July 2024

MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

USA ECONOMIC REVIEW

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GROSS DOMESTIC PRODUCT

According to the "advance" estimate released by the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 2.8% in the second quarter of 2024. The real GDP increased by 1.4% in the first quarter of 2024.

The increase in real GDP primarily reflected increases in consumer spending, private inventory investment, and non-residential fixed investment . Imports, which are a subtraction in the calculation of GDP, increased.

Consumer spending rose due to increased expenditures on both services and goods. In services, significant contributions came from healthcare, housing, utilities, and recreation services. Among goods, notable increases were observed in motor vehicles, recreational goods, furnishings, household equipment, and energy products such as gasoline. Private inventory investment grew mainly due to rises in wholesale and retail trade, although this was partially offset by declines in mining, utilities, and construction. Non-residential fixed investment saw gains in equipment and intellectual property, though there was a decrease in investments in structures. Import growth was driven by capital goods, excluding automotive.

Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in consumer spending. These movements were partly offset by a downturn in residential fixed investment.

Current dollar GDP increased 5.2 percent at an annual rate, or $360.0 billion, in the second quarter to a level of $28.63 trillion. In the first quarter, GDP increased 4.5 percent, or $312.2 billion.

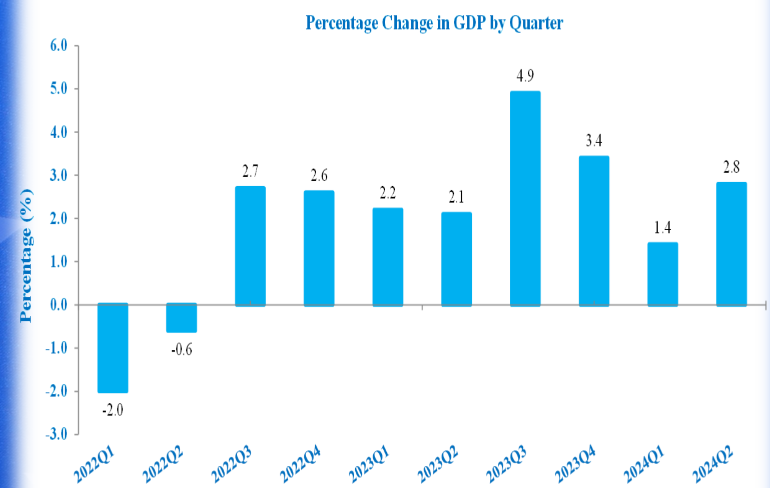
The price index for gross domestic purchases increased 2.3 percent in the second quarter, compared with an increase of 3.1 percent in the first quarter. The personal consumption expenditures (PCE) price index increased 2.6 percent, compared with an increase of 3.4 percent. Excluding food and energy prices, the PCE price index increased 2.9 percent, compared with an increase of 3.7 percent.

Personal Income

Current-dollar personal income rose $237.6 billion in the second quarter, compared with an increase of $396.8 billion. The increase primarily reflected increases in compensation and personal current transfer receipts.

Disposable personal income rose $186.3 billion, or 3.6 percent, in the second quarter, compared with an increase of $240.2 billion, or 4.8 percent. Real disposable personal income increased 1.0 percent, compared with an increase of 1.3 percent.

Personal saving was $720.5 billion in the second quarter, compared with $777.3 billion in the first quarter. The personal saving rate—personal saving as a percentage of disposable personal income—was 3.5 percent in the second quarter, compared with 3.8 percent in the first quarter.



NATIONAL EMPLOYMENT

In July 2024 the unemployment rate rose to 4.3 percent and the payroll employment went up by 114,000. The U.S. Bureau of Labor Statistics sated that employment continued to trend up in health care, construction and in transportation and warehousing, while information lost jobs. This info release presents statistics from two monthly surveys. The household survey measures labour force status, including unemployment, by demographic characteristics. The survey measures nonfarm employment, hours, and earnings by industry.

Hurricane Beryl took form on the central coast of Texas on July 8, 2024, during these periods for both the household and establishment surveys. Hurricane Beryl had no visible effects on the national employment and unemployment data for July, the response rates were also not altered in any way.

