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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 "third" estimate released by the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 1.4% in the first quarter of 2024. The real GDP increased by 3.4% in the fourth quarter of 2023.

The increase in real GDP primarily reflected increases in consumer spending, residential fixed investment, non-residential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the fourth quarter of 2023, the deceleration in real GDP in the first quarter of 2024 primarily reflected decelerations in consumer spending, exports, and state and local government spending and a decline in federal government spending. These movements were partly offset by an acceleration in residential fixed investment. Imports accelerated.

Current dollar GDP increased 4.5 percent at an annual rate, or $312.2 billion, in the first quarter to a level of $28.27 trillion, an upward revision of $13.2 billion from the previous estimate.

The price index for gross domestic purchases increased 3.1 percent in the first quarter, an upward revision of 0.1 percentage point from the previous estimate.

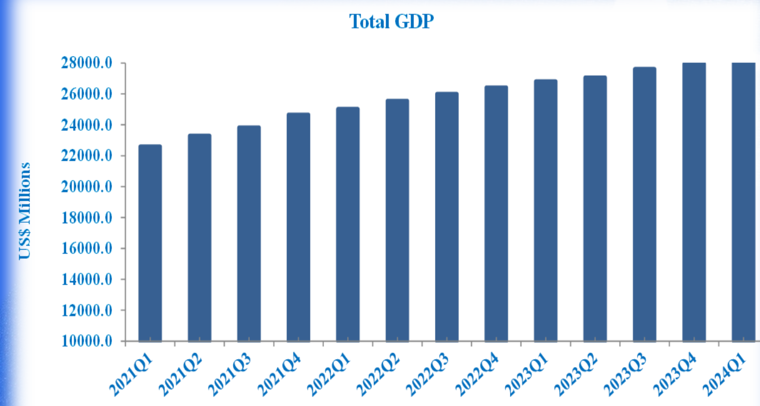
The personal consumption expenditures (PCE) price index increased 3.4 percent, a upward revision of 0.1 percentage point from the previous estimate. Excluding food and energy prices, the PCE price index increased 3.7 percent, a upward revision of 0.1 percentage point from the previous estimate.

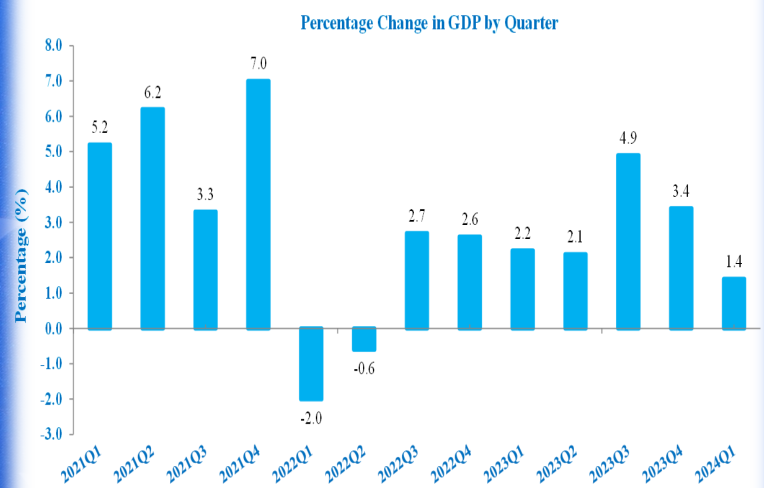
Personal Income

Current-dollar personal income rose $396.8 billion in the first quarter, a downward revision of $7.7 billion from the previous estimate. The increase in the first quarter primarily reflected increases in compensation.

Disposable personal income rose $240.2 billion, or 4.8 percent, in the first quarter, a downward revision of $26.6 billion from the previous estimate. Real disposable personal income increased 1.3 percent, a downward revision of 0.6 percentage point.

Personal saving was $777.3 billion in the first quarter, a downward revision of $19.3 billion from the previous estimate. The personal saving rate— personal saving as a percentage of disposable personal income—was 3.8 percent in the first quarter, the same as the previous estimate.





NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 206,000 in June, and the unemployment rate changed little at 4.1 percent. Notable, job gains occurred in government, health care, social assistance, and construction. 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 June, the U.S. labour market saw stable but elevated unemployment figures compared to a year ago. The unemployment rate remained unchanged at 4.1%, with 6.8 million people unemployed, slightly higher than the previous year's 3.6% rate and 6.0 million unemployed. Unemployment among adult women and Asians increased, while rates for adult men, teenagers, Whites, Blacks, and Hispanics showed minimal change. Long-term unemployment, defined as those jobless for 27 weeks or more, rose to 1.5 million, up from 1.1 million a year ago, constituting 22.2% of all unemployed individuals. The labour force participation rate and employment-population ratio remained steady at 62.6% and 60.1%, respectively, with no significant change over the year.

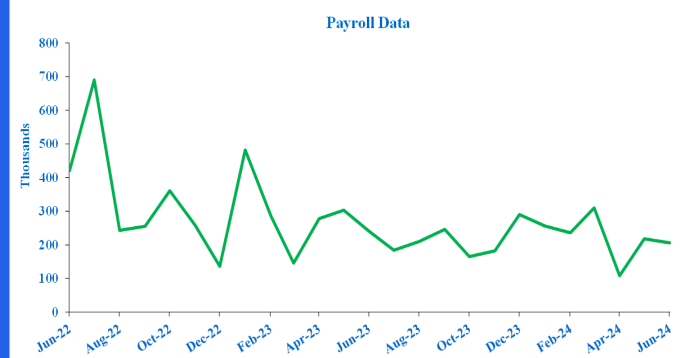
In June, the number of people employed part-time for economic reasons remained steady at 4.2 million, indicating a preference for full-time work despite reduced hours or inability to find full-time jobs. The count of those not in the labour force but desiring a job decreased by 483,000 to 5.2 million, though they were not classified as unemployed due to inactivity in job seeking or unavailability. Among these individuals, 1.5 million were marginally attached to the labour force, showing no significant change, while the number of discouraged workers, who believe no jobs are available for them, slightly decreased to 365,000.

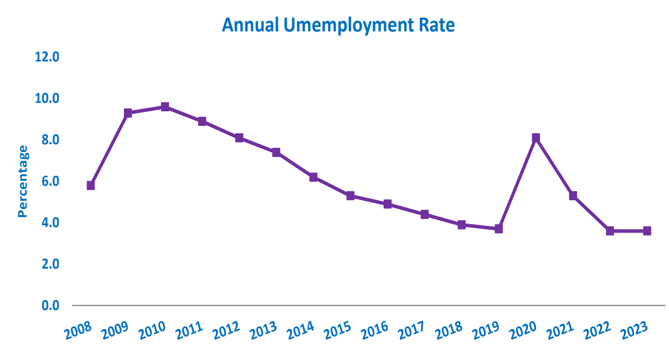
Establishment Survey Data

In June, total nonfarm payroll employment rose by 206,000, close to the 12-month average of 220,000. Significant job gains were seen in government (+70,000), health care (+49,000), social assistance (+34,000), and construction (+27,000). Government employment, particularly in local government excluding education and state government, saw a notable increase. Health care employment grew mainly in ambulatory services and hospitals. Social assistance and construction employment also saw higher-than-average increases. Retail trade employment declined slightly, while professional and business services saw little change, with a decline in temporary help services but a rise in professional, scientific, and technical services. Other major industries, including mining, manufacturing, and leisure and hospitality, showed little change in employment.

