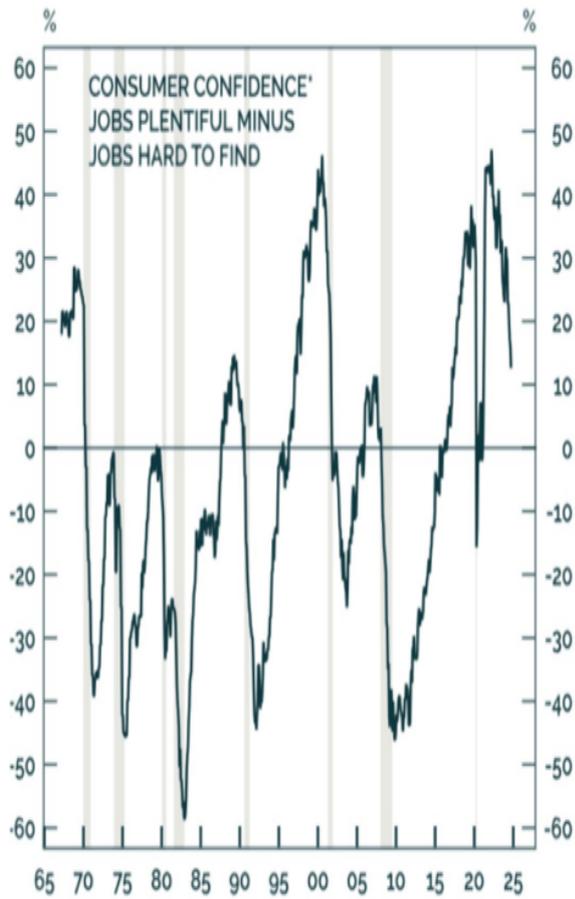# Two Labor Market Warnings - RIA

At last week?s FOMC meeting, Jerome Powell clearly stated that recent signs of labor market weakness were an important factor in cutting rates. Therefore, assuming inflation continues to decline, the strength or weakness of the labor market will likely determine how much more they cut the Fed Funds rate. The well-followed BLS, ADP, Jobless Claims, and JOLTs labor market data are essential to the Fed?s decision-making. Outside of those reports, there is a slew of other data that, while not as prominent, can provide more timely clues about the labor market. Today, we present two such lesser-followed labor market indicators.

The graph on the left comes from Tuesday?s Consumer Confidence report. According to the Conference Board, it measures ?*the percentage of respondents who say jobs ?are plentiful? compared to the percentage of respondents who say jobs ?are hard to get.?*? As shown, the index has peaked months before each recession and rebounds shortly after it is over. Furthermore, the index tends to either be increasing or decreasing. It rarely stays static. Post 1990, the recessions coincided with a ratio of zero or below. The ratio is declining and approaching zero.

The graphs on the right are from Tuesday?s Richmond Fed manufacturing and service sector surveys. Both show that employment in the district is weakening. Manufacturing conditions are now on par with the worst of the pandemic. The service sector is not as bad but below zero, connotating a labor force contraction. This is just one of many regional Fed surveys with similar sentiments regarding employment.

A recession is not imminent, but a growing amount of labor data points to weakness. Next week?s three employment reports and the national ISM surveys will either confirm the charts below or present a more optimistic view.

CONSUMER CONFIDENCE'
JOBS PLENTIFUL MINUS JOBS HARD TO FIND

' SOURCE: THE CONFERENCE BOARD.
NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS.

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Fifth District Survey of Manufacturing Activity
Diffusion Index, Seasonally Adjusted 3-MMA

— Composite Index — Shipments — New Orders
— **Employment** — Wages — Local Business Conditions
— Capital Expenditures — Vendor Lead Time

Fifth District Survey of Service Sector Activity
Diffusion Index, Seasonally Adjusted 3-MMA

— Revenues — Demand — **Employment**
— Wages — Local Business Conditions — Capital Expenditures

