ResourceTrust

A DEPARTMENT OF RESOURCE BANK, N.A.

WEEKLY INSIGHT

September 26, 2024

Recalibration

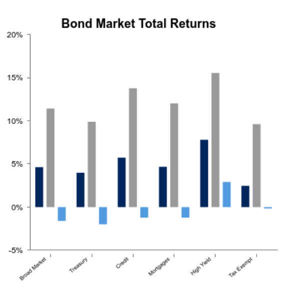
The S&P 500 Index recorded a new high this week adding to the list of 40-plus times this year it has reached this achievement. Up 1.6% this week, most of the index's move came last Thursday following the Federal Reserve's announcement to cut from 5.5% to 5% the borrowing rate for member banks. Following his announcement of a 50-basis point cut, Chair Powell characterized the move as a "recalibration" that shifted policy from bringing down inflation to focus on a soft landing for the economy. In addition to greater focus on mitigating the downside risk to the labor market this rate cut signaled confidence that the inflation rate is returning to the Fed's 2% target more quickly than previously thought.

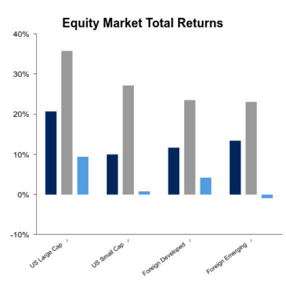
While the consensus of economists had been unanimously looking for a more modest 25-basis point cut, Powell reflected on the larger than expected cut as a "good, strong start" to easing what remains an overly restrictive monetary policy. Rising stock prices reflect the market's increased confidence that the rate move will help glide the economy to a soft-landing where growth of the economy slows yet avoids a recession.

The larger than expected rate cut appears to be well-timed following this week's report that United States consumer confidence unexpectedly fell in September by the most in three years due to concerns about the labor market and outlook for the broader economy. The Conference Board's gauge of sentiment decreased 6.9 points to 98.7, well below estimates. Those surveyed noted the recent slowdown in the labor market and persistent high cost of living for the downturn in prospects for the economy. While consumers still see a low chance of a recession in the next year the share reporting that jobs remain plentiful declined for the seventh month to 30.9%, the lowest level since March 2021.

New home sales fell 4.7% last month to a 716,000 annual rate in August from a revised 751,000 annual rate in July, according to the United States Census Bureau. The median sales price decreased 4.6% reflecting few sales of homes priced above $500,000. However, sentiment is looking up for housing as mortgage rates (6.7% for 30-year fixed) are at the lowest level since early 2023 and construction-related stocks continue to advance.

To boost its ailing housing and equity markets this week China's central bank announced a comprehensive package of monetary easing measures. The CSI 300 Index, China's equivalent to the S&P 500, was up 7.8% on the week, pushing its return into positive territory for the year to 2.5%.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	5.00	5.50	0.25
3-Month T-Bill	4.61	5.44	0.03
10-Year Treasury	3.78	4.54	1.45
30-Year Treasury	4.14	4.68	1.98
10-Year Corporate AA	4.63	5.64	2.09
10-Year High Yield Corp	6.09	7.70	3.90
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	2,656.89	1,900.65	1,750.42
Oil (WTI, $/barrel)	69.69	90.39	73.98
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	100.91	106.23	93.33
USD/EUR	0.90	0.95	0.85
USD/JPY	144.75	149.07	110.73

Keith Akre, CFA, CFP
Senior Trust Officer
(815) 748-1443

Mary Phelan, CTFA
Trust Officer &
Operations Supervisor
(815) 748-1607

Carrie Thompson, JD
Trust Officer &
Legal Counsel
(815) 748-5012

Stacia Little
Trust Officer
(815) 748-1609