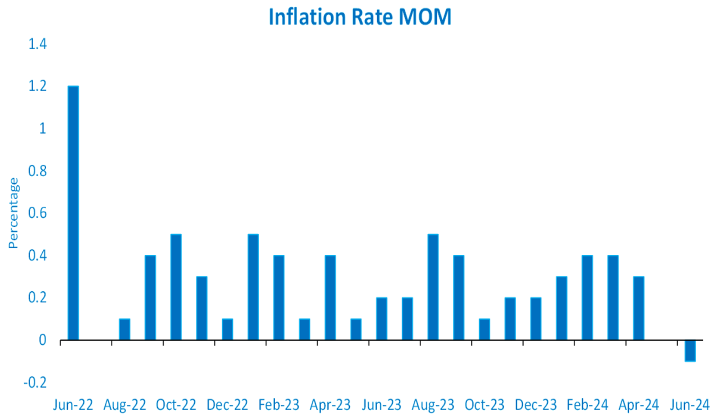
In June, average hourly earnings for all employees on private nonfarm payrolls rose by 10 cents, or 0.3%, to $35.00, marking a 3.9% increase over the past year. For private-sector production and nonsupervisory employees, average hourly earnings also increased by 10 cents, or 0.3%, to $30.05. The average workweek for all private nonfarm employees remained steady at 34.3 hours for the third consecutive month, while the manufacturing workweek held at 40.2 hours with 3.0 hours of overtime. The average workweek for production and nonsupervisory employees slightly decreased by 0.1 hour to 33.7 hours.

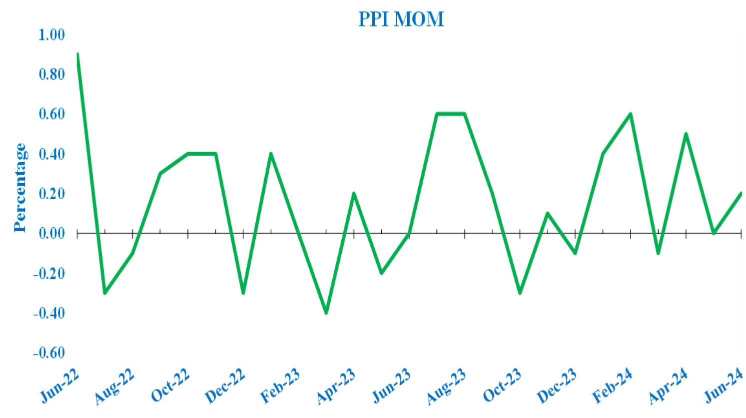
The total nonfarm payroll employment changes for April and May were revised downward, with April's figure adjusted from +165,000 to +108,000 (a decrease of 57,000) and May's figure from +272,000 to +218,000 (a decrease of 54,000). Combined, these revisions indicate that employment for the two months is 111,000 lower than previously reported. These adjustments are due to additional reports from businesses and government agencies and recalculations of seasonal factors.





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	471,150
2024	473,462	475,284	-	-





CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) declined by 0.1 percent on a seasonally adjusted basis, following a stable rate in May, according to the U.S. Bureau of Labor Statistics. Over the past 12 months, the all items index surged by 3.0 percent before seasonal adjustment.

In June, the index for gasoline fell by 3.8 percent, following a 3.6 percent decline in May, which more than offset the increase in shelter costs. The overall energy index dropped by 2.0 percent, mirroring the previous month's decline. Meanwhile, the food index rose by 0.2 percent, with the food away from home index increasing by 0.4 percent and the food at home index rising by 0.1 percent.

The index for all items excluding food and energy increased by 0.1 percent in June, a slight decrease from the 0.2 percent rise in the preceding month. Notable increases were seen in the indexes for shelter, motor vehicle insurance, household furnishings and operations, medical care, and personal care. However, the indexes for airline fares, used cars and trucks, and communication saw decreases during the month.

Over the 12 months ending in June, the all items index rose by 3.0 percent, down from the 3.3 percent increase for the 12 months ending in May. The index for all items less food and energy increased by 3.3 percent, marking the smallest 12-month rise since April 2021. The energy index saw a 1.0 percent increase, while the food index rose by 2.2 percent over the past year.

