

Bond Yields Climb as Consumer Spending Indicates Stronger Q3 GDP

Retail sales topped the median forecast in September as U.S. consumers, *once again*, exceeded expectations. Since personal consumption accounts for roughly two-thirds of GDP growth, this morning’s unexpectedly solid results signal higher economic growth for the third quarter.

The value of retail sales rose +0.4% last month, above the +0.1% median forecast and a substantial rebound after rising just +0.1% in August. The gain was widespread with 10 of 13 spending categories logging gains in the final month of the quarter. Gas station sales fell -1.6% in September, reflecting lower pump prices rather than waning demand. Vehicles sales were unchanged. When gasoline and autos are excluded, sales rose +0.7%, *more than doubling the median forecast*.

Sales of furniture and electronics declined last month, although in both cases the drop in receipts reflects discounted prices. Among the notable increases last month were clothing (+1.5%), grocery stores (+1.0%), and general merchandise (+0.5%). Restaurant and bar sales, the only service category included in the report, rose +1.0%, the most in nearly a year.

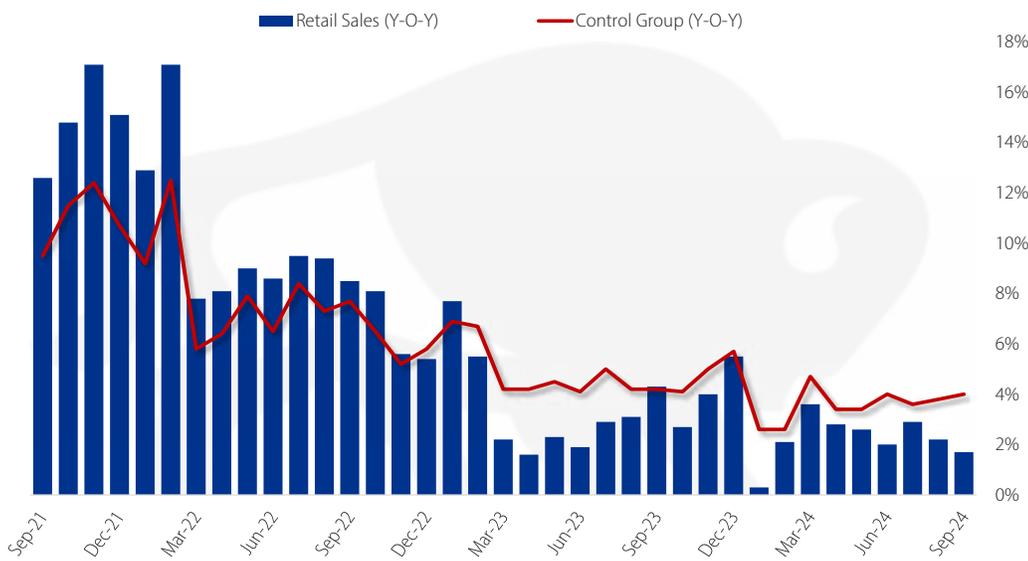
The retail sales “control group,” which excludes auto dealers, gas stations, food service and building materials stores, jumped +0.7%, the strongest gain of the quarter. Since the control group numbers are used to calculate GDP, it appears as though the economy has considerable momentum as it moves into the final quarter of 2024.

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2012
greg.warner@hilltopsecurities.com

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Retail Sales (Year-over-Year Percent Change)



Indications of healthier consumer demand indicate stronger GDP growth, improved labor conditions, potentially higher prices and less urgency for Fed rate cuts.

Source: US Census Bureau

Bond yields are higher in early trading. Indications of healthier consumer demand indicate stronger GDP growth, improved labor conditions, potentially higher prices and less urgency for Fed rate cuts. Bond market investors are adjusting expectations to reflect a more gradual easing pace.

Market Indications as of 9:52 A.M. Central Time

DOW	Up 122 to 43,200 (NEW HIGH)
NASDAQ	Up 23 to 18,390 (HIGH: 18,647)
S&P 500	Up 11 to 5,853 (HIGH: 5,860)
1-Yr T-bill	current yield 4.21%; opening yield 4.16%
2-Yr T-note	current yield 3.98%; opening yield 3.94%
3-Yr T-note	current yield 3.90%; opening yield 3.85%
5-Yr T-note	current yield 3.91%; opening yield 3.84%
10-Yr T-note	current yield 4.09%; opening yield 4.02%
30-Yr T-bond	current yield 4.38%; opening yield 4.30%

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