



Basis Points – August 28, 2023

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Fed Chair Jerome Powell Speaks and Remains Hawkish

Investors tried to digest Federal Reserve Chair Jerome Powell's comments from the annual Jackson Hole Economic Symposium last Friday. Powell indicated that, despite inflation coming down, prices remain too high. The central bank is prepared to hike interest rates further until inflation steadies at the Fed's 2.0% target. Powell's suggestion of more interest rate increases sent bond yields higher, with two-year Treasury yields rising to 5.07%.

Sales of Existing Homes Decline

Sales of existing homes declined 2.2% in July and 16.6% since July 2022. Once again, low inventory and high mortgage interest rates cooled the market for existing homes. Total housing inventory in July sat at a 3.3-month supply at the current sales pace. The median existing home price in July was \$406,700, down from \$410,000 in June, but up from \$399,000 in July 2022.

Sales of single-family existing homes fell 1.9% in July and 16.3% from July 2022. The supply of single-family existing homes in July was 3.2 months, up slightly from 3.1 months in June and unchanged from the supply in July 2022. The median existing single-family home price in July was \$412,300, down from the June price of \$415,700 but higher than the July 2022 price of \$405,800.

Eye on the Week Ahead

The last week of August includes many important economic reports. The second estimate for the second-quarter gross domestic product is out this week. The initial estimate showed the economy expanded at an annualized rate of 2.4% over the first quarter. The report on personal income and expenditures for July is available this week. Investors should pay particular attention to the personal consumption expenditures price index, a measure of inflation favored by the Federal Reserve. Finally, the week ends with the July employment figures. Job growth expanded in June but at a much slower pace compared to the monthly average for 2023.

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