
October 25, 2024

Commentary

Weekly Economic Perspectives

Contents

-
- 02 **US Mortgage Refinancing Activity Stalls with Higher Mortgage Rates**
With mortgage rates up nearly 50 basis points over the last several weeks, refinancing activity is relapsing once again. For in-depth commentary on refinancing potential during this Fed easing cycle, read our recent blog [here](#).
-
- 03 **Canada: Further Rate Cuts to Stimulate Growth**
Bank of Canada (BoC) quickened the pace of easing. We now expect policy rate to reach 2.25% by summer 2025.
-
- 04 **Political Uncertainty in Japan**
The ruling and opposition parties are likely to fall short of the required majority to form a government, creating political uncertainty in Japan.
-
- 06 **Week In Review**
-

Spotlight On Next Week

Solid Q3 GDP growth anticipated in the US, modest growth in the Eurozone. BoJ to remain on hold and the LDP may have lost its majority in Japan's general elections. Australia's Q3 CPI to ease into the target range.

Contact

Simona Mocuta
Senior Economist
simona_mocuta@ssga.com
+1-617-664-1133

Amy Le
Macro-Investment Strategist
amy_le@ssga.com
+44-203-395-6590

Krishna Bhimavarapu
Economist
VenkataVamseaKrishna_Bhimavarapu@ssga.com
+91-806-741-5000

Weekly Highlights

Bond yields rise as US election draw near.

US New Home Sales
(Oct., saar)

738K

Up 6.3% y/y.

US Existing Home Sales
(Oct, m/m)

-1.0%

Extremely weak.

US 30-year fixed
mortgage rate

6.54%

Up nearly 50 bp in past month.

Canada: BoC Policy
Rate

3.75%

Rates are still restrictive.

UK Manufacturing PMI
(Oct, preliminary)

50.3

Expansion slows down sharply.

UK GFK Consumer
Confidence

-21

Remaining low.

Tokyo CPI (y/y, %)

1.8%

Drive down by base-effects.

BoJ Core CPI (y/y, %)

1.8%

Up from 1.6% and above
consensus.

Japan Manuf. PMI

49.0

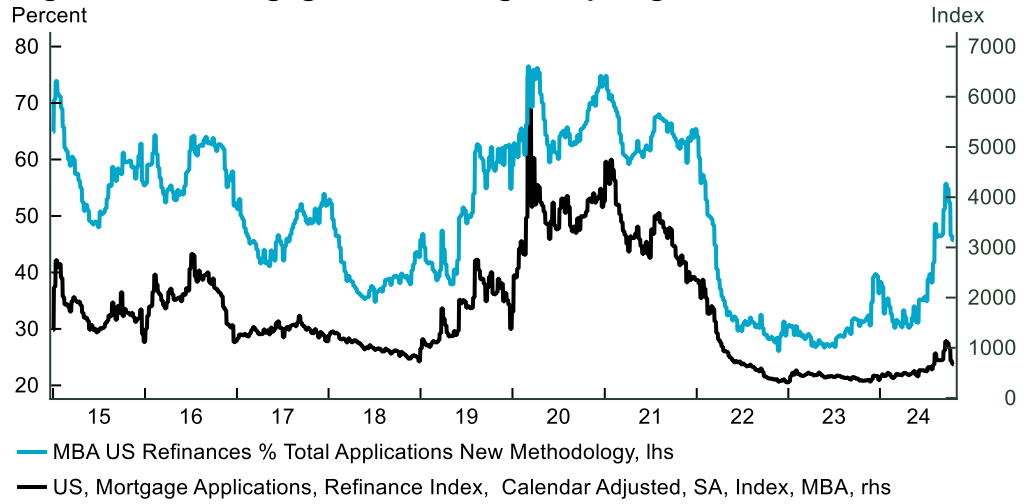
Weakest since March.

**US: Rates Vol Stalls
Housing Revival**

Since mid-September, 10-year yields have risen from 3.6% to over 4.2%. The intensifying war in the Middle East, resilient incoming domestic data, and market repricing of potentially more inflationary policies under a second term for President Trump, are all likely contributors to this move. As expected, the 30-year fixed mortgage rate has followed this shift higher: having dipped to 6.08% in mid-September, it bounced back to 6.54% by the third week of October. The increase in mortgage rates has had an immediate effect on mortgage demand, especially on refinancing activity. Refinancing accounted for about 55% of all mortgage applications in the third week of September but that share has declined nearly ten percentage points since (Figure 1, page 2). The scope for refinancing activity this cycle was always going to be limited given the majority of homeowners have secured mortgages below 5.0%; any move higher in rates further dims this potential.

