

Weekly Financial Markets Update September 25, 2023 | Gallagher USA

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Federal Reserve Stands Pat: As widely expected, the Federal Reserve last week voted to maintain the federal-funds interest rate target range at 5.25% to 5.50%. The Fed had raised the target to this level at its last policy meeting in July, which was its 11th increase since March 2022. Fed officials also updated their projections for future rate levels, which continued to point towards one more rate hike before the end of 2023. Notably, though, the median of officials' projections for the fed-funds rate at year-end 2024 rose from 4.625% to 5.125%, reflecting the Fed's embrace of a "higher for longer" policy on interest rates.

Leading Indicators Register 17th Straight Decline: The Conference Board reported last week that its Leading Economic Index (LEI), a composite of ten U.S. economic indicators intended to signal turning points in the economy, fell by 0.4% in August from the prior month. The index has now fallen for 17 straight months, signaling an uncertain economic outlook. The latest decline was primarily attributed to weakness in new orders, deteriorating consumer sentiment, higher interest rates, and tighter credit conditions. According to the Conference Board, "All these factors suggest that going forward economic activity probably will decelerate and experience a brief but mild contraction."

Continued Weakness in Home Sales: Sales of existing homes in the U.S. fell for the third straight month in August, decreasing nearly 1.0% from the prior month, according to a report last week from the National Association of Realtors. The

seasonally-adjusted annualized rate (SAAR) of 4.04 million home sales was the slowest monthly sales pace since January of this year and was 15% below the level recorded in August of last year. The year-over-year rate of sales has now declined each month for the last two years. The continued downtrend reflects the impact of rising mortgage rates as well as a limited supply of homes for sale on the market.

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