Old North State Trust

1250 Revolution Mill Drive
Suite 152
Greensboro, NC 27405

THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

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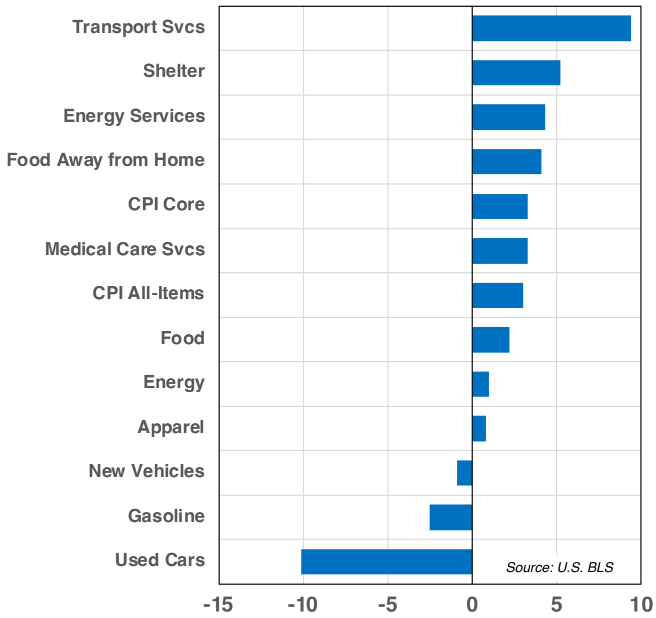
MORE PROGRESS ON INFLATION

Two important inflation reports recently indicated that overall pricing pressures have retreated from peaks in 2022. But both also confirmed that inflation remains above the Fed's target of 2.0% and progress to that level may be hard to achieve. With the Consumer Price Index (CPI) report, there were some positive results. The overall inflation rate in June was 3.0%, lower than the prior month's 3.3%. That good news was supported by a decline in core CPI, which excludes the impact of food and energy and rose at an annual pace of 3.3% over the past year, lower by 10 basis points month over month. What's propping up that core CPI? Transportation Services (+9.4% YOY) and Shelter (+5.2% YOY), which have prices that don't typically fall sharply. In contrast, prices for Gasoline and New & Used Cars are actually lower YOY. The other inflation report was the Producer Price Index (PPI), which measures pricing trends farther up the supply chain, at the manufacturing level. Here, we also saw a modest increase in the rate of inflation. The PPI final demand annual rate through June was 2.6%, compared to 2.2% in May, and the prices for processed goods for intermediate demand outright declined. The June 2022 CPI rate marked the peak reading for the index that cycle, and we expect pricing pressures to continue to ease as the housing market cools, supplies of new vehicles are replenished, and the price of oil stays below $90 per barrel. The Fed lifted the feds fund rate from 0.0% to above 5.25% over the past 24 months, and the rate hikes appear to be reducing inflationary pressures. We still look for the U.S. central bank to be lowering rates in 2H24 and 1H25 as concern shifts more toward economic growth.

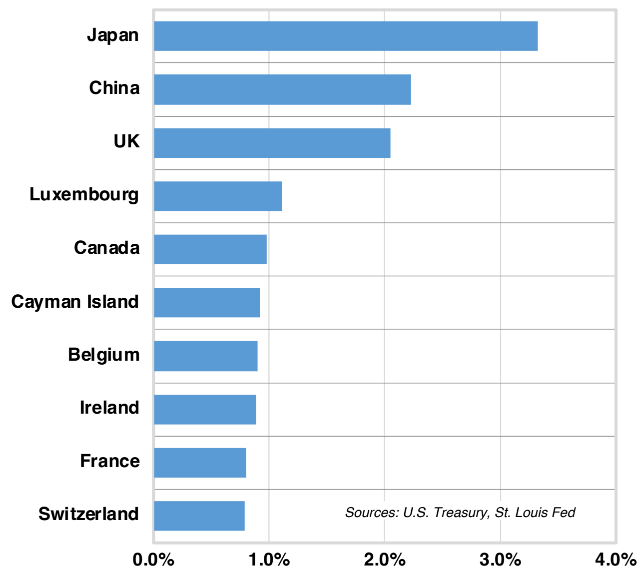
INFLATION FACTORS (% CHANGE Y/Y)



