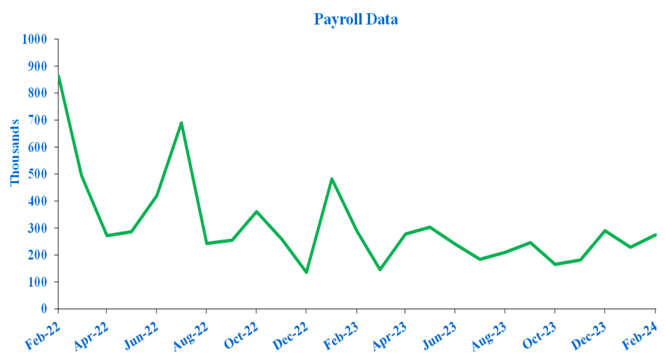
In February, the unemployment rate in the United States rose by 0.2 percentage points to 3.9 percent, with the number of unemployed individuals increasing by 334,000 to 6.5 million. A year prior, the unemployment rate stood at 3.6 percent, with 6.0 million people unemployed. Among major worker groups, the unemployment rates for adult women and teenagers increased during the month, while rates for adult men, Whites, Asians, and Hispanics remained relatively stable. The jobless rate for Blacks saw a slight increase. Notably, there was an increase in the number of permanent job losers, rising by 174,000 to reach 1.7 million individuals. The count of individuals on temporary layoff remained relatively stable at 827,000. Additionally, the number of long-term unemployed (27 weeks or more) remained largely unchanged at 1.2 million, constituting 18.7 percent of all unemployed individuals.

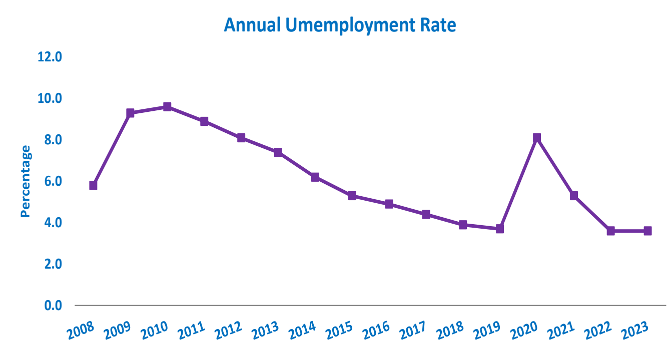
key labour market indicators in the United States remained relatively stable in February. The labour force participation rate held steady at 62.5 percent for the third consecutive month, while the employment-population ratio showed little change at 60.1 percent, mirroring figures from the previous year. The number of individuals employed part-time for economic reasons remained unchanged at 4.4 million, reflecting those who desired full-time employment but were working part-time due to reduced hours or inability to secure full-time positions.

Establishment Survey Data

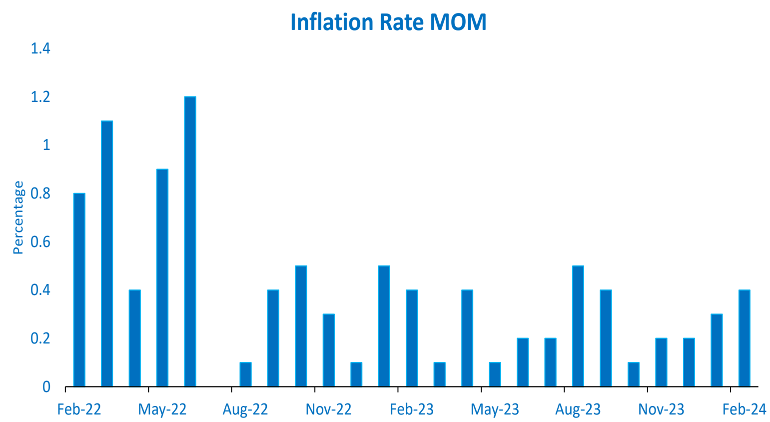
In February, total nonfarm payroll employment in the United States saw a robust increase of 275,000 jobs, surpassing the average monthly gain of 230,000 over the past year. Key sectors driving this growth included health care, which added 67,000 jobs, with notable gains in ambulatory health care services, hospitals, and nursing and residential care facilities. Government employment rose by 52,000, largely driven by local government excluding education and federal government positions. Job gains were also observed in food services and drinking places (+42,000), social assistance (+24,000), transportation and warehousing (+20,000), and construction (+23,000). Despite these gains, retail trade employment remained relatively stable, while several other major industries showed little change in employment levels.