Employment Changes

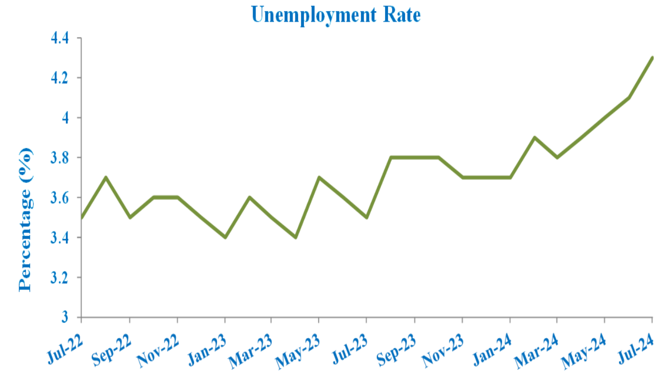
In July, the unemployment rate increased by 0.5 percentage points to 4.3%, with the number of unemployed individuals rising by 352,000 to 7.2 million, compared to 3.5% and 5.9 million a year earlier. The jobless rates for adult men and Whites saw an uptick, while other major groups, including women, teenagers, Blacks, Asians, and Hispanics, experienced little to no change. The number of people on temporary layoff increased by 249,000 to 1.1 million, while the number of permanent job losers and long-term unemployed remained relatively stable. The number of individuals not in the labour force but wanting a job also rose by 366,000 to 5.6 million in July.

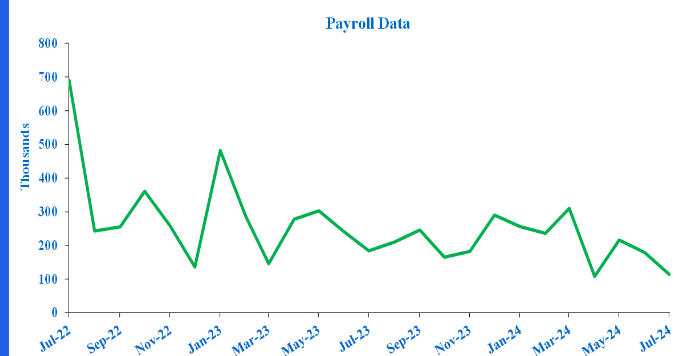
Nonfarm payroll employment saw a modest increase of 114,000 in July, which is below the 12-month average of 215,000. Employment gains occurred in healthcare, construction, and transportation and warehousing, while the information sector lost 20,000 jobs. Government employment growth slowed, with only a slight increase of 17,000 jobs. Other major industries, including mining, manufacturing, retail, and financial activities, showed little change in employment.

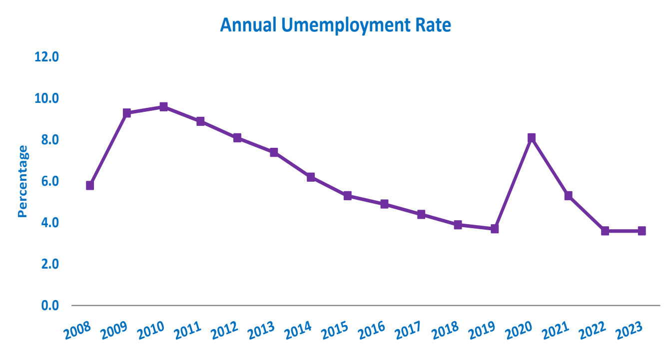
Earnings

In July, average hourly earnings for all employees on private nonfarm payrolls increased by 8 cents, or 0.2 percent, to $25.07. Over the past 12 months, average hourly earnings have increased by 3.5 percent. In July, average hourly earnings of private-sector production and nonsupervisory employees increased by 9 cents, or 0.3 percent, to $30.14. The average workweek for all employees on private nonfarm payrolls edged down to 0,1 hour to 34.2 hours in July.