DEMAND SHIFTS FOR U.S. DEBT

Total public debt owed by the U.S. federal government was $34.6 trillion at the end of 1Q24, according to the U.S. Department of the Treasury. Outside of U.S. investors, the two largest holders of U.S. public debt are Japan, which owns 3.3% of the debt, and China, which owns 2.3%. The other nations among the top 10 holders have 8% of the debt, so the top 10 holders collectively own about 14%. The grand total of U.S. debt owned by foreign holders is $8.0 trillion, or about 23% of the total. This total holdings level has been steady over the past six months. Japan has been a leader here, as the nation's holdings have increased by 5%, or $50 billion, in the past six months. Meanwhile, China has been selling -- in part for political reasons. China's current Treasury holdings are lower by about $50 billion this year. Over in Europe, countries such as Belgium, France, and Luxembourg have been buyers. We think this type of global demand for U.S. Treasuries should help keep long-term rates from spiking much higher in 2024-2025.

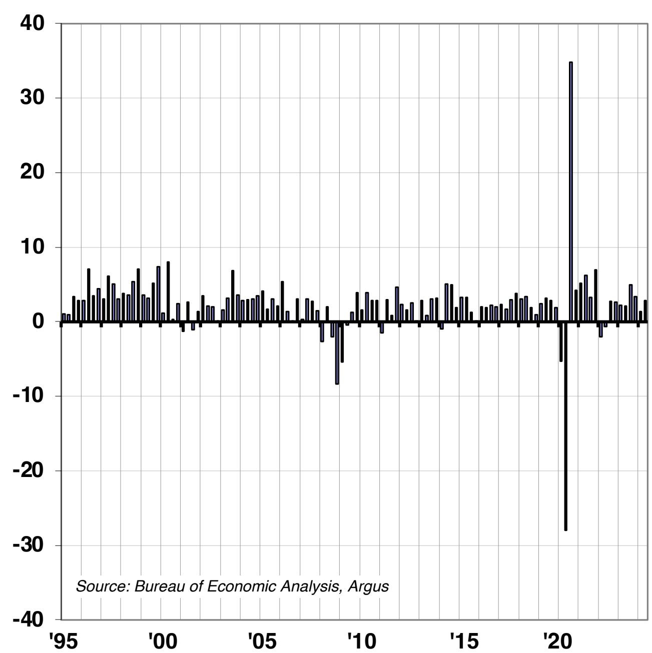
LARGEST FOREIGN HOLDERS OF U.S. DEBT



A DURABLE ECONOMY AS GDP GROWS 2.8%

According to the advance estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product expanded in the second quarter at an annualized rate of 2.8%. That's well above the 2.0% consensus and 1.4% growth in the first quarter. Strong growth with easing inflation keeps the prospect of a September rate cut on the table. Spending by consumers and businesses drove growth. Personal consumption expenditures were up 2.3%, helped by a rebound in durable goods. The huge services category grew 2.2%. Consumer spending on goods rose 2.5%, reversing a 2.3% decline in 1Q. Within goods, durables jumped 4.7% after a 4.5% decline in 1Q. Nondurables were up 1.4%. Mortgage rates stuck near 7% strained housing affordability in 2Q, sending prospective buyers to the sidelines and residential fixed investment (housing) down 1.4%. This reversed a 16% jump in 1Q. Spending on equipment rose 11.6%, while intellectual property was up 4.5%. The report also contains data on inflation, which, consistent with recent reports, showed signs of moderating. The PCE Price Index increased 2.6% in the second quarter, compared with an increase of 3.4% in the first quarter. Excluding food and energy, the index increased 2.9%, compared with an increase of 3.7% in the previous quarter. In our view, the report indicates that consumers and businesses remain resilient even after Fed's 11 rate hikes.