Read our recent blog [An Unusual Mortgage Refinancing Cycle Ahead](#) for a fuller discussion of the mortgage/housing sector dynamics in the US.

Figure 1: US Mortgage Refinancing Relapsing Anew



Sources: Macrobond, SSGA Economics, MBA
 Updated as of 10/27/2024

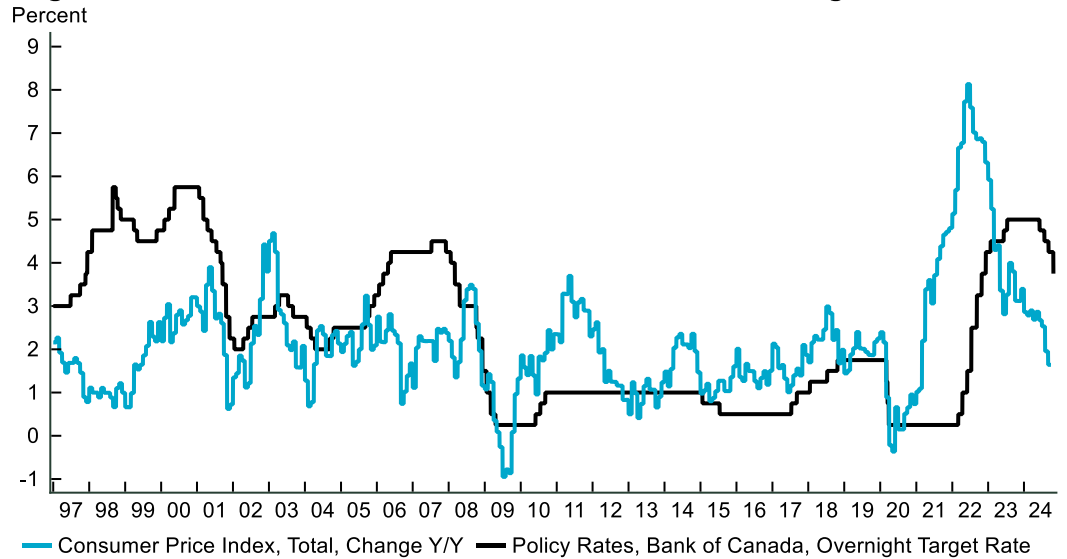
Existing home sales remain exceedingly depressed, in fact making a new post-GFC low in September. At 3.84 million annualized, existing home sales continue to undershoot even the Covid-era lows. Year-over-year comparisons do not appear too negative, but that is only because sales already underwent a violent correction lower in 2022 as the Fed began raising interest rates so the basis for comparison is already depressed. Meanwhile, supply is steadily improving as some sellers no longer can delay a move. The number of existing homes available for sales is 24.5% higher than a year ago and stands at 4.3 months' worth of sales. Apart from a single month in the early days of the pandemic, this is the highest inventory level since June 2019. Unsurprisingly, this has helped tame price increases. The median price of an existing single family home rose a moderate 2.9% y/y.

New home sales picked up 4.1% m/m in September, but it remains to be seen whether the improvement lasts given the rates volatility. Sales were 6.3% higher than a year ago while the median price was unchanged. Homebuilders have curtailed construction this year to better manage inventory, with reasonable success. Current inventory sits at 7.6 months' worth of sales, the low end of the one-year range, well below 2022 highs of around 10% but above 2018-19 levels. Notably, the number of completed homes available for sale is now the highest since September 2009.

Canada: Further Rate Cuts to Stimulate Growth

With headline inflation below 2% y/y and core measures, albeit above target, continuing to move lower, the Bank of Canada (BoC) has shifted its focus to growth. As widely expected, the BoC quickened the pace of easing with a 50bps policy rate cut to 3.75% at the October meeting.

Figure 2: Bank of Canada Accelerates The Pace Of Easing



Sources: Macrobond, SSGA Economics, BoC, StatCan
Updated as of 10/27/2024

The BoC now projects 1.2% and 2.1% GDP growth for 2024 and 2025, respectively, which are still above our forecasts. We think that ongoing mortgage resets and a sharp decline in population growth might lead to weaker household consumption and GDP growth. The BoC expects inflation to remain close to target over the projection horizon as excess supply will offset upward pressure from shelter and other services.