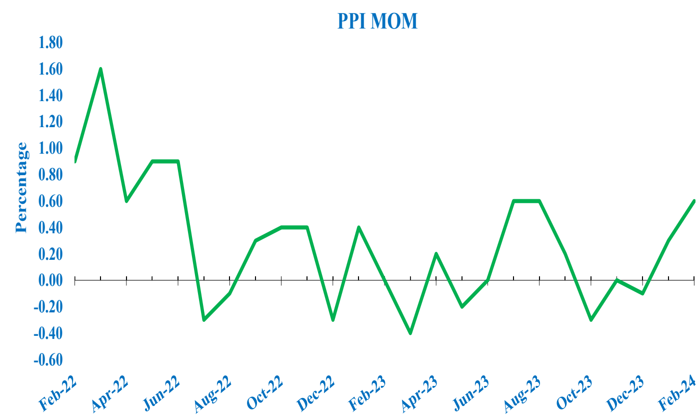
In February, average hourly earnings for all employees on private nonfarm payrolls in the United States saw a modest increase of 5 cents to $34.57, following a more substantial rise of 18 cents in January. This represented a 0.1 percent uptick in February and a 4.3 percent increase over the year. Similarly, average hourly earnings for private-sector production and nonsupervisory employees edged up by 7 cents to $29.71, reflecting a 0.2 percent increase. Additionally, the average workweek for all employees on private nonfarm payrolls increased slightly by 0.1 hour to 34.3 hours, rebounding from a decline in January. Within manufacturing, the average workweek remained stable at 39.9 hours, with a slight increase in overtime to 3.0 hours.





Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,248	415,631	417,897	420,258
2015	422,318	424,436	426,384	428,477
2016	430,273	431,909	434,140	435,667
2017	437,460	439,150	440,678	442,042
2018	444,001	446,149	447,658	448,951
2019	450,423	452,086	453,447	454,916
2020	455,252	401,116	421,834	427,772
2021	430,633	435,459	441,693	447,526
2022	452,260	455,918	459,855	462,343
2023	465,039	467,298	469,299	471,193





CONSUMER PRICE INDEX

In February, the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.4 percent on a seasonally adjusted basis, following a 0.3 percent increase in January, according to the U.S. Bureau of Labor Statistics. Over the past year, the all items index climbed by 3.2 percent before seasonal adjustment.

There were notable increases in the shelter and gasoline indexes, which collectively accounted for over sixty percent of the overall increase in the index for all items. Specifically, the shelter index rose, alongside an increase in the gasoline index. The energy index experienced a 2.3 percent rise due to increases across all its component indexes. However, the food index remained unchanged, with both the food at home and food away from home indexes showing minimal changes.

The index for all items excluding food and energy rose by 0.4 percent, consistent with the increase observed in January. Notable increases were observed in several sectors, including shelter, airline fares, motor vehicle insurance, apparel, and recreation. However, there were decreases in the index for personal care and household furnishings and operations.

Over the twelve months leading up to February, the all items index saw a notable increase of 3.2 percent, slightly higher than the 3.1 percent increase observed for the twelve months ending in January. The all items index, excluding food and energy, experienced a more significant rise of 3.8 percent over the same period. Notably, the energy index decreased by 1.9 percent over the twelve months ending in February, while the food index saw an increase of 2.2 percent during the same period. Overall, while there was a general upward trend in prices, the rate of increase varied across different sectors, with energy prices experiencing a decline while food prices rose modestly.

PRODUCER PRICE INDEX

In February, the Producer Price Index for final demand in the United States increased by 0.6 percent, continuing a trend from January where it rose by 0.3 percent after a slight decrease of 0.1 percent in December 2023. This marks the largest rise in the index since September 2023, with a 1.6 percent increase over the 12 months ending in February. The surge in final demand prices was predominantly driven by a 1.2 percent increase in prices for final demand goods, while prices for final demand services experienced a more modest uptick of 0.3 percent.

The index for final demand excluding foods, energy, and trade services increased by 0.4 percent, following a 0.6 percent rise in January. Over the 12 months ending in February, prices for final demand excluding these components surged by 2.8 percent.

Final Demand Goods

In February, prices for final demand goods surged by 1.2 percent, marking the largest increase since August 2023, when it rose by 1.7 percent. A significant portion of this broad-based rise, nearly 70 percent, was attributable to the index for final demand energy, which jumped by 4.4 percent. Additionally, prices for final demand goods excluding foods and energy increased by 0.3 percent, while prices for final demand foods rose by 1.0 percent.