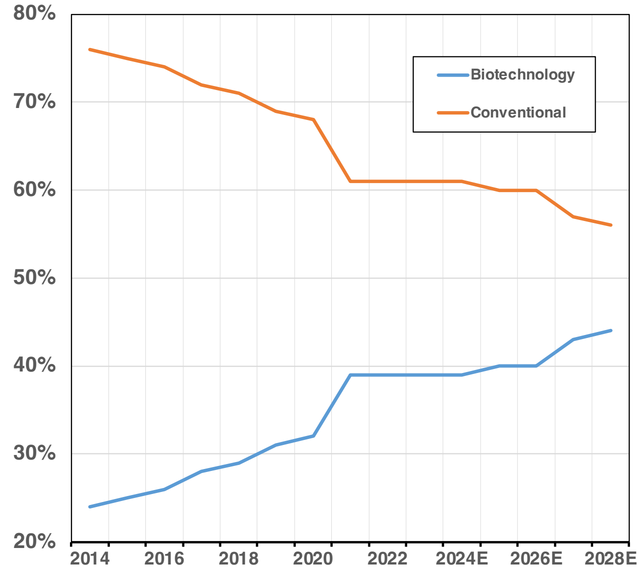
REAL GDP (% GROWTH/QTR)



BIOTECH SECTOR PICKS UP

In 2021 and 2022, the equal-weight SPDR Biotech ETF (XBI) Index declined 21% and 26%, respectively, compared with a 27% gain and 18% decline for the S&P 500. The trend continued in 2023, with XBI gaining 8% compared with a 24% advance for the S&P 500. But the tide may be starting to turn. Biotech has outpaced the broader Healthcare sector YTD in 2024 and, looking ahead, mergers and acquisitions (M&A) and the ability to raise capital are major keys to the future growth of the industry. We are encouraged by the return of some larger scale M&A deals and a seemingly healthy appetite for deals from larger biotech and big pharma players, as a new wave of patent expirations for many high-revenue-generating medicines is expected in the second half of the decade.

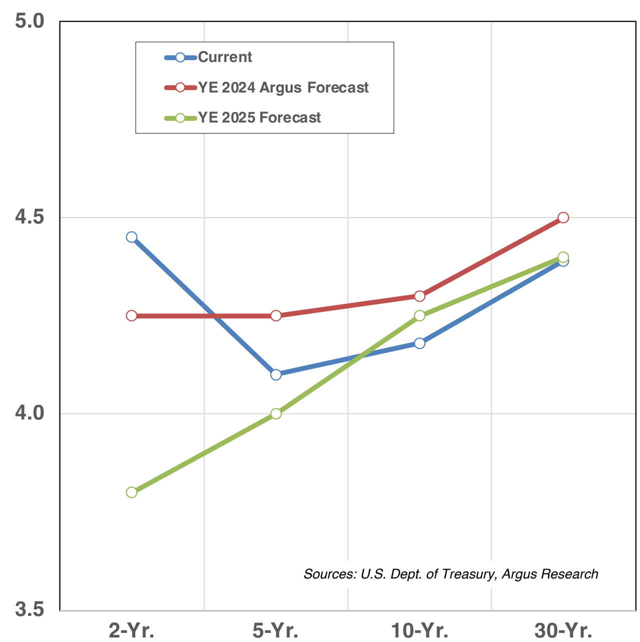
WORLDWIDE PRESCRIPTION DRUG & OTC SALES BY TECHNOLOGY



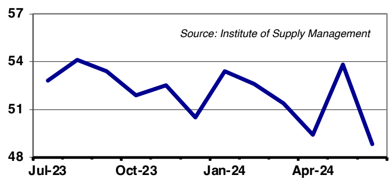
INVERTED SLOPE EXPECTED TO REVERT TO NORMAL