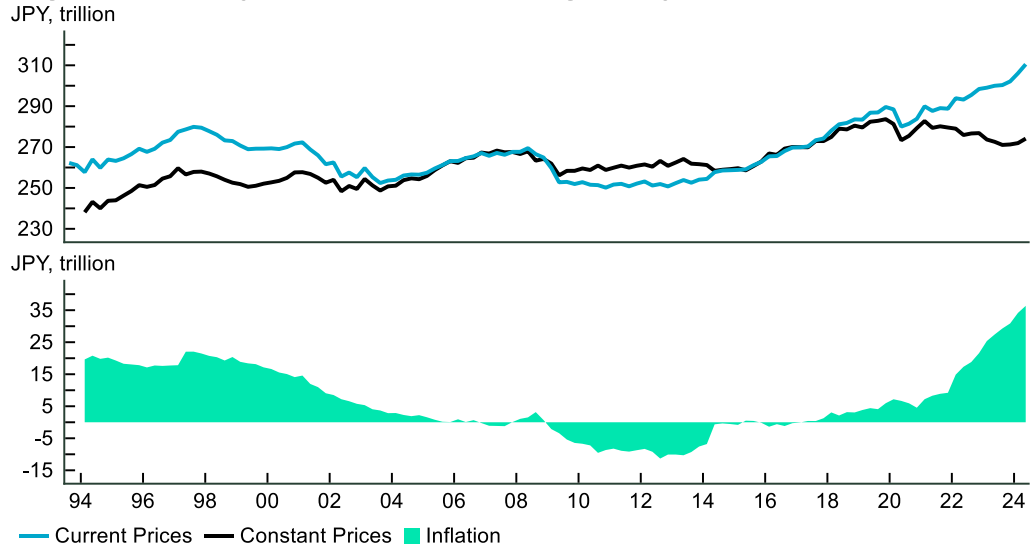
Governor Macklem stated in his post-meeting conference that further rate cuts are likely if the economy evolves in line with the BoC's updated forecast. However, the bank will still be highly data-dependent in making decisions about the timing and pace of future rate cuts.

In our view, weaker H2 growth will lead to another 50bp rate cut in December; even with that, the rate is still restrictive for the state of the economy. We expect four consecutive 25-bps cuts to bring the policy rate to 2.25% by June 2025.

Political Uncertainty in Japan

Data at the time of writing suggested that the ruling Liberal Democratic Party (LDP) would fail to secure a majority in the October 27 election, meaning that political uncertainty is looming large in Japan, a new and critical factor for markets. There are now downside risks to the yen and equities. The Nikkei was tracking the LDP and the opposition leading in 125 seats each, both short of the required majority (233). The LDP governed Japan in 65 of the last 69 years and the likelihood of a minority government means potential policy uncertainty. Nonetheless, we expect the policy normalization path in Japan to continue and look for a potential positive externality: an upside surprise in this year's shunto wage negotiations. This is because we believe that low real wage growth was perhaps a bigger reason why the LDP lost its majority and not last year's corruption scandals.

Figure 3: Employee Compensation Weighed By Inflation In Japan



Sources: SSGA Economics, CAO, Macrobond
 Updated as of 10/27/2024

Separately, **Tokyo CPI inflation** eased to 1.8% y/y in October primarily due to base-effects in energy. However, the BoJ core (excluding fresh-food & energy) rose two-tenths to 1.8% and was above the consensus of 1.6%. Sequential growth accelerated too, to 0.5% m/m from 0.2%. This primarily implies that underlying price-pressures are intact, despite unfavorable base-effects. The BoJ is likely to keep policy unchanged this week. But, despite the political uncertainty, we expect them to retain their confident guidance on growth, inflation and their policy normalization.

Week in Review

A summary of the key global data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Oct 21					
US	Leading Index (Sep)	-0.3%	-0.5%	-0.3% (↓)	Has been weak for a very long time.
Tuesday, Oct 22					
CA	Industrial Product Price (Sep, m/m)	-0.5%	-0.6%	-0.8%	Slightly better than expected.
Wednesday, Oct 23					
US	Existing Home Sales (Sep, m/m)	n/a	-1.0%	-2.0% (↑)	Extremely weak.
CA	BoC Rate Decision	3.75%	3.75%	4.25%	In line with expectations
JN	Jibun Bank PMI Mfg (Oct, prelim)	n/a	49.0	49.7	Not good, needs to improve.
Thursday, Oct 24					
US	Initial Jobless Claims (19-Oct, thous)	242	227	242 (↑)	Low.
US	Continuing Claims (12-Oct, thous)	1,875	1,897	1,869 (↑)	Low but in gentle uptrend.
US	New Home Sales (Sep, thous)	720	738	709 (↓)	Volatile.
US	Kansas City Fed Manf. Activity (Oct)	-7	-4	-8	Within recent range.
UK	Manufacturing PMI (Oct, prelim)	51.5	50.3	51.5	Losing momentum.
UK	Services PMI (Oct, prelim)	52.4	51.8	52.4	Losing momentum.
EC	Manufacturing PMI (Oct, prelim)	45.1	45.9	45.0	Still very weak.
EC	Services PMI (Oct, prelim)	51.5	51.2	51.4	Modest.
GE	Manufacturing PMI (Oct, prelim)	40.8	42.6	40.6	Welcome improvement but not nearly enough.
GE	Services PMI (Oct, prelim)	50.6	51.4	50.6	Welcome improvement, we need more.
FR	Manufacturing PMI (Oct, prelim)	45	44.5	44.6	Weak.
Friday, Oct 25					
US	Durable Goods Orders (Sep, prelim)	-1.0%	-0.8	-0.8% (↓)	Soft.
US	U. of Mich. Sentiment (Oct, final)	69.2	70.5	70.1	Inflation expectations eased.
CA	Retail Sales (Aug, m/m)	0.5%	0.4%	0.9%	OK.
UK	GfK Consumer Confidence (Oct)	-21	-21	-20	In line with our expectation.
GE	Ifo Business Climate (Oct)	85.6	86.5	85.4	Stabilizing?
FR	Consumer Confidence (Oct)	95	94	95	Modest.
IT	Consumer Confidence Index (Oct)	98.5	97.4	98.3	Modest.
JN	PPI Services (Sep, y/y)	2.7%	2.6%	2.8% (↑)	Price pressures in the pipeline.