Source: Federal Reserve Bank of Richmond

What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# of Ests	Last Year's Report Date	Last year's EPS*
🌙	COST	Costco Wholesale Corporation	$406,573,683,809	Aug/2024	$5.05	14	9/26/2023	$4.86
☀️	ACN	Accenture plc	$212,580,588,499	Aug/2024	$2.77	10	9/28/2023	$2.71
☀️	JBL	Jabil Inc.	$12,823,844,503	Aug/2024	$2.12	3	9/28/2023	$2.34
☀️	KMX	CarMax Inc	$11,932,235,880	Aug/2024	$0.85	9	9/28/2023	$0.75
☀️	SNX	TD SYNNEX Corporation	$10,133,806,838	Aug/2024	$2.69	5	9/26/2023	$2.71
🌙	MTN	Vail Resorts, Inc.	$7,016,878,984	Jul/2024	($4.28)	8	9/28/2023	($3.35)
⊖	GLPG	Galapagos NV	$1,928,807,268	Jun/2024	($0.16)	2	8/03/2023	$0.09
🌙	BB	BlackBerry Limited	$1,440,022,520	Aug/2024	($0.04)	1	9/28/2023	($0.06)

Economy

THURSDAY, SEPTEMBER 26

Time	Currency	Event	Impact		Actual	Forecast	Previous	
12:30	🇺🇸 USD	Core Personal Consumption Expenditures (QoQ) (Q2)		-		2.8%	2.8%	🔔
12:30	🇺🇸 USD	Durable Goods Orders (Aug)		-		-2.6%	9.8% ⓘ	🔔
12:30	🇺🇸 USD	Durable Goods Orders ex Defense (Aug)		-		-	10.3% ⓘ	🔔
12:30	🇺🇸 USD	Durable Goods Orders ex Transportation (Aug)		-		0.1%	-0.2%	🔔
12:30	🇺🇸 USD	Gross Domestic Product Annualized (Q2)		-		3%	3%	🔔
12:30	🇺🇸 USD	Gross Domestic Product Price Index (Q2)		-		-	2.5%	🔔
12:30	🇺🇸 USD	Initial Jobless Claims (Sep 20)		-		225K	219K	🔔
12:30	🇺🇸 USD	Nondefense Capital Goods Orders ex Aircraft (Aug)		-		0%	-0.1%	🔔
12:30	🇺🇸 USD	Personal Consumption Expenditures Prices (QoQ) (Q2)		-		2.5%	2.5%	🔔
13:10	🇺🇸 USD	Fed's Collins speech			🔒 LOCKED			🔔
13:10	🇺🇸 USD	Fed's Kugler speech			🔒 LOCKED			🔔
13:15	🇺🇸 USD	Fed's Bowman speech			🔒 LOCKED			🔔
13:20	🇺🇸 USD	Fed's Chair Powell speech			🔒 LOCKED			🔔
13:25	🇺🇸 USD	Fed's Williams speech			🔒 LOCKED			🔔
14:00	🇺🇸 USD	Pending Home Sales (MoM) (Aug)		-		0.3%	-5.5%	🔔
14:30	🇺🇸 USD	Fed's Barr speech			🔒 LOCKED			🔔
14:30	🇺🇸 USD	Fed's Cook speech			🔒 LOCKED			🔔
17:00	🇺🇸 USD	Fed's Barr speech			🔒 LOCKED			🔔
17:00	🇺🇸 USD	Fed's Kashkari speech			🔒 LOCKED			🔔
22:00	🇺🇸 USD	Fed's Cook speech			🔒 LOCKED			🔔

Market Trading Update

Yesterday, we touched on Wall Street?s rush to upgrade year-end price targets based on hopefully increasing economic growth rates. With markets breaking out to all-time highs, the rush to allocate to equities has been quite bullish. Technically, as discussed in yesterday?s *Before The Bell video*, the market has formed a *?Cup and Handle?* formation. This is historically a very bullish pattern that leads to higher highs. As discussed in that video, the breakout of that bullish formation technically supports Wall Street?s price target of 6000-6300 by year-end. Using the recent August lows to break above the July highs suggests a Fibonacci extension to 5986.

Of course, such a rally might not occur for plenty of reasons. The upcoming election, earnings season, and a continued weakening in consumer confidence and economic data remain. However, as is always the case, the markets can and often do, remain illogical longer than you can remain solvent.

We continue to remain equity-biased as bullish sentiment exists. However, we suggest paying attention to risk heading into November and looking for a better entry point for a potential year-end rally.
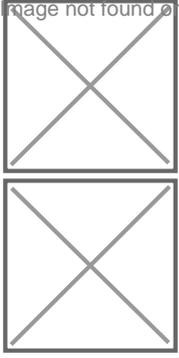
MBA Mortgage Index Is Surging, Sort Of

The MBA mortgage index rose to its highest level since July 2022 as mortgage rates fell to 6.13%. The index measures both home buying applications and refinancings. The first graph shows the MBA mortgage index surging, which is welcome news for the stagnating residential real estate market. However, the second graph puts the first graph in proper context. Despite being at a two-year, it is still at the lowest level in over 20 years.

