THOUGHTS OF THE WEEK

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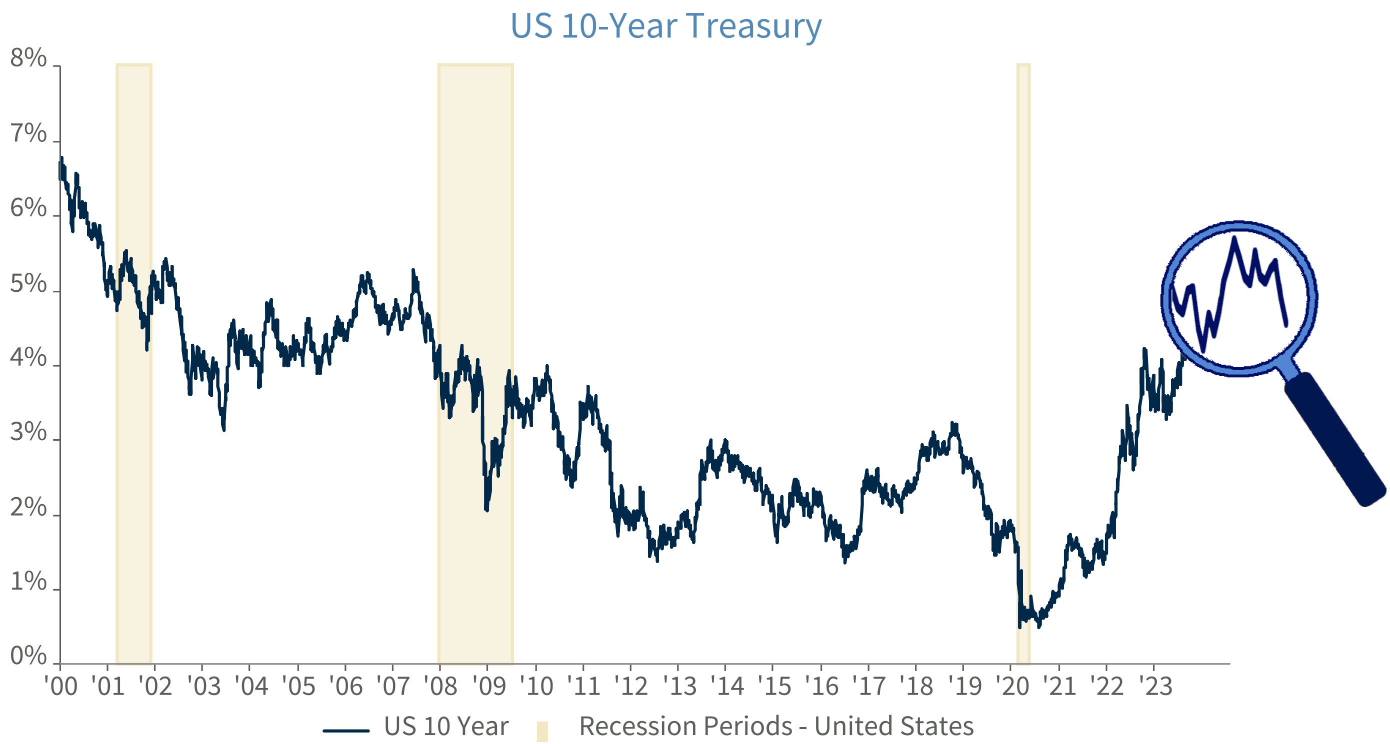
WEEKLY ECONOMICS

Add "Persistently High" to "Higher for Longer"

After the September meeting of the Federal Open Market Committee (FOMC), Federal Reserve (Fed) officials were finally able to convince market participants, after more than a year, that the Fed needed to stay "higher for longer" in terms of interest rates. After the October/November meeting, it seems that Fed officials have an added objective, as Fed Chairman Powell said during the press conference that they needed to see interest rates "persistently high."

According to Federal Reserve Chairman, Jerome Powell, the Fed is still not convinced that monetary policy is sufficiently tight at this time and left the door open to the need for higher rates in the coming months. During the question and answer segment of the press conference after the finalization of the October/November Federal Open Market Committee (FOMC), the Fed Chairman indicated that Fed officials were not convinced that the recent increase in the yield on the 10-year Treasury was the result of the institution's monetary policy stance.