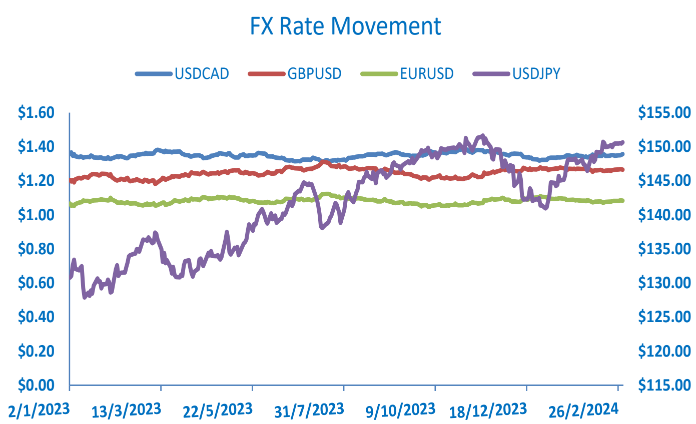
Final Demand Services

In February, prices for final demand services increased by 0.3 percent, following a 0.5 percent rise in January. Leading this uptick was the index for final demand services excluding trade, transportation, and warehousing, which advanced by 0.5 percent. Additionally, prices for final demand transportation and warehousing services rose by 0.9 percent during the period. However, margins for final demand trade services experienced a decline of 0.3 percent. These fluctuations indicate varying price movements within the services sector, reflecting changes in demand, costs, and market dynamics, which collectively contribute to the overall inflationary landscape.

U.S. DOLLAR

As at the end of February 2024, the US dollar has strengthened against the Canadian dollar (1.31%), the Pound (0.26%), the Euro (0.04%), and the Japanese Yen (2.23%). The dollar closed on February 29, 2024, at USDCAD 1.3578, GBPUSD 1.2663, EURUSD 1.0839, USDJPY 150.66.

FX Daily highlighted, "The U.S. dollar experienced a significant decline in the first week of march due to falling U.S. Treasury yields amid growing expectations of imminent interest rate cuts by the Federal Reserve. Fed Chairman Powell's remarks to Congress, indicating cautious optimism about inflation, combined with mixed U.S. employment data, fueled speculation of a rate cut as early as June, boosting the odds to 57%. However, upcoming February inflation data could swiftly alter market sentiment. If the figures surpass expectations, as seen in January, bullish sentiment may resurface, indicating potential volatility ahead for the currency markets."

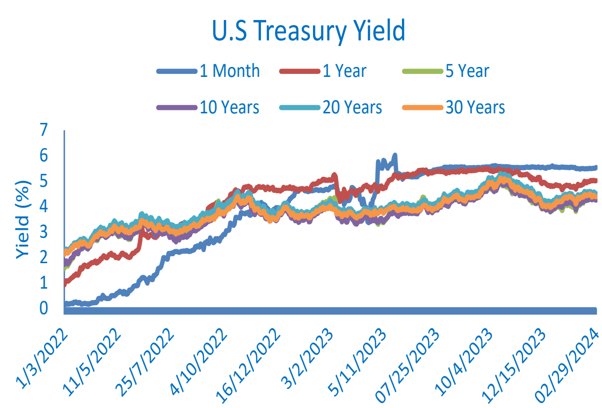


U.S. TREASURY YIELD CURVE

Treasury Par Yield Curve Rates closed February 2024 at the following rates:

- 1 month: 5.53%
- 1 year: 5.01%
- 5 years: 4.26%
- 10 years: 4.25%
- 20 years: 4.51%
- 30 years: 4.38%

U.S. Treasury yields surged following a hotter-than-anticipated wholesale inflation report, raising concerns among traders about potential shifts in Federal Reserve policy. The yield on the benchmark 10-year Treasury note climbed by 11 basis points to 4.298%, while the 2-year Treasury yield increased by approximately 6.5 basis points to 4.69%. The producer price index for February rose by 0.6%, with core PPI, excluding food and energy, gaining 0.3%, both surpassing economists' expectations. With the Fed's upcoming meeting, investors are eager for clues on the timing and extent of potential rate adjustments, although policymakers emphasize the need for further evidence of inflation returning to the target range before making any monetary policy changes. Earlier in the week, the consumer price index also exceeded expectations, reinforcing concerns about inflationary pressures.



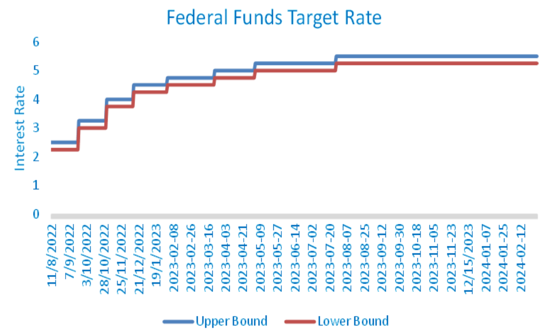
GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first five months of fiscal year 2024 was $830 billion, which is $108 billion more than the deficit seen during the same time last fiscal year. Although revenues this year were $121 billion (or 7 percent) higher, outlays rose more—by $228 billion (or 9 percent). Outlays in the first five months of each year were reduced by shifts of certain payments that otherwise would have been due on October 1, which fell on a weekend. (Those payments were made in September 2022 and September 2023, respectively). If not for those shifts, the deficit thus far would have been $903 billion, $117 billion more than the shortfall for the same period in fiscal year 2023. CBO currently projects a deficit of $1.5 trillion for fiscal year 2024, down from $1.7 trillion in fiscal year 2023.