The index should continue to rise, assuming mortgage rates keep declining. However, because so many current homeowners have very low-rate mortgages, the benefits of lower mortgage rates will be slower to take hold than the market is used to. It may take mortgage rates of 5% or even lower to see the index rise above the pre-pandemic peak.

United States MBA Mortgage Market Index

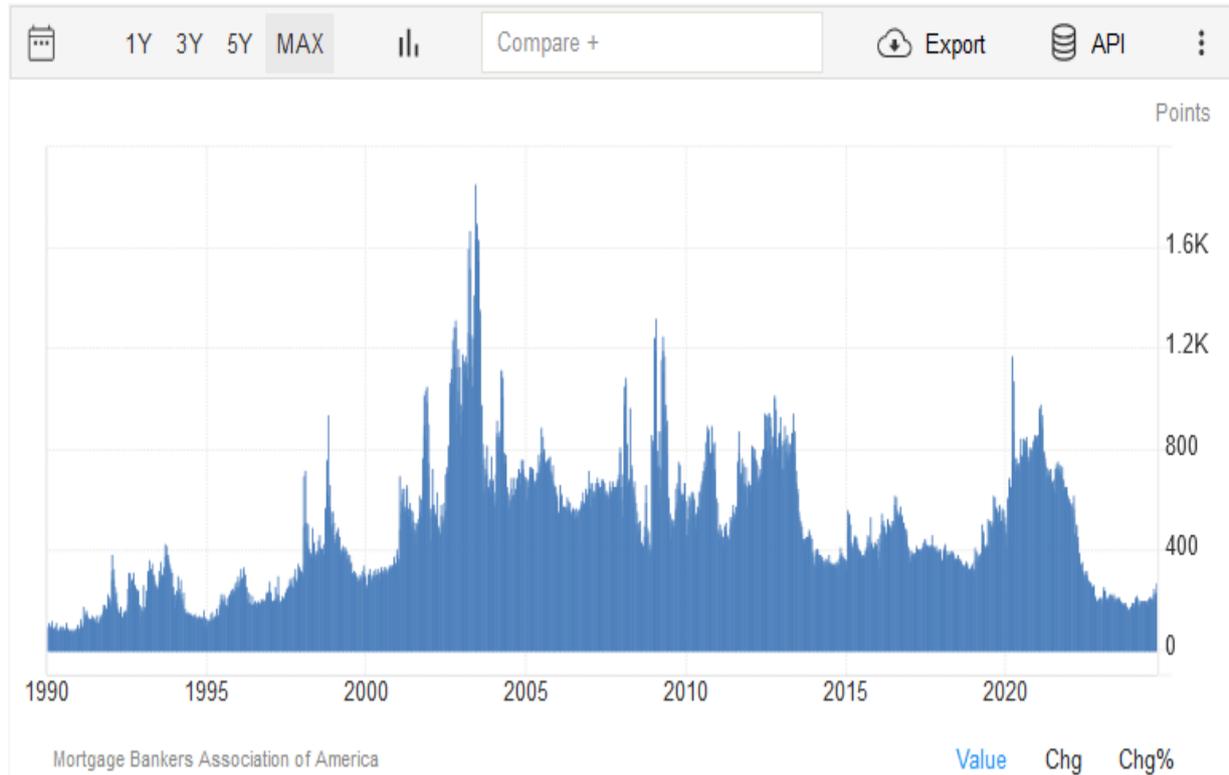Summary   Calendar   Alerts   Download ▾

MBA Mortgage Market Index in the United States increased to 296.10 points in September 20 from 266.80 points in the previous week. MBA Mortgage Market Index in the United States averaged 480.05 points from 1990 until 2024, reaching an all time high of 1856.70 points in May of 2003 and a record low of 64.20 points in October of 1990. source: Mortgage Bankers Association of America

Mortgage Bankers Association of America   Value   Chg   Chg%

United States MBA Mortgage Market Index

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Mortgage Bankers Association of America