According to the Chairman, the fact that yields on the 10-year Treasury have been going up and down as they have during the last several months and have not remained "persistently high" is one of the reasons why Fed officials are still not convinced that policy is sufficiently tight today. And on Thursday, the day after the press conference, markets basically confirmed Chairman Powell's concerns as the yield on the 10-year Treasury declined from 4.9% on the day of the FOMC decision to about 4.66% the day after. On Friday, November 3, 2023, yields on the 10-year Treasury declined further, to about 4.64%. If yields continue to go down because markets believe that the Fed is done with rate hikes or if markets believe the US economy is heading toward a recession or a crisis ensues, as happened with the banking sector crisis back in March of this year, the chances of the Fed increasing rates further will increase once again.



Source: FactSet, RJ Economics

Today, before the employment report, markets believed, by 80.5% to 19.5%, that the Fed was not going to increase interest rates at its FOMC meeting scheduled for December 12-13. However, after today's employment report, the odds of keeping rates unchanged increased to 90.2%, reducing the odds of a hike to less than 10%. Typically, the Fed doesn't like to go against markets. However, if yields on the 10-year Treasury continue to go down as the December FOMC meeting approaches, the expectations for lower long-term rates will increase and that will put pressure on Fed officials to increase rates further in order to convince markets of the need for "persistently high interest rates."

Only time will tell, but we think that markets should be aware that the Fed's monetary policy stance depends, fundamentally, on what longer-term interest rates are, and less on where short-term interest rates are. But the Fed has no control over long-term interest rates. Its only instrument for conveying where it wants longer-term rates to be is what it calls 'forward guidance,' which is not rocket science or pretty, but it is the only way the Fed has to keep longer-term interest rates higher for longer. Thus, any market expectation that would push longer-term rates lower, as it happened after the October/November meeting or during the banking crisis in March of this year, is going to put more pressure on the Fed and it will increase the risk of the Fed pushing interest rates higher by increasing the federal funds rates.

The Market's Initial Reaction to October Employment Numbers Confirms the Fed's Conundrum

The initial market reaction from the release of the October nonfarm payrolls numbers is just a confirmation of the difficult environment the Fed has to deal with as it continues to try to convince the markets that it needs to stay "higher for longer." It also validates our argument that the Fed needs to see long-term interest rates "persistently high" as the Fed Chairman argued during the press conference after the October/November FOMC decision to keep interest rates unchanged.

The yield on the 10-year Treasury declined further, to about 4.5% after the release of the report that showed less than expected job creation, a higher unemployment rate, and private job creation that was weaker across the board.

The weakness in the employment report probably raised the market's expectation that the US may be heading into a recession and pushed yields lower as the market speculates that the Fed may be closer to cutting the fed funds rate than previously expected.

This is just the opposite of what the Fed Chairman and Fed officials want to see and why the Chairman was so adamant in making the case that the Fed needs to see "persistently high" long-term interest rates.

Economist Forecast:

	Quarterly Historical			Quarterly Forecast									Forecast [4]		
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	2023	2024	2025
Real Gross Domestic Product [1]	**2.2**	**2.1**	**4.9**	**0.8**	**-1.1**	**-1.3**	**2.0**	**2.6**	**2.4**	**2.6**	**2.1**	**2.5**	**2.4**	**0.8**	**2.2**
Real Gross Domestic Product [2]	1.7	2.4	2.9	2.5	1.6	0.8	0.1	0.5	1.4	2.4	2.4	2.4			
Consumer Price Index [2]	**5.8**	**4.1**	**3.6**	**3.3**	**3.1**	**3.0**	**2.6**	**2.4**	**2.2**	**2.1**	**2.0**	**1.9**	**4.2**	**2.8**	**2.5**
Ex-food & energy [2]	5.6	5.2	4.4	4.1	3.5	3.1	3.1	3.0	2.8	2.6	2.4	2.2	4.8	3.2	2.5
PCE Price Index [2]	**5.0**	**3.9**	**3.4**	**3.5**	**3.5**	**3.7**	**3.7**	**3.4**	**3.0**	**2.6**	**2.4**	**2.2**	**3.9**	**3.6**	**2.6**
Ex-food & energy [2]	4.8	4.6	3.9	3.5	3.0	2.7	2.7	2.6	2.3	2.1	1.8	1.5	4.2	2.8	1.9
Unemployment Rate	**3.5**	**3.5**	**4.0**	**3.8**	**4.2**	**4.8**	**4.8**	**4.5**	**4.4**	**4.3**	**4.1**	**3.9**	**3.7**	**4.5**	**4.2**
Fed Funds Rate [3]	5.00	5.25	5.50	5.75	5.75	5.75	5.25	4.50	4.75	4.25	4.00	3.50	5.4	5.4	4.1

