

OBSERVATIONS

- Markets traded higher last week ahead of this week's Fed meeting with the S&P 500 gaining +4.1% and small caps (Russell 2000) gaining +4.4%. The yield on a 10-year Treasury continued to fall—declining -6 basis points last week to 3.65%.¹
- Small business optimism dipped in August to 91.2 down from July's 93.7 reading—this is the 32nd consecutive month the index has been below its 50-year average of 98. Small business owners cite inflation as their top worry and only 37% noted a positive profit trend, which was the lowest level since March-2010.¹
- Total consumer credit surged by \$25 billion in July—more than double expectations—which is a +6.0% year-over-year (YoY) increase. Revolving credit (primarily credit cards) rose +9.4% YoY in July after a small decrease in June and now total revolving credit stands at an all-time high.¹
- The Consumer Price Index (CPI) rose a touch more in August—+0.3% month-over-month (MoM)—than expected but overall CPI was +2.5% YoY, which is the lowest YoY increase since Feb-2021. Core-CPI, which excludes food and energy, was 3.2% YoY in July—unchanged from July's core-CPI figure.¹
- Producer prices (PPI) saw a similar dynamic in August. Headline PPI fell to 1.7% YoY from July's 2.1% figure, but core-PPI, which removes food and energy—was unchanged in August from July's 2.4% YoY level.¹
- Initial unemployment claims were little changed last week rising to 230k new claims from the previous week's 228k claims—initial claims last week were on-par with new claims from the same week last year.¹
- The Michigan consumer sentiment index inched up in September to 69.0 from August's 67.9 reading. The index is 40% higher than its historic low from June-2022, but remains well below its 50-year average (85).¹

EXPECTATIONS

- Global oil prices continue to soften as the Chinese economy slows. West Texas Intermediate crude has traded below \$70 per barrel since the beginning of September and closed last Tuesday at \$65.75 per barrel—nearly matching a 3-year low set in Dec-2021—before recovering to about \$69 per barrel on Friday.¹
- The European Central Bank (ECB) cut its main policy rate last week by -25 basis points to 3.5%. This is the second cut this year—the ECB cut rates (-0.25%) for the first time in over a decade in June—and the bank noted that recent data had given it confidence that inflation is “heading towards our [2%] target.”² Markets currently expect the ECB to cut (-0.25%) at least one more time before the end of the year.¹

ONE MORE THOUGHT: Post Debate Polls and Seven Swing States³

Last week we had the first—and possibly only—Presidential election debate which was watched by 67.1 million Americans. This viewership was higher than June's debate between former President Trump and current President Biden which had only 51 million viewers, but lower than the Trump-Clinton debate in 2016 that was watched by 87 million people. It is significant as this was the most likely event to sway undecided voters or voters that typically do not follow politics very closely but only begin to follow the candidates in the final months leading up to an election. However, a body of political science research indicates that Presidential debates have only a limited impact on likely election outcomes. The only other major event scheduled between now and the election is the Vice Presidential (VP) debate which is set to take place on 1-October. However, viewership of VP debates tends to be less than Presidential debates and voter surveys generally indicate they have less impact upon their thinking. Now that the

¹ Bloomberg LP, 9/13/2024

² <https://www.ft.com/content/3e8bb08a-88b3-4579-b7ed-498e7b753120>

³ [270twin.com](https://270twin.com/projects.fivethirtyeight.com/); projects.fivethirtyeight.com; [Polymarket.com/elections](https://polymarket.com/elections)

election is only about seven weeks away, we would expect to see a flurry of polls both nationally as well as in key battleground states. While national polls are useful for gauging if any of the candidates has some momentum (as well as predicting the popular vote), Presidential elections hinge on electoral college math and that means the polls in seven closely contested states are all that really matter for determining our next President. Those seven states are Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania, and Wisconsin. We will provide an update on polling from these seven key states again in mid-October, but as of now (while very close), recent polls suggest that VP Harris will win Michigan and Wisconsin, while former President Trump will win Arizona and Georgia. North Carolina is also set to be a very close race given recent polls, but betting markets suggest it will go to Trump. Ultimately, it is Pennsylvania which is too close to call by both recent polls and betting markets that will likely determine as to whom wins the Presidency. Pennsylvania has 19 electoral college votes and neither campaign has a path to a majority of electoral college votes without winning this state. Given this, do not be surprised to see both campaigns crisscrossing the states every week until election day. For this election cycle, Pennsylvania is THE swing state.

CHART OF THE WEEK

Georgia - 16

Economist: **Trump +2**
 538: **Trump +0.7**
 Morning Consult: **Harris +1**
 Polymarket: **Trump +18**

Swing State Recent Polls

(Polls fielded 30-Aug to 11-Sep)

Key:

State - Electoral College Votes

Poll 1

Poll 2

Poll 3

Polymarket (betting site) as of 9/12/2024

North Carolina - 16

Economist: **Trump +2**
 538: **Harris +0.2**
 Morning Consult: **Even**
 Polymarket: **Trump +18**

Arizona - 11

Economist: **Trump +2**
 538: **Trump +0.8**
 Morning Consult: **Trump +2**
 Polymarket: **Trump +20**

Pennsylvania - 19

Economist: **Trump +0.2**
 538: **Harris +0.6**
 Morning Consult: **Harris +3**
 Polymarket: **Trump +4**

Nevada - 6

Economist: **Trump +0.2**
 538: **Harris +0.1**
 Morning Consult: **Trump +1**
 Polymarket: **Trump +2**

Too close to call

Wisconsin - 10

Economist: **Harris +1**
 538: **Harris +2.8**
 Morning Consult: **Harris +3**
 Polymarket: **Harris +16**

Michigan - 15

Economist: **Harris +1**
 538: **Harris +1.8**
 Morning Consult: **Harris +3**
 Polymarket: **Harris +16**

Source: Clearstead;270towin.com; projects.fivethirtyeight.com; Polymarket.com/elections (online betting site) as of 9/12/2024



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