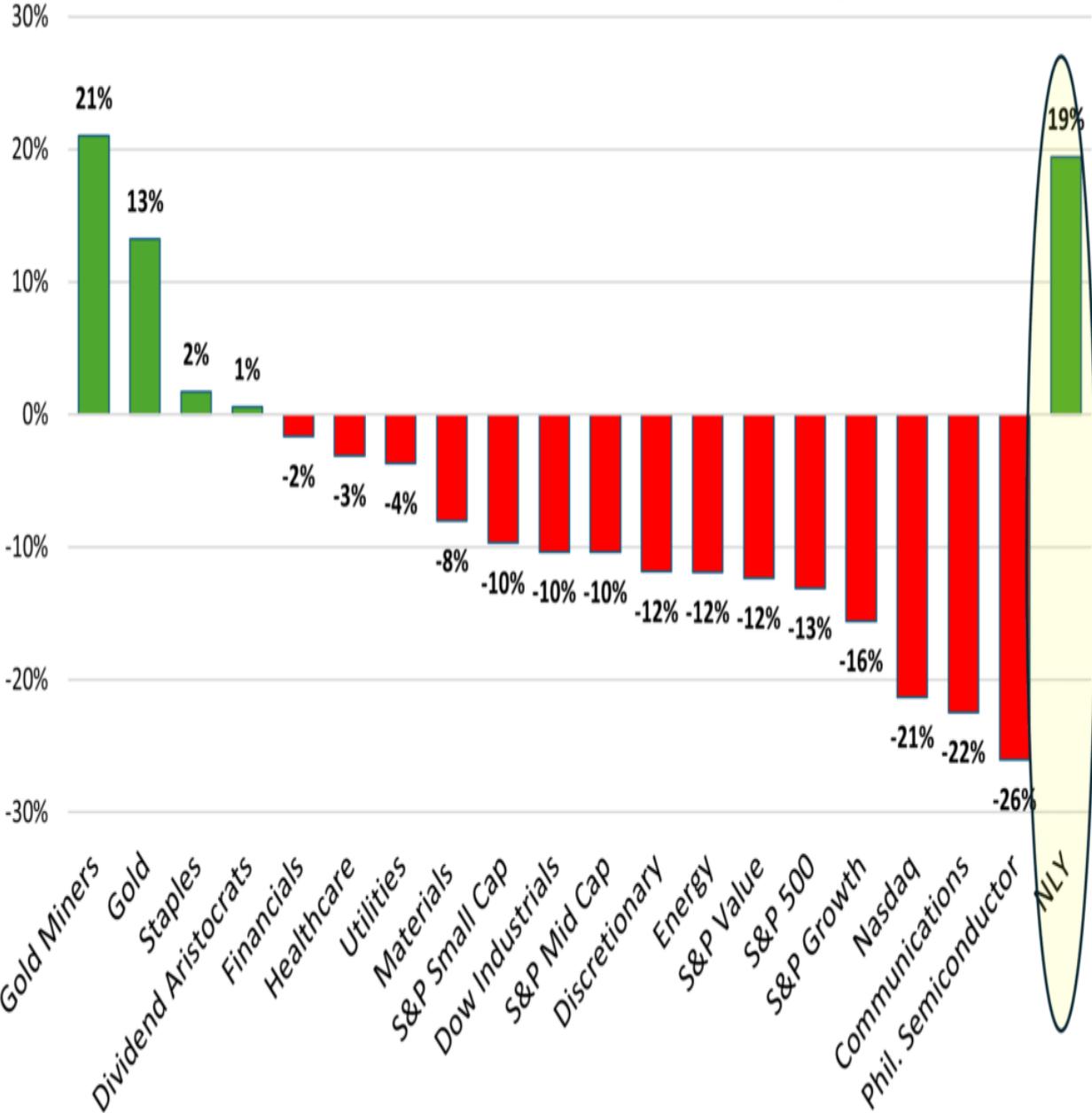# United States MBA Mortgage Market Index

Agency REITs For A Bull Steepener

Like banks, most agency REITs borrow for shorter terms than the duration of their assets. Creating such a mismatch in a positively sloped yield curve can result in additional profits as borrowing costs are less than asset yields.&#2013266080;