Budget Totals, October - February Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	1,735	1,856	121
Outlays	2,458	2,686	228
Deficit (-)	-723	-830	-108

FEDERAL RESERVE MINUTES

In their recent meeting on monetary policy, members acknowledged solid economic expansion, with job gains remaining strong albeit moderated, and inflation staying elevated though having eased over the past year. They deemed risks to achieving employment and inflation goals to be better balanced, while expressing uncertainty about the economic outlook and remaining vigilant regarding inflation risks. The Committee decided to maintain the federal funds rate target range at 5¼ to 5½ percent, with a commitment to carefully assess data, the evolving outlook, and risk balance before considering adjustments. They also affirmed their commitment to returning inflation to 2 percent. Notably, they removed references to banking system resilience and future policy firming, suggesting the policy rate might be at its peak for this tightening cycle. They emphasized ongoing assessment of incoming information and the need for greater confidence in sustainable inflation before reducing the target range. At the conclusion of the discussion, the Federal Reserve Bank of New York was 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 is showing resilience in its recovery from the COVID-19 pandemic, despite challenges such as Russia's invasion of Ukraine and the cost-of-living crisis. Inflation, which peaked in 2022, is declining faster than anticipated, with minimal impact on employment and economic activity. This can be attributed to positive supply-side factors and proactive measures by central banks to maintain stable inflation expectations. However, the use of high interest rates to combat inflation and reduced fiscal support due to high debt levels are expected to dampen growth prospects for 2024.

Forecast Highlights

According to the IMF World Economic Outlook Update, Global economic growth is projected to reach 3.1 percent in 2024 and 3.2 percent in 2025, showing a slight improvement from previous forecasts due to better-than-expected performance in the United States and several major emerging economies, along with fiscal support in China. However, these figures still fall below the historical average. Factors contributing to this include high central bank policy rates aimed at curbing inflation, reduced fiscal support due to high debt levels, and sluggish productivity growth. Inflation is decreasing faster than anticipated across most regions, attributed to resolving supply-side issues and the implementation of restrictive monetary policies. Global headline inflation is forecasted to decline to 5.8 percent in 2024 and 4.4 percent in 2025, with the latter figure being revised downwards.

The global economic outlook suggests a reduced risk of a hard landing, with disinflation and steady growth. Risks to global growth are generally balanced, with potential upsides including faster disinflation leading to relaxed financial conditions and strong structural reforms boosting productivity. However, there are downside risks, such as commodity price spikes due to geopolitical tensions, supply disruptions, or prolonged inflationary pressures, which could maintain tight monetary conditions. Additional concerns include deepening property sector issues in China and potential disruptions from tax hikes and spending cuts elsewhere, which could lead to growth setbacks.

United States Outlook

In the United States, growth is projected to fall from 2.5 percent in 2023 to 2.1 percent in 2024 and 1.7 percent in 2025, with the lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand. For 2024, an upward revision of 0.6 percentage point since the October 2023 WEO largely reflects statistical carryover effects from the stronger-than-expected growth outcome for 2023.

Forces Shaping the Outlook

Growth resilient in major economies

Economic growth exceeded expectations in the latter half of 2023 in the US and several major emerging economies, fuelled by increased government and private spending, supported by real disposable income gains. Supply-side improvements, including increased labour force participation and resolution of supply chain issues, contributed to the upswing. However, growth remained subdued in the euro area due to weak consumer sentiment, high energy prices, and sluggish manufacturing and business investment. Low-income economies continue to struggle with significant output losses compared to pre-pandemic levels due to high borrowing costs.

High borrowing costs cooling demand

Major central banks raised interest rates in 2023 to combat inflation, leading to higher mortgage costs, challenges for debt refinancing, and tighter credit. Commercial real estate faced pressure amid structural changes post-pandemic. Despite inflation easing, long-term borrowing costs remain high due to rising government debt. Central banks' policies vary, with some, like Brazil and Chile, lowering rates since late 2023 due to falling inflation, while others, like China and Japan, maintain or ease rates.

Inflation subsiding faster than expected

Global inflation falls faster than expected due to improved supply conditions, especially in energy prices. Labor market dynamics ease, with increased labour supply and contained wage growth. Inflation expectations decrease in major economies, maintaining long-term stability.