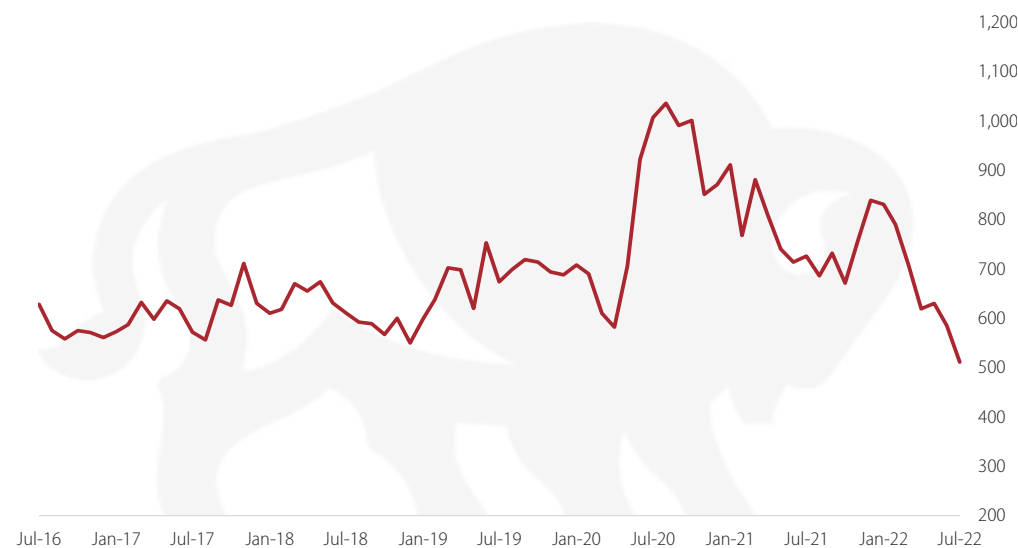


Softening Data Brings More Clouds to Jackson Hole

Federal Reserve Chairman Jay Powell will speak tomorrow morning in a much-anticipated appearance at the Fed’s annual economic symposium in Jackson Hole, Wyoming. At last year’s conference, Powell tried to assure the markets that the recent spike in inflation was “transitory.” This year, with inflation hovering near a forty-year high, he’ll convey the mixed message that Fed officials see price pressures as a major threat, while at the same time trying to convince investors that monetary policy is on track to bring prices significantly lower in the coming months. *It won’t be easy.*

Most of the economic data released so far this week has been on the soft side, but not all of it. On Tuesday, the U.S. Census Bureau announced new home sales fell by -12.6% in July to a seasonally-adjusted annual pace of 511k, the lowest level since January 2016. At the current sales pace, the available supply of new homes has now risen to 10.9 months, almost doubling since the year began. Pending home sales (which represent new contract signings for existing homes and are a leading indicator of future sales) fell -1% in July after a -9% June drop and are now down -22.5% on a year-over-year basis. Home prices have been a bit sticky, but are poised to drop as summer buying season concludes.

US New Home Sales (Seasonally adjusted annual rate, thousands)



Source: US Census Bureau

The S&P Global Purchasing Managers Index (PMI) fell from 47.7 to 45 in August, indicating contraction for the second month in row and the weakest measure since May 2020. Both the factory and service sectors faded, with the Manufacturing PMI slipping to a two-year low of 51.8 and the Services PMI falling further into contraction territory at 44.1. Purchasing manager surveys have historically been reliable leading indicators. This report indicates global central bankers have been successful in slowing economic growth ... *for better or worse.*

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

Pending home sales (which represent new contract signings for existing homes and are a leading indicator of future sales) fell -1% in July after a -9% June drop and are now down -22.5% on a year-over-year basis.

The S&P Global Purchasing Managers Index (PMI) fell from 47.7 to 45 in August, indicating contraction for the second month in row and the weakest measure since May 2020.

Yesterday, durable goods orders were *unchanged* in July, although the overall number was bit deceiving. A whopping -49% drop in the notoriously volatile defense aircraft orders category drove the headline. However, capital goods shipments *excluding aircraft orders*, used to calculate business investment for GDP, topped forecasts with a +0.7% increase in July. As companies grapple with ongoing labor shortages, investment in technology is only expected to grow.

This morning, the first revision of second quarter GDP showed annualized Q2 economic growth had improved slightly from the previously reported -0.9% to -0.6% on an improved contribution from the personal consumption component. An upward revision to the GDP price index probably raised some eyebrows, climbing from 8.7% to 8.9%, but this has become extremely stale data as the final month of the third quarter is just days away.

Bond yields have risen sharply across the curve throughout the month of August. In the absence of an FOMC meeting this month, investors have bet that Fed officials will maintain a hard stance at the September meeting. The fact that the bond market is back in step with the Fed's message suggests that Powell won't have to be overly hawkish tomorrow, *but every word he utters will carry weight.*

An upward revision to the GDP price index probably raised some eyebrows, climbing from 8.7% to 8.9%, but this has become extremely stale data as the final month of the third quarter is just days away.

Market Indications as of 9:02 A.M. Central Time

DOW	Up 117 to 33,085 (HIGH: 36,800)
NASDAQ	Up 124 to 12,556 (HIGH: 16,057)
S&P 500	Up 15 to 4,156 (HIGH: 4,797)
1-Yr T-bill	current yield 3.31%; opening yield 3.26%
2-Yr T-note	current yield 3.38%; opening yield 3.39%
3-Yr T-note	current yield 3.39%; opening yield 3.39%
5-Yr T-note	current yield 3.21%; opening yield 3.20%
10-Yr T-note	current yield 3.10%; opening yield 3.10%
30-Yr T-bond	current yield 3.31%; opening yield 3.31%

The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.