



## Cloudy with a Chance of Sunshine: A Snapshot of the Economy

industry update economy

**Summary:** Once again, economic data is filled with sunshine, but general market sentiment continues to function as cloud cover. We discuss consumer sentiment, the housing market, and the general economy.

In the children's book "Cloudy with a Chance of Meatballs," the residents of Chewandswallow get all of their meals from the food that falls down from the sky. While the concept of food tumbling down from clouds instead of rain or snow initially seems whimsical, the weather suddenly gets out of control and wreaks havoc on the town, much like a natural disaster would. The food gets bigger, the weather events last longer, and the mess left behind becomes impossible to clean up. Eventually, the townspeople decide to pack up and abandon Chewandswallow to build a new town with weather that offers rain and snow instead of food. Although there are no giant pancakes likely to land on buildings anytime soon, consumer sentiment continues to function as cloud cover over an otherwise sunny economy, according to March economic data.

### Consumer & Business Sentiment

Following a healthy level of activity during the holiday season, consumer spending is cooling off, but still in a good spot. Stable inflation expectations and moderate consumer confidence underscore resilience within the consumer sector. The stability in consumer sentiment provides a foundation for economic resilience, but challenges remain in certain sectors.

On the business end, the [Small Business Optimism Index](#) decreased once again, due to slowing levels of demand and economic outlook, despite companies continuing to hire and engage in CapEx. Small businesses, in particular, face obstacles due to slowing demand and economic uncertainties. Larger corporations, on the other hand, have more optimism and have slowly started spending once more.

### Economic Overview

Meanwhile, the general economy has remained consistent. Recession concerns are declining, and there's even improved housing activity, though it's still hampered by high borrowing costs. The job market itself is showing resilience, posting noteworthy payroll growth and a drop in the [unemployment rate to 3.8%](#).

That doesn't mean we're out of the woods, though. Challenges loom as Fed officials continue debating the number of future rate cuts and when they'll start. As of right now, the market and the Fed seem to be seeing eye to eye, with both projecting rate cuts to start at the June FOMC meeting. The factors in consideration are in a delicate balance, as indicated by Chairman Powell's comments that "if we ease too much or too soon, we could see inflation come back, and if we ease too late, we could do unnecessary harm to employment and people's working lives." Further concerns that could impact the economy include uncertainties surrounding CPI data and the state of geopolitical tensions, which are causing headwinds that land squarely on the bottom third of the economic totem pole.

### Banking Landscape

Despite ongoing challenges in the banking sector, conditions have continued to stabilize as financial institutions and borrowers have started to become accustomed to higher borrowing and refinancing costs, as well as elevated labor and operating activities. Even with delayed rate cuts on the horizon, financial institutions are beginning to see higher net interest income and a decline in deposit flight, which has helped push some banking sentiment and economic outlook for H2’24 higher. The one issue that is expected to continue to be a drain on the economy and banking activity is the amount of cash chasing a small number of deals, which isn’t expected to decline anytime soon.

Housing Trends

Recent housing market data indicates a mixture of optimism and challenges. Privately owned new building permits and housing starts show moderate growth, but there are still concerns about inventory constraints and affordability. On the other hand, existing homes are spending longer on the market.

While consumer spending remains robust and the overall economy shows resilience, challenges persist, particularly for small businesses amidst slowing demand. The delicate balance of economic factors, coupled with uncertainties surrounding rate cuts and geopolitical tensions, warrants careful navigation.

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ECONOMY & RATES

Rates As Of: 04/10/2024 10:07AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.43	-0.03	0.03
6M	5.34	-0.04	0.08
1Y	5.18	0.17	0.42
2Y	4.97	0.35	0.72
5Y	4.61	0.39	0.76
10Y	4.56	0.35	0.67
30Y	4.63	0.29	0.60
FF Market	FF Disc	IORB	
5.33	5.50	5.40	
SOFR	Prime	OBFR	
5.31	8.50	5.32	

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