The yield curve has been inverted for more than a year. But over the past few months, the inversion isn't so steep. This has important implications for the economic outlook. Back in April 2023, two-year Treasury note yields were about 100 basis points above 10-year yields. Now that gap is 23. There are a few reasons for this, and they point to an upcoming shift toward a normal upward-sloping curve in the next few quarters, in our view. First, U.S. economic trends have been positive. Fixed-income investors have moved away from fears of deflation and are again seeking a premium in yields versus inflation. That has lifted rates across the yield curve. Second, the Fed finally is in front of inflation and now is building a cushion between fed funds and core PCE in order to push inflation back toward 2.0%. This is all well and good. But if the Fed's gap is too wide for too long (we think a 200-basis-point gap is desirable, versus the current gap of 277), the central bank risks tipping the economy into a recession. Fed Chairman Powell has explained that he and his colleagues want to continue fighting stubborn inflation, so they are likely to keep short-term rates high for a period of time. But the day will come when the data shows that the central bank has inflationary pressures under control, and the Fed will start to lower rates in order to keep the economy growing. We think that first rate cut will be in September, with a second cut after the U.S. presidential election, and two more cuts in 1H25. Assuming those lower rates keep the economy in a growth mode, longer-term rates should remain stable and the yield curve should once again slope upward.

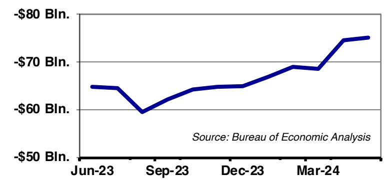
YIELD CURVE & OUTLOOK (%)



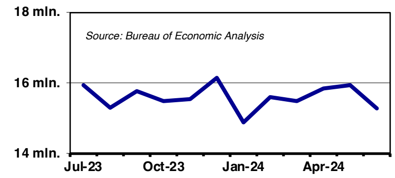
Release:	**ISM Services Index**
Date:	8/5/2024
Month:	July
Previous Report:	48.8
Argus Estimate:	50.0
Street Estimate:	NA



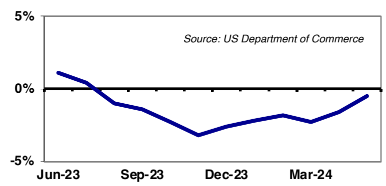
Release:	**Trade Balance**
Date:	8/6/2024
Month:	June
Previous Report:	-$75.1 Bln.
Argus Estimate:	-$71.0 Bln.
Street Estimate:	NA



Release:	**ISM New Orders**
Date:	8/1/2024
Month:	July
Previous Report:	49.3
Argus Estimate:	49.8
Street Estimate:	NA



Release:	**Wholesale Inventories**
Date:	8/8/2024
Month:	June
Previous Report:	-0.5%
Argus Estimate:	0.2%
Street Estimate:	NA



Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
30-Jul	Consumer Confidence	July	**97.8**	101.0	99.8	**100.3**
1-Aug	ISM Manufacturing	July	48.5	49.0	48.9	NA
	ISM New Orders	July	49.3	49.8	NA	NA
	Construction Spending	June	6.4%	5.8%	NA	NA
	Nonfarm Productivity	2Q	0.2%	2.0%	1.6%	NA
	Unit Labor Costs	2Q	4.0%	3.6%	NA	NA
2-Aug	Nonfarm Payrolls	July	206 K	185 K	188 K	NA
	Unemployment Rate	July	4.1%	4.1%	4.1%	NA
	Average Weekly Hours	July	34.3	34.3	34.3	NA
	Average Hourly Earnings	July	3.9%	3.9%	NA	NA
	Factory Orders	June	0.9%	0.2%	NA	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
13-Aug	PPI Final Demand	July	2.6%	NA	NA	NA
	PPI ex-Food & Energy	July	3.0%	NA	NA	NA
14-Aug	Consumer Price Index	July	3.0%	NA	NA	NA
	CPI ex-Food & Energy	July	3.3%	NA	NA	NA
15-Aug	Industrial Production	July	1.6%	NA	NA	NA
	Capacity Utilization	July	78.8%	NA	NA	NA
	Retail Sales	July	2.3%	NA	NA	NA
	Retail Sales ex-autos	July	3.4%	NA	NA	NA
	Business Inventories	June	1.6%	NA	NA	NA
	Import Price Index	July	1.6%	NA	NA	NA
16-Aug	Housing Starts	July	1,353K	NA	NA	NA
	U. of Michigan Sentiment	August	66.4	NA	NA	NA