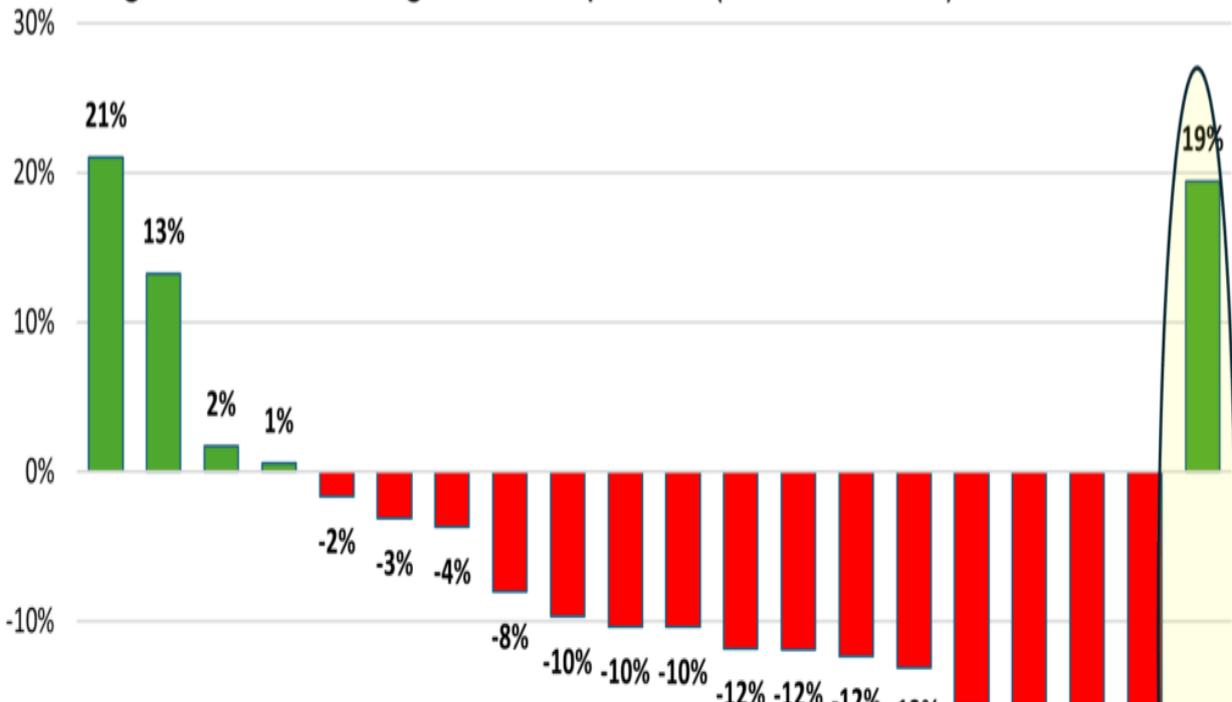If the bull steepener yield curve trend continues, agency REIT MBS should gain value. However, the duration of the MBS will shrink due to prepayments. New MBS replacements will have lower yields. However, funding costs should decline. There are many moving parts to consider. While the environment is conducive for profits, as we noted earlier, the performance of agency REITs comes down to hedging acumen.

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Average Returns During Bull Steepeners (2000-Current) RIA SimpleVisor

Average Returns During Bull Steepeners (2000-Current)

Gold Miners 21%, Gold 13%, Staples 2%, Dividend Aristocrats 1%, Financials -2%, Healthcare -3%, Utilities -4%, Materials -8%, S&P Small Cap -10%, Dow Industrials -10%, S&P Mid Cap -10%, Discretionary -12%, Energy -12%, S&P Value -12%, S&P 500 -13%, S&P Growth -16%, Nasdaq -21%, Communications -22%, Phil. Semiconductor -26%, NLY 19%