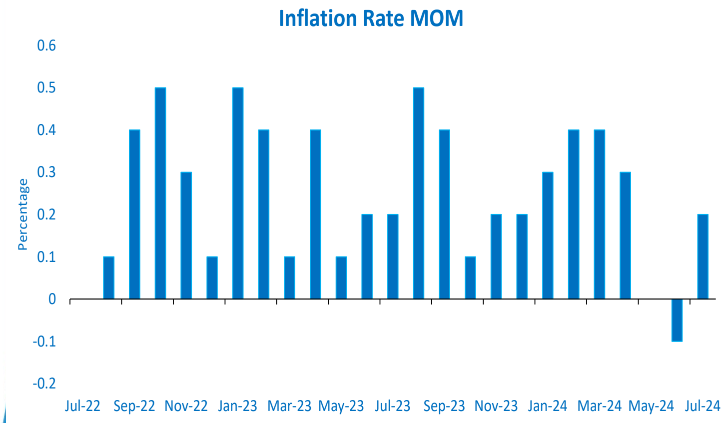
In manufacturing, the average workweek edged down by 0.2 hour to 39.9 hours, and overtime edged down by 0.1 hour to 2.8 hours. The average workweek for production and nonsupervisory employees on private nonfarm payrolls edged down by 0.1 hour to 33.7 hours. The change in total nonfarm payroll employment for May was revised down by 2,000, from +218,000 to +216,000, and the change for June was revised down by 27,000, from+206,000 to +179,000. With these revisions, employment in May and June combined is 29,00 lower than previously reported.

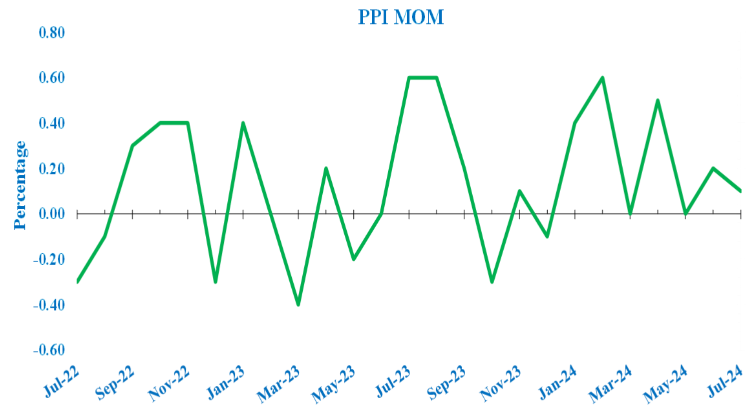






Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,248	415,631	417,897	420,258
2015	422,318	424,436	426,384	428,477
2016	430,273	431,909	434,140	435,667
2017	437,460	439,150	440,678	442,042
2018	444,001	446,149	447,658	448,951
2019	450,423	452,086	453,447	454,916
2020	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	475,253	158,723	





CONSUMER PRICE INDEX

The U.S. Bureau of Labor Statistics announced that the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.2% on a seasonally adjusted basis in July, following a 0.1% decline in June. Over the past 12 months, the overall CPI-U has increased by 2.9% before seasonal adjustment.

In July, the shelter index experienced a 0.4% increase, contributing nearly 90% to the total rise in the all-items index. The energy index showed no change for the month after having decreased in the previous two months. The food index went up by 0.2% in July, consistent with the increase in June. Breaking down the food index, the food away from home component rose by 0.2%, and the food at home component increased by 0.1%.

Excluding the food and energy categories, the CPI-U for all other items climbed by 0.2% in July, which is a slightly higher increase compared to the 0.1% rise in June. Several indexes contributed to the increase, such as those for shelter, motor vehicle insurance, household furnishings and operations, education, recreation, and personal care. Conversely, the indexes for used cars and trucks, medical care, airline fares, and apparel witnessed declines during the month.

Over the 12 months ending in July, the index for all items excluding food and energy rose by 3.2%, marking the smallest year-over-year increase since April 2021. Meanwhile, the energy index went up by 1.1% over the last 12 months. The food index, on the other hand, recorded a 2.2% increase over the past year.