PRODUCER PRICE INDEX

In June, the Producer Price Index (PPI) for final demand increased by 0.2 percent on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. This follows an unchanged rate in May and a 0.5 percent increase in April. Over the 12 months ending in June, the unadjusted final demand index rose by 2.6 percent, the largest advance since the 2.7 percent uptick for the 12 months ended March 2023.

In June, the index for final demand saw an increase primarily driven by a 0.6 percent rise in prices for final demand services. However, this increase was offset by a 0.5 percent decrease in the index for final demand goods, indicating mixed trends within the overall demand sector.

When excluding foods, energy, and trade services, prices remained unchanged in June after a 0.2 percent increase in May. Over the past year, the index for final demand less these categories increased by 3.1 percent, highlighting ongoing inflationary pressures in certain sectors while showcasing stability in others.

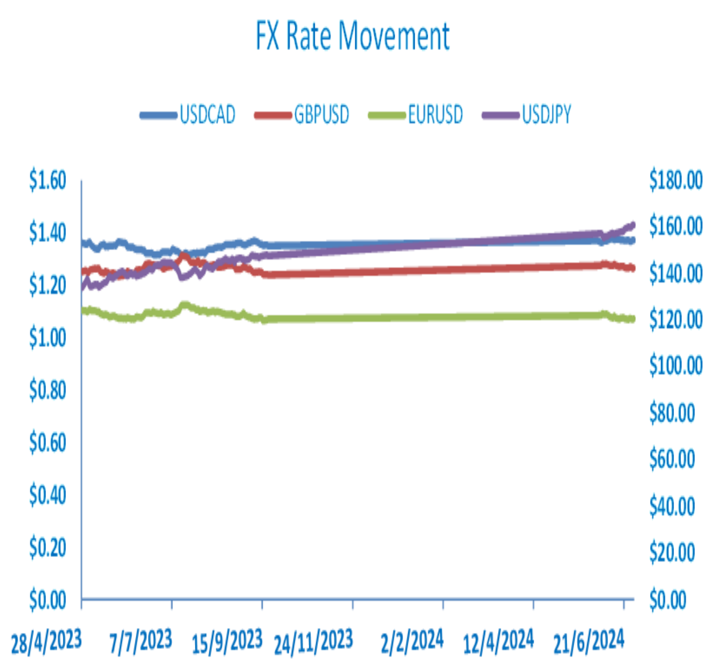
Product Details:

The index for final demand goods fell significantly, with over 60% of the decrease due to a 5.8% drop in gasoline prices. Additional declines were seen in processed poultry, residential electric power, diesel fuel, jet fuel, and fresh and dry vegetables. Conversely, chicken egg prices surged by 55.4%, and increases were noted in residential natural gas and aluminum base scrap. For final demand services, over a quarter of the June price increase was due to a 3.7% rise in margins for machinery and vehicle wholesaling. Other contributors included retailing of automobiles, fuels, lubricants, and computer products, as well as professional equipment wholesaling. However, prices fell for truck transportation of freight, partial residential real estate loans, and machinery parts and supplies wholesaling.

U.S. DOLLAR

As at the end of June 2024, the US dollar has strengthened against the Canadian dollar (+0.12%), the Great British Pound (0.67%), the Euro (1.17%) and the Japanese Yen (+2.38%). The US dollar closed on June 28, 2024, at USDCAD 1.3699, GBPUSD 1.2646, EURUSD 1.0708, USDJPY 160.69.

FXSTREET Daily highlighted, "The US dollar (USD) faced pressure after the June consumer price index revealed the slowest rise in underlying inflation in three years, prompting a decline in the Dollar Index (DXY) by 0.9%. Although it rebounded slightly in Asia trading, the report, indicating a monthly decline in headline CPI and minimal growth in core CPI, bolstered expectations for an imminent shift from the Federal Reserve towards rate cuts. Analysts predict the Fed will signal potential cuts at the upcoming FOMC meeting, contributing to a projected further decline in the USD, with expectations of reaching 103–104. Concerns over the US fiscal deficit and a deeper rate-cutting cycle are seen as challenges for the dollar in both the short and long term."