[1] Annualized Quarter-Over-Quarter Growth
[2] Year-Over-Year Percentage Change
[3] Upper Bound of the Federal Funds Target Range
[4] Annual Average

Economic Releases:

Employment Cost Index: The increase in the Employment Cost Index (ECI) will put more pressure on the Federal Reserve (Fed) as it is about to decide what to do with interest rates. We still believe that the Fed will stay put later this week, but they will leave the door open to at least one more rate hike in December. The nominal 12-month rate for the ECI declined from 4.5% in June to 4.3% in September but was stronger than FactSet consensus of 4.1%. The employment cost index increased a more than expected 1.1% on a seasonally adjusted basis during the third quarter of the year, according to the Bureau of Labor Statistics. Wages and salaries increased 1.2% while benefits and costs rose 0.9%, according to the preliminary report. Compensation costs for civilian workers increased 4.3% on a year-earlier basis ending in September of this year. Wages and salaries increased 4.6% during the period while benefit costs increased 3.9%. Real, or inflation-adjusted compensation costs for private industry, increased 0.6% during the 12-month period ending in September 2023. This was the consequence of real wages and salaries increasing by 0.8% while real benefits and costs increased 0.2%. This will be another reason for concern for the Federal Reserve as they approach this week's decision on interest rates, as employment costs have remained strong due to the resilience of the US economy as well as the US labor market.

FHFA Home Price Index: Home prices, as measured by the FHFA House Price Index, continued to increase in August of this year, both on a month-on-month basis as well as on a year-earlier basis, defying expectations as mortgage rates continued to increase during the period. Low inventory of homes for sale continue to exert pressure on prices even as higher mortgage rates reduce the pool of potential buyers across the country. The FHFA House Price Index (HPI) increased 0.6% in August compared to July of this year while it was up 5.6% compared to August of last year, according to the Federal Housing Finance Agency. Every region of the country surveyed showed an increase in the HPI with the exception of the South Atlantic region, which saw prices drop 0.2% in August compared to July. However, the South Atlantic region saw prices up 6.0% compared to August of last year. The Pacific region recorded prices up 1.1% versus July of this year and by 2.8% compared to August of last year while the Mountain region saw prices up 0.7% versus July and by 2.4% compared to a year earlier. The West-North Central region saw prices up 1.0% versus July of this year and by 6.5% compared to August of last year while the West-South Central region saw prices up 0.3% versus July and by 2.9% compared to August of last year. In the East-North Central region, prices were up 1.1% versus July of this year and up 8.3% versus August of last year while the East-South Central region saw prices up 0.5% versus July and by 5.2% versus a year earlier. In the New England region, prices were up 0.4% versus July of this year and by 8.4% compared to the same month of last year. Lastly, the Middle Atlantic region recorded prices up 1.0% versus July of this year and by 8.6% compared to August of last year. Home prices continued to grow for the US as a whole and for almost every region of the country, with the exception of the South Atlantic region, according to the FHFA.

JOLTS: Job openings were almost unchanged in September at 9.553 million, similar to FactSet consensus of 9.5 million. Interestingly, August data was revised lower from 9.610 to 9.497 million. Job openings declined slightly in September to 9.553 million, according to the Bureau of Labor Statistics. The job openings rate remained unchanged at 5.7%. The largest decrease in the number of job openings came from other services (-124,000), federal government (-43,000), and information (-41,000). On the other hand, the largest contributors to the increase in job openings were in accommodation and food services (141,000) and arts, entertainment, and recreation (39,000). The number of hires as well as separations were little changed at 5.9 million and 5.5 million, respectively. Within separations, quits remained around 3.7 million and layoffs and discharges were almost unchanged at 1.5 million. According to the report, and by establishment size class, establishments with one to nine employees saw little change in all data elements. On the other hand, establishments with more than 5,000 employees saw decreases in job openings rate.