PRODUCER PRICE INDEX

The Producer Price Index (PPI) for final demand in the U.S. increased by 0.1 percent in July on a seasonally adjusted basis, as reported by the U.S. Bureau of Labor Statistics. This follows a 0.2 percent rise in June and no change in May. Over the 12 months leading up to July, the index for final demand rose by 2.2 percent on an unadjusted basis.

The July increase in the index for final demand was primarily driven by a 0.6 percent rise in prices for final demand goods. In contrast, prices for final demand services fell by 0.2 percent during the same period.

Excluding the volatile categories of foods, energy, and trade services, the index for final demand increased by 0.3 percent in July, following a 0.1 percent increase in June. Over the year ending in July, this core index (excluding foods, energy, and trade services) rose by 3.3 percent.

Product Details:

Regarding specific products, a quarter of the overall increase in final demand goods was due to a 2.8 percent rise in gasoline prices. Other notable increases were seen in the prices of diesel fuel, meats, jet fuel, fresh fruits and melons, and basic organic chemicals. On the other hand, prices for electric power fell by 1.1 percent, and the indexes for fresh and dry vegetables and steel mill products also declined.

In terms of specific services, the most significant decline was in the margins for machinery and vehicle wholesaling, which fell by 4.1 percent. Other notable decreases were observed in food and alcohol retailing, automobile retailing (partial), automotive fuels and lubricants retailing, desktop and portable device application software publishing, and physician care. On the other hand, prices for portfolio management services saw a 2.3 percent increase.

U.S. DOLLAR

On a month over month basis, July 2024 relative to June 2024, the US dollar has strengthened against the Canadian dollar (+1.10%), whilst weakening against the Great British Pound (-1.51%), the Euro (-1.00%) and the Japanese Yen (-4.99%). The US dollar closed on July 31, 2024, at USDCAD 1.3850, GBPUSD 1.2837, EURUSD 1.0816, USDJPY 152.67.

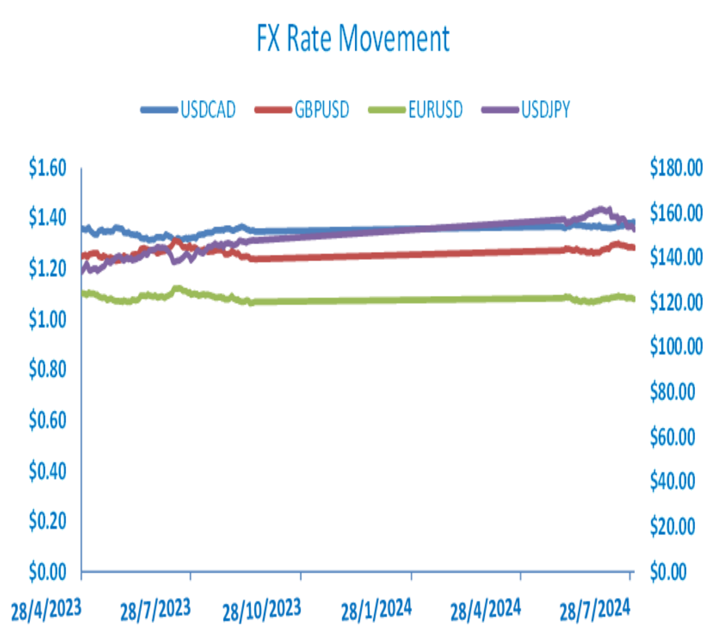
FX EMPIRE highlighted, "Investor sentiment was significantly affected by strong U.S. jobs data, which led markets to reduce their expectations for aggressive Federal Reserve rate cuts this year. While the CME Group's FedWatch tool indicates that markets are still pricing in 100 basis points of Fed cuts by year-end, these expectations could shift with the release of upcoming U.S. producer and consumer price data. MUFG currency analysts pointed out that if global investor risk sentiment keeps improving, it could further lower expectations for Fed rate cuts. However, market positioning ahead of the U.S. inflation data suggests traders are taking a cautious stance as they wait for more definitive economic signals. "