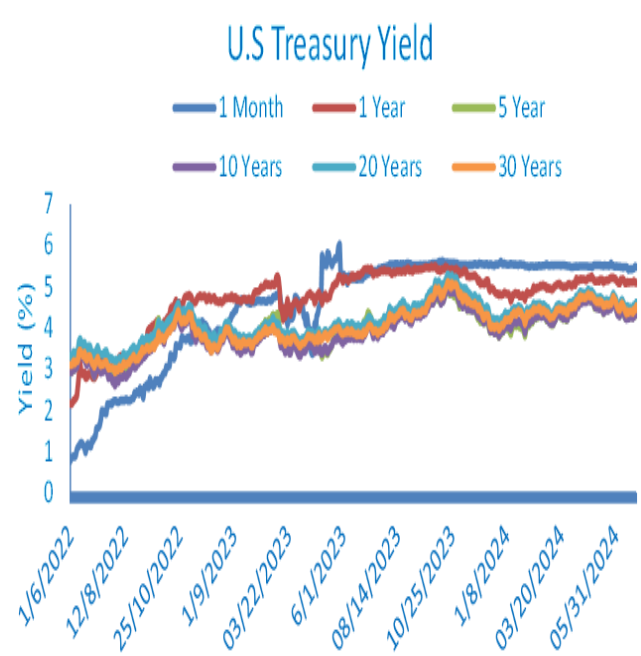


U.S. TREASURY YIELD CURVE

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

- 1 month: 5.47%
- 1 year: 5.09%
- 5 years: 4.33%
- 10 years: 4.36%
- 20 years: 4.61%
- 30 years: 4.45%

U.S. Treasury yields continued its downward trend from June following a dip in the June 2024 inflation data, indicating the Federal Reserve might lower interest rates this year. The 10-year Treasury yield dropped by 7.4 basis points to 4.205%, and the 2-year yield fell by 11.9 basis points to 4.511%. The June consumer price index (CPI) decreased by 0.1% from the previous month, bringing the annual rate to 3%, the lowest in over three years. Core CPI rose 0.1% monthly and 3.3% annually, both below expectations. This inflation improvement increased the likelihood of a September rate cut, with odds surpassing 80% according to the CME FedWatch Tool, although traders still anticipate no change at the upcoming Fed meeting. Federal Reserve Chair Jerome Powell expressed concerns about maintaining high rates for too long, suggesting potential economic harm.



GOVERNMENT DEBT/ DEFICIT

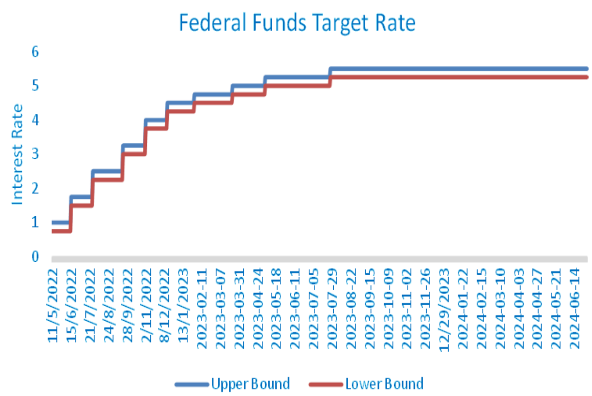
The Congressional Budget Office estimates that the federal budget deficit for the first nine months of fiscal year 2024 was $1.3 trillion, which is $118 billion less than the deficit seen during the same period last fiscal year. Revenues were $342 billion (or 10 percent) higher, while outlays were $225 billion (or 5 percent) higher from October through June than during the same period in fiscal year 2023.

Shifts in the timing of certain payments affect that comparison. Outlays in the first nine months of each fiscal year were reduced by shifts of some payments to September that otherwise would have been due on October 1, which fell on a weekend in both years. If not for that, the deficit so far in fiscal year 2024 would have been $22 billion less than the shortfall for the same period in fiscal year 2023.