Economic Releases:

Consumer Confidence: The Consumer Confidence Index was higher than FactSet expectations during the month of October. The index was lower than in September and recorded its third consecutive monthly decline. The expectations index remained below the 80 mark which, according to The Conference Board, has historically signaled an approaching recession. The Conference Board's US Consumer Confidence Index declined slightly, from an upwardly revised 104.3 in September to 102.6 in October. The Present Situation Index, which is "based on consumers' assessment of current business and labor market conditions," was lower, declining from 146.2 in September to 143.1 in October. The Expectations Index, which is "based on consumers' short-term outlook for income, business, and labor market conditions," also fell to 75.6 in October compared to a reading of 76.4 in September. According to The Conference Board, "the expectations index is still below 80—the level that historically signals a recession within the next year." This was the third consecutive decline for the Consumer Confidence Index, according to the report. The increase in the Expectations Index to above 80.0 seems to be signaling that individuals are not expecting a recession over the next year. However, the release also indicates that "Although consumers are less convinced of a recession ahead, we still anticipate one likely before year-end." The Conference Board's release also indicates that "consumers continued to report intentions to spend less on discretionary services—including travel, recreation, and gambling—going forward. By contrast, they anticipate spending more in the months ahead on necessary services like health care, as well as cheaper services like streaming from home."

ISM Manufacturing: The Manufacturing PMI fell further into contraction territory during the month of October after a slight improvement during the previous month. Both New Orders and Employment were very weak during the month. This was the twelfth consecutive month of contraction for the manufacturing sector as measured by the Manufacturing PMI. There were only two manufacturing industries that reported growth during the month, "Food, Beverage & Tobacco Products" and "Plastics & Rubber Products." Although the Federal Reserve may have already decided on an interest rate pause, to be announced later today, the weakness in the manufacturing sector should add support to their decision. The Institute for Supply Management's (ISM) Manufacturing PMI declined to 46.7 in October after printing 49.0 in September. FactSet expectations were for the Manufacturing PMI to have remained unchanged at 49.0. The New Orders Index declined to 45.5 from a reading of 49.2 in September. The Production Index declined to 50.4 from 52.5 in September but remained in expansion territory while the Employment Index went back into contraction territory, at 46.8 compared to a reading of 51.2 in September. The Supplier Deliveries Index also remained in contraction territory but improved marginally, from 46.4 in September to 47.7 in October. The Inventories Index moved further into contraction, at 43.3 in October from 45.8 in September while the Customers' Inventories Index improved marginally but remained low, at 48.1 in October from 47.1 in September. The Prices Index increased marginally also but remained in low, at 45.1 in October compared to a reading of 43.8 in September. The Backlog of Orders Index came down slightly, to 42.2 in October compared to 42.4 in September while the New Export Orders Index increased slightly but remained in contraction territory at 49.4 compared to 47.4 in September. Finally, the Imports Index slipped further into contraction territory, to 47.9 compared to 48.2 in September. This was an overall negative report for the US economy, as the Manufacturing PMI fell further into contraction during the month of October. Although the Production Index remained in expansion territory, the New Orders Index fell further into contraction territory after remaining close to the demarcation point in September. Furthermore, the Employment Index also fell into contraction territory during the month.