Average Returns During Bull Steepeners (2000-Current) RIA SimpleVisor

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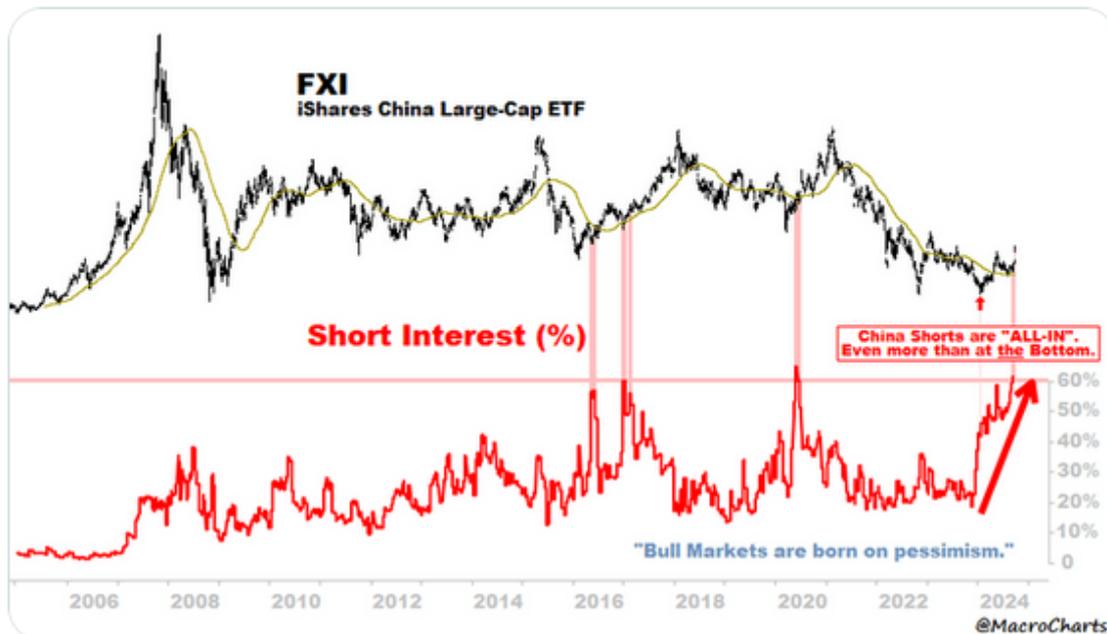
China Shorts are "ALL-IN".

Even more than at *the* Bottom.

FXI
iShares China Large-Cap ETF

Short Interest (%)

China Shorts are "ALL-IN".
Even more than at the Bottom.

60%
50%
40%
30%
20%
10%
0

"Bull Markets are born on pessimism."

2006 2008 2010 2012 2014 2016 2018 2020 2022 2024

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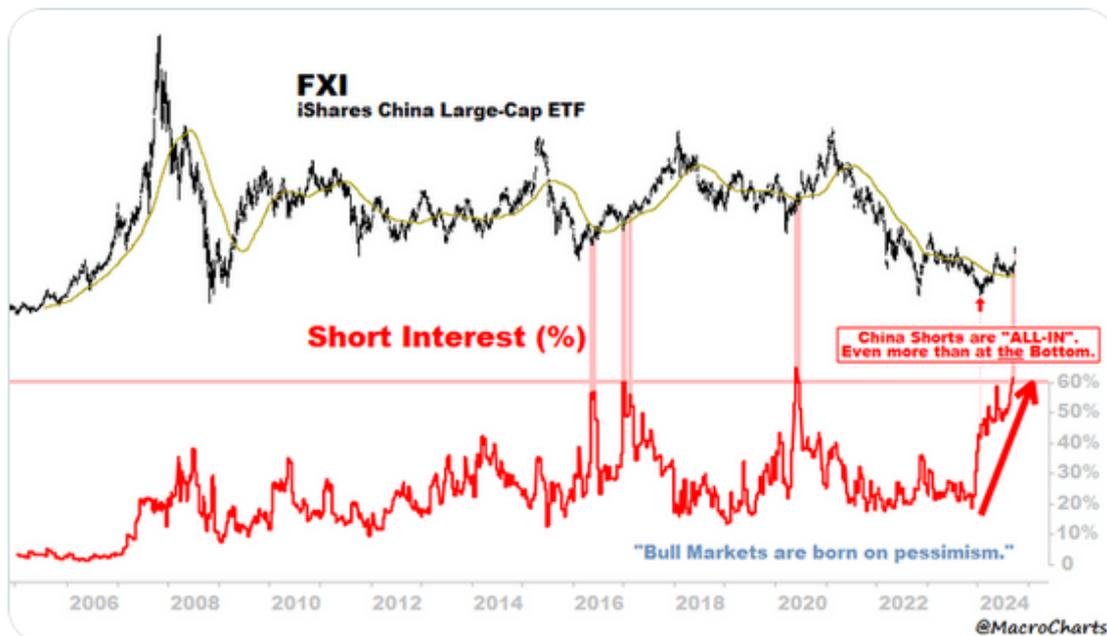
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Michael Lebowitz, CFA **is an Investment Analyst and Portfolio Manager for [RIA Advisors](#).** specializing in macroeconomic research, valuations, asset allocation, and risk management. **RIA Contributing&#2013266080;Editor and Research Director.** CFA is an Investment Analyst and Portfolio Manager; **Co-founder of&#2013266080;720 Global Research.&#2013266080;**

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