Budget Totals, October - June Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	3,413	3,755	342
Outlays	4,806	5,030	224
Deficit (-)	-1,393	-1,275	118

FEDERAL RESERVE MINUTES

The Federal Reserve, in its meeting ended June 12, 2024, reports solid economic growth with strong job gains and low unemployment, though inflation remains elevated despite some recent progress toward their 2 percent target. The Fed decided to maintain the federal funds rate at 5.25 -5.5 percent, with no expected rate reductions until inflation trends more sustainably toward 2 percent. They will continue reducing holdings of Treasury and agency securities and remain vigilant, ready to adjust monetary policy as needed based on labor market conditions, inflation pressures, and other economic indicators.



On June 12, 2024, The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement, effective June 13, 2024:

- 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

Global trade and activity strengthened early in the year, driven by robust technology exports from Asia. Despite positive growth surprises in many countries relative to the April 2024 WEO, Japan and the United States faced notable slowdowns due to supply disruptions and moderating consumption, respectively. Europe showed recovery signs through improved services activity, while China's domestic consumption and temporary export surge boosted its economy. These developments have reduced output divergences across economies. However, global disinflation momentum has slowed, with persistent services inflation and brisk wage growth impacting policy decisions. The U.S. experienced a delay in policy normalization due to increased inflation, while other advanced economies like the euro area and Canada are progressing in the easing cycle. Emerging market central banks remain cautious about rate cuts due to external risks and currency depreciation against the dollar.

Forecast Highlights

Global growth is projected to align with the April 2024 World Economic Outlook forecast, at 3.2 percent in 2024 and 3.3 percent in 2025. Varied activity momentum has narrowed output divergences as economies align with potential. Services price inflation is hindering disinflation, complicating monetary policy normalization, and increasing inflation risks, potentially leading to prolonged higher interest rates amid rising trade tensions and policy uncertainty. To manage these risks and sustain growth, a carefully sequenced policy mix is necessary to achieve price stability and rebuild economic buffers.

Risks to the global outlook

Risks to the global economic outlook remain balanced, but some near-term risks have gained prominence. Upside risks to inflation arise from persistent services inflation and renewed trade or geopolitical tensions. High nominal wage growth and weak productivity may lead to sticky inflation, while escalating trade tensions could increase import costs. These factors raise the likelihood of prolonged higher interest rates, which could disrupt capital flows, impede monetary easing, and affect growth and financial stability. Election-related policy shifts could worsen debt dynamics and increase protectionism, while multilateralism and macrostructural reforms could enhance productivity and growth globally.

Forecast for Advanced Economies

Growth is expected to remain stable. At 3.2 percent in 2024 and 3.3 percent in 2025, the forecast for global economic growth is broadly unchanged from that in April. Under the hood, however, offsetting growth revisions have shifted the composition. Among advanced economies, growth is expected to converge over the coming quarters.

In the **United States**, projected growth is revised downward to 2.6 percent in 2024 (0.1 percentage point lower than projected in April), reflecting the slower-than-expected start to the year. Growth is expected to slow to 1.9 percent in 2025 as the labour market cools and consumption moderates, with fiscal policy starting to tighten gradually. By the end of 2025, growth is projected to taper to potential, closing the positive output gap.

In the **euro area**, activity appears to have bottomed out. In line with the April 2024 projection, a modest pickup of 0.9 percent is expected for 2024 (an upward revision of 0.1 percentage point), driven by stronger momentum in services and higher-than-expected net exports in the first half of the year; growth is projected to rise to 1.5 percent in 2025. This is underpinned by stronger consumption on the back of rising real wages, as well as higher investment from easing financing conditions amid gradual monetary policy loosening this year. Continued weaknesses in manufacturing suggest a more sluggish recovery in countries such as Germany.

In **Japan**, the strong shunto wage settlement is expected to support a turnaround in private consumption starting in the second half. But the expectation for 2024 growth is revised downward by 0.2 percentage point, with the downward adjustment largely reflecting temporary supply disruptions and weak private investment in the first quarter.