

NOVEMBER 4, 2024

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## Jobs, inflation reports show economic strength ahead of Fed meeting

This week will decide much for the coming months and years, but last week's data dump was backward looking. Much of the reports showed that the U.S. economy continues to truck along. First came the announcement of third quarter Gross Domestic Product. While its annualized growth rate was slightly lower than the previous quarter, 2.8% versus 3.0%, robust consumer spending is worrisome. Strong spending can be a sign that inflation is steady, something the Federal Reserve doesn't want, as it still remains above its 2% target. These concerns were not mollified by the Personal Consumption Expenditures Index report for September. That showed that core PCE, which strips out volatile elements like oil and food prices, increased an annualized 2.7%, the level at which it has been in four of the past five months.

You might think that the nation's extraordinarily low addition of only 12,000 jobs in October, per the nonfarm payroll report released Friday, suggests that the economy is cooling, in contrast to the inflation readings. But the unemployment rate held at 4.1%, and average hourly earnings rose more than anticipated. It is more likely that the October figures were depressed because of hurricanes and strikes.

That takes us to this week, with the General Election and the Federal Reserve meeting. We expect the latter to result in a 25 basis-point cut, but certainly are not making a call on the former.

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