Source: for data, Bloomberg®; for commentary, SSGA Economics.

**About State Street
Global Advisors**

For four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, we build from a breadth of index and active strategies to create cost-effective solutions. As pioneers in index and ETF investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US \$4.42 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2023.

† This figure is presented as of June 30, 2024 and includes ETF AUM of \$1,393.92 billion USD of which approximately \$69.35 billion USD is in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

ssga.com

Marketing Communication

Important Risk Discussion

Investing involves risk including the risk of loss of principal.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The views expressed in this material are the views of SSGA Economics Team through the period ended October 25, 2024 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication.

(a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the

dissemination of investment research.

This communication is directed at professional clients (this includes eligible counterparties as defined by the "appropriate EU regulator" who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

Intellectual Property Information

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

Australia: State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611.

Belgium: State Street Global Advisors, Chaussée de La Hulpe 185, 1170 Brussels, Belgium. T: +32 2 663 2036. State Street Global Advisors Belgium is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2

Canada: State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 1100, Toronto, Ontario M5C 3G6. T: +647 775 5900.

Dubai: State Street Global Advisors Limited, DIFC branch is regulated by the Dubai Financial Services Authority (DFSA) as a category 4 regulated firm and is only active in arranging deals in investments and advising on financial products. This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA and no other person should act upon it.

State Street Global Advisors Limited, DIFC Branch, OT 01-39, 1st Floor, Central Park Towers, DIFC, P.O Box 507448, Dubai, United Arab Emirates. Regulated by the DFSA under

reference number: F009297. Telephone: +971 4 871 9100

France: State Street Global Advisors Europe Limited, France Branch ("State Street Global Advisors France") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors France is registered in France with company number RCS Nanterre 899 183 289, and its office is located at Coeur Défense — Tour A — La Défense 4, 33e étage, 100, Esplanade du Général de Gaulle, 92 931 Paris La Défense Cedex, France. T: +33 1 44 45 40 00. F: +33 1 44 45 41 92.

Germany: State Street Global Advisors Europe Limited, Branch in Germany, Briener Strasse 59, D-80333 Munich, Germany with a representation office at Brussels Street 1-3, D-60327 Frankfurt am Main Germany ("State Street Global Advisors Germany"). Munich T +49 (0)89 55878 400. Frankfurt T +49 (0)69 667745 000. State Street Global Advisors Germany is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Hong Kong: State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200.

Ireland: State Street Global Advisors Europe Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 49934. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

Italy: State Street Global Advisors Europe Limited, Italy Branch ("State Street Global Advisors Italy") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Italy is registered in Italy with company number 11871450968 — REA: 2628603 and VAT number 11871450968, and its office is located at Via Ferrante Aporti, 10 - 20125 Milan, Italy. T: +39 02 32066 100. F: +39 02 32066 155.

Japan: State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon,

Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

Netherlands: State Street Global Advisors Netherlands, Apollo Building 7th floor, Herikerbergweg 29, 1101 CN Amsterdam, Netherlands. T: +31 20 7181 000. State Street Global Advisors Netherlands is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Singapore: State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

South Africa: State Street Global Advisors Limited is regulated by the Financial Sector Conduct Authority in South Africa under license number 42670.

Switzerland: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16.

United Kingdom: State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350.

United States: State Street Global Advisors, 1 Iron Street, Boston, MA 02210-1641.

© 2024 State Street Corporation. All Rights Reserved. 2537623.260.1.GBL.RTL Exp. Date: 10/31/2025