Economic Releases:

Construction Spending: The Construction spending was in line with expectations in September, up 0.4% compared to August of this year while increasing by 8.7% compared to a year earlier. Construction spending has remained a bright spot within the US economy as the various government bills supporting different sectors of the economy have boosted investment in the nonresidential sector. Furthermore, the lack of housing inventories has also contributed to keep residential construction spending stronger than what it otherwise would have been considering the level of mortgage rates today. We expect month-over-month weakness to start slowing the sector in the incoming quarters. Construction spending increased an expected 0.4% in September compared to the previous month while increasing by 8.7% compared to the same month a year earlier, according to the US Census Bureau. On a year-to-date basis until September, construction spending was higher by 4.6%. Residential construction increased by 0.6% during the month of September compared to the previous month but declined by 2.1% compared to September of last year. Nonresidential construction increased by 0.3% in September compared to the previous month while surging by 19.0% compared to the same month a year earlier. Total private construction spending increased 0.4%, with residential construction increasing 0.6% as new single-family construction increased 1.3% while new multifamily construction declined 0.1%. On a year earlier basis, new single family construction spending declined 5.9% but new multifamily construction spending surged by 22.3%. Private nonresidential construction spending increased 0.1% during the month but by 21.3% compared to a year earlier. Although manufacturing construction spending declined during September compared to August of this year, it was still up 62.5% compared to September of last year. Total public construction spending also increased 0.4% during September compared to August of this year while growing by 15.5% compared to the same month a year earlier. Residential public construction spending declined by 3.2% in September compared to August but increased by 10.2% compared to the same month a year earlier.

3Q23 Productivity & Unit Labor Costs: The strong increase in nonfarm business labor productivity, up 4.7% on a seasonally adjusted annual basis, the highest quarterly rate of increase since 2009 if we exclude the recovery from the pandemic recession, is one of the contributing factors that is helping bring down inflation, as unit labor costs declined by 0.8% during the quarter. However, the manufacturing sector experienced a decline in labor productivity, down 0.7%, and thus a surge in unit labor costs of 7.0%. Although the overall improvement in productivity across the economy and the decline in unit labor costs are good news for the US economy and the Federal Reserve, lower productivity in the manufacturing sector and the surge in unit labor costs could become a headwind for inflation going forward, as we suspect the recent decision to settle the automobile sector strikes would probably push manufacturing unit labor costs higher going forward. Nonfarm business sector labor productivity increased a more than expected 4.7% during the third quarter of the year according to preliminary estimates from the Bureau of Labor Statistics. The increase in labor productivity was the result of output increasing 5.9% during the third quarter of the year while hours worked increased 1.1%, at seasonally adjusted annual rates. Nonfarm business productivity increased by 2.2% compared to the third quarter of last year. Unit labor costs in the nonfarm business sector declined 0.8% during the third quarter of 2023 as hourly compensation increased 3.9% and productivity increased 4.7%. Unit labor costs increased 1.9% during the last four quarters, according to the report. Labor productivity in the manufacturing sector declined 0.7% during the third quarter of 2023 as output declined 0.1% while hours worked increased 0.7%. Total manufacturing sector productivity also declined 0.7% during the third quarter of the year compared to the same quarter a year earlier. Meanwhile, unit labor costs in the total manufacturing sector surged 7.0% during the quarter as hourly compensation surged 6.2% while productivity declined 0.7%. Manufacturing labor costs increased 5.8% in the third quarter of 2023 compared to the same period a year earlier. This was the highest quarterly increase in productivity since the pandemic recession in 2020. However, if we exclude the pandemic recession, this was the largest increase in productivity since the third quarter of 2009.

Economic Releases:

Employment Report: Although nonfarm payrolls increased a less than expected 150,000, they still remained strong by historical standards. Furthermore, the devil is in the details and the details showed a weak payroll number, as 51,000 of those jobs were created by the government and the health care and social assistance sector created almost all the difference, up 77,200. Perhaps the only caveat was the reduction of 33,200 jobs in the durable goods, motor vehicle and parts sector, which reflects the effects of the strike in the automobile sector. Furthermore, multiple job holders reached an almost all time high in October of this year according to the household survey. Also, on the positive side, temporary help services jobs increased by 6,600 after several months of declines. Weakness in this sector is typically a sign of trouble for the labor market. Nonfarm payroll employment increased 150,000 in October, according to the Bureau of Labor Statistics (BLS) while the rate of unemployment increased slightly, from 3.8% in September to 3.9% in October. The BLS also brought down its estimate of employment created in September, from an original increase of 336,000 to a downwardly revised increase of 297,000. The increase in October was lower than FactSet expectations, which had an increase of 180,000 jobs. Total private jobs increased by 99,000 during the month with the goods producing sector shedding 11,000 jobs while the services providing sector added 110,000. Construction jobs were up 23,000 and was the largest contributing sector to job creation in the goods producing sector. Manufacturing jobs were lower by 35,000 as durable goods sector jobs were down by 36,000 jobs, most of these in the motor vehicles and parts sector, where jobs declined 33,100. Nondurable goods producing sectors and the mining sector added 1,000 jobs each. In the service side, wholesale trade added 9,400 jobs while retail trade added 700 jobs. The transportation and warehousing sector shed 12,100 jobs while the utilities sector added 800 jobs during the month. The information sector showed a decline of 9,000 jobs while financial activities showed 2,000 less jobs created in October. The professional and business services sector added 15,000 jobs as the temporary help services sector added 6,600, or almost half of the 15,000 jobs added by the professional and business service sector. Once again, the largest contributing sector in the service side was in the private education and health services sector, adding 89,000 jobs, most of them in the health care and social assistance subgroup, which contributed with 77,200 of those jobs. Leisure and hospitality jobs increase by 19,000 during the month. Another strong sector of employment in October was government employment, which added 51,000 to the count and continues to be one of the top job creating sectors in the US economy. Average weekly hours declined slightly in October, from 34.4 in September to 34.3 in October $34.00 in October. Average weekly earnings were down slightly, from $1,167.19 in September to $1,166.20 in October. The household survey showed a decline in the civilian labor force of 201,000 and thus a slight decline in the labor force participation rate of 0.1 percentage points, to 62.7% in October from 62.8% in September. The household employment number declined by 348,000 during the month in contrast with the 150,000 increase in the payroll number. Nonfarm job creation in October was below expectations but still strong by historical standards while September's job creation was revised down by 39,000. The rate of unemployment increased due to a decrease in the civilian labor force as well as a decline in household employment, which contrasted with the increase in the nonfarm payroll number.

Economic Releases:

ISM Services: The Services ISM was lower than expected in October, at 51.8, but still in expansion territory. This was the tenth consecutive month of expansion for the Services ISM. Many of the subindices were much weaker in October compared to September as some of them fell into contraction territory. This weakness in the US service combined with today's relative weakness in the nonfarm payroll number will add to the feeling that the US economy has slowed considerably entering into the last quarter of the year after the break-neck pace it recorded during the third quarter. The Institute for Supply Management Services ISM declined more than expected in October, to 51.8 compared to 53.6 in September but remained slightly above the 50 demarcation point between expansion and contraction. This was the lowest reading for the Services PMI since March of this year when it was 50.3. The Services ISM fell below the 50 demarcation point in December of 2022, but that weakness lasted for just one month. The Business Activity/Production Index declined to 54.1 in October compared to 58.8 in September while the New Orders Index increased to 55.5 compared to 51.8 in September. The Employment Index declined to 50.2 in October compared to 53.4 in September but remained above the demarcation point while the Supplier Deliveries Index fell below the demarcation point, from a reading of 50.4 in September to 47.5 in October. The Inventories Index also fell below the demarcation point, at 49.5 in October compared to 54.2 in September. The Prices Index remained strong, at 58.6 but was slightly lower than in September when it printed 58.9. The Backlog of Orders Index moved into expansion in October, at 50.9, compared to 48.6 in September. The largest decline in the components was for the New Export Orders Index, which went from 63.7 in September to contraction, at 48.8 in October. The Imports Index was the strongest sector, up from 50.6 in September to 60.0 in October. Finally, the Inventory Sentiment Index declined slightly, to 54.4 in October compared to 54.8 in September, showing that inventories remained too high. The Institute for Supply Management Services ISM declined more than expected in October, to 51.8 compared to 53.6 in September but remained slightly above the 50 demarcation point between expansion and contraction. This was the lowest reading for the Services PMI since March of this year when it was 50.3. The Services ISM fell below the 50 demarcation point in December of 2022, but that weakness lasted for just one month. The Business Activity/Production Index declined to 54.1 in October compared to 58.8 in September while the New Orders Index increased to 55.5 compared to 51.8 in September. The Employment Index declined to 50.2 in October compared to 53.4 in September but remained above the demarcation point while the Supplier Deliveries Index fell below the demarcation point, from a reading of 50.4 in September to 47.5 in October. The Inventories Index also fell below the demarcation point, at 49.5 in October compared to 54.2 in September. The Prices Index remained strong, at 58.6 but was slightly lower than in September when it printed 58.9. The Backlog of Orders Index moved into expansion in October, at 50.9, compared to 48.6 in September. The largest decline in the components was for the New Export Orders Index, which went from 63.7 in September to contraction, at 48.8 in October. The Imports Index was the strongest sector, up from 50.6 in September to 60.0 in October. Finally, the Inventory Sentiment Index declined slightly, to 54.4 in October compared to 54.8 in September, showing that inventories remained too high.