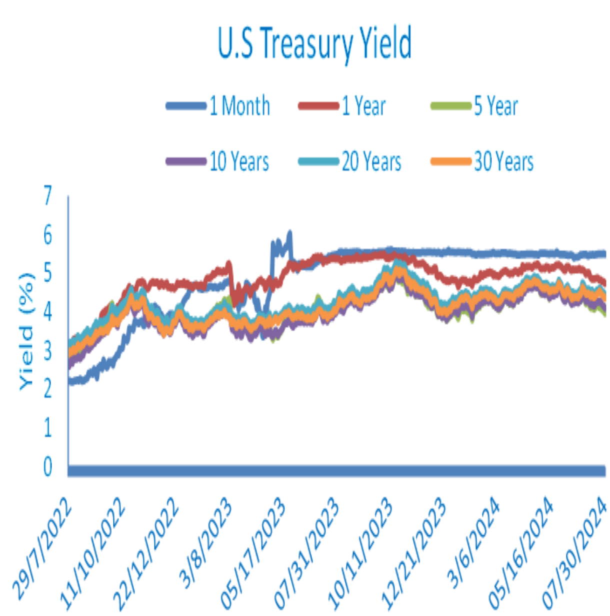
U.S. TREASURY YIELD CURVE

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

- 1 month: 5.49%
- 1 year: 4.73%
- 5 years: 3.97%
- 10 years: 4.09%
- 20 years: 4.44%
- 30 years: 4.35%

U.S. Treasury yields increased Thursday as Wall Street evaluated weekly jobless claims data that came in below expectations, counteracting concerns from last week's July payroll report, which had indicated a weakening labor market. The yield on the 10-year Treasury rose about 3 basis points to 3.994%, nearing its highest level since before last week's disappointing jobs report, while the 2-year note yield increased by nearly 4 basis points to 4.038%. This movement reflects a stronger labour market, as initial unemployment claims totaled 233,000, below the estimated 240,000 and down 17,000 from the previous week. Ian Lyngen, head of U.S. rates at BMO Capital Markets, stated that the larger-than-expected drop in filings suggests the labor market remains solid, despite last Friday's concerning jobs report, which had sparked fears of a potential recession.





GOVERNMENT DEBT/ DEFICIT

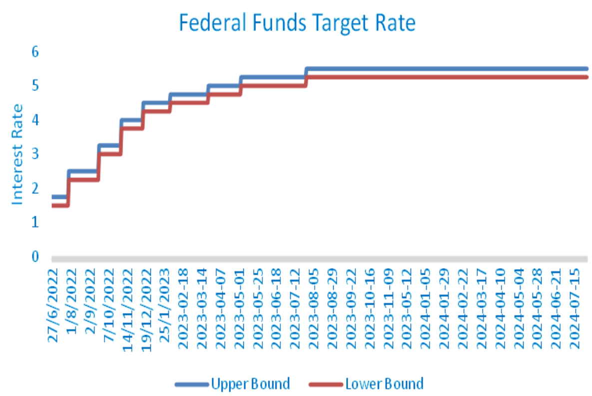
The Congressional Budget Office estimates that the federal budget deficit for the first ten months of fiscal year 2024 was $1.5 trillion, which is $103 billion less than the deficit seen during the same period last fiscal year. Revenues were $397 billion (or 11 percent) higher, while outlays were $293 billion (or 6 percent) higher from October through July than during the same period in fiscal year 2023.

Shifts in the timing of certain payments affect that comparison. Outlays in the first ten 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 $94 billion less than the shortfall for the same period in fiscal year 2023.

Budget Totals, October - July Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	3,689	4,085	397
Outlays	5,302	5,596	294
Deficit (-)	-1,614	-1,511	103

FEDERAL RESERVE MINUTES

The Federal Reserve's recent policy statement indicates a solid expansion in economic activity with moderated job gains and a slightly increased unemployment rate, though remaining low. Inflation has eased but remains somewhat elevated, with progress towards the 2 percent target noted. The Fed aims to achieve maximum employment and stable inflation over the longer term, adjusting the federal funds rate cautiously while reducing its holdings of securities. Monetary policy adjustments will depend on incoming data and the balance of economic risks, with a commitment to returning inflation to the 2 percent objective while monitoring labor market conditions, inflation pressures, and global developments closely.



On July 31, 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 August 1, 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.