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Consumer Price Index is a measure of inflation compiled by the US Bureau of Labor Statistics. Currencies investing is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Consumer Sentiment is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in the first quarter of 1966. Each month at least 500 telephone interviews are conducted of a contiguous United States sample.

Personal Consumption Expenditures Price Index (PCE): The PCE is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The change in the PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

The Consumer Confidence Index (CCI) is a survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situation. A value above 100 signals a boost in the consumers’ confidence towards the future economic situation, as a consequence of which they are less prone to save, and more inclined to consume. The opposite applies to values under 100.

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GDP Price Index: A measure of inflation in the prices of goods and services produced in the United States. The gross domestic product price index includes the prices of U.S. goods and services exported to other countries. The prices that Americans pay for imports aren't part of this index.

The Conference Board Leading Economic Index: Intended to forecast future economic activity, it is calculated from the values of ten key variables.

The U.S. Dollar Index is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" when compared to other currencies.

The FHFA House Price Index (FHFA HPI®) is a comprehensive collection of public, freely available house price indexes that measure changes in single-family home values based on data from all 50 states and over 400 American cities that extend back to the mid-1970s.

The Pending Home Sales Index (PHSI) tracks home sales in which a contract has been signed but the sale has not yet closed.

Supplier Deliveries Index: The suppliers' delivery times index from IHS Markit's PMI business surveys captures the extent of supply chain delays in an economy, which in turn acts as a useful barometer of capacity constraints.

Backlog of Orders Index: The Backlog of Orders Index represents the share of orders that businesses have received but have yet to start or finish. An increasing index value usually indicates growth in business but shows that output is below its maximum potential.

DISCLOSURES

Import Price Index: The import price index measure price changes in goods or services purchased from abroad by U.S. residents (imports) and sold to foreign buyers (exports). The indexes are updated once a month by the Bureau of Labor Statistics (BLS) International Price Program (IPP).

ISM Services PMI Index: The Institute of Supply Management (ISM) Non-Manufacturing Purchasing Managers' Index (PMI) (also known as the ISM Services PMI) report on Business, a composite index is calculated as an indicator of the overall economic condition for the non-manufacturing sector.

Consumer Price Index (CPI) A consumer price index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

Producer Price Index: A producer price index (PPI) is a price index that measures the average changes in prices received by domestic producers for their output.

Industrial production: Industrial production is a measure of output of the industrial sector of the economy. The industrial sector includes manufacturing, mining, and utilities. Although these sectors contribute only a small portion of gross domestic product, they are highly sensitive to interest rates and consumer demand.

The NAHB/Wells Fargo Housing Opportunity Index (HOI) for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.

Conference Board Coincident Economic Index: The Composite Index of Coincident Indicators is an index published by the Conference Board that provides a broad-based measurement of current economic conditions, helping economists, investors, and public policymakers to determine which phase of the business cycle the economy is currently experiencing.

Conference Board Lagging Economic Index: The Composite Index of Lagging Indicators is an index published monthly by the Conference Board, used to confirm and assess the direction of the economy's movements over recent months.

Present Single-Family Sales Index: This index measures builders' view of current sales of new single-family homes.

Next Six Months: Single-Family Sales Index: This index gauges builders' expectations for sales of new, single-family homes over the next six months.

Prospective Buyers Traffic Index: This index assesses builders' perceptions of the traffic of prospective buyers visiting their sales offices or model homes.

The Employment Cost Index (ECI): The index measures the change in the hourly labor cost to employers over time.

Source: FactSet, data as of 11/2/2023

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