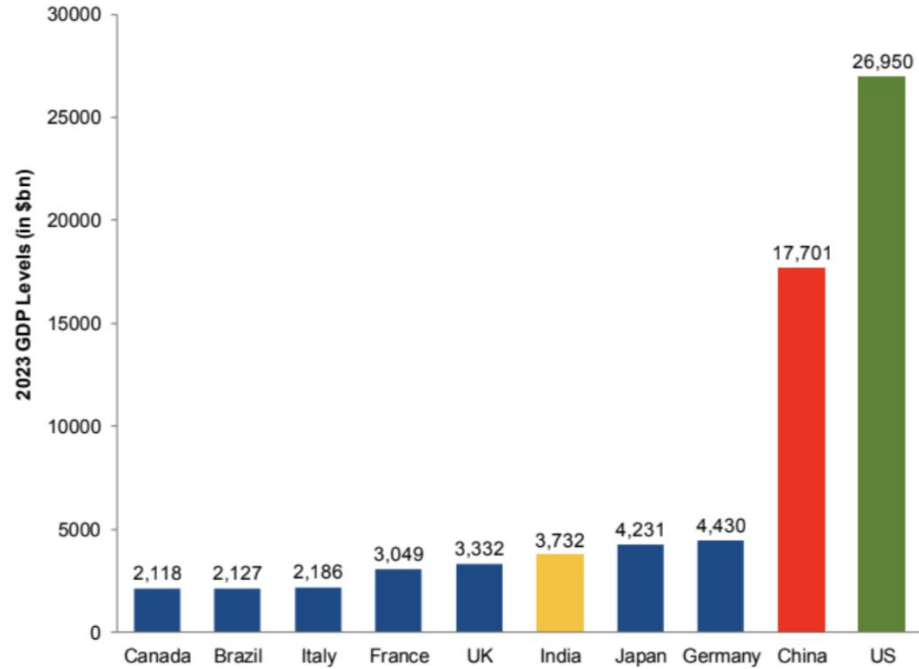METRIX
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Economic Update

The ultimate strength of the US lies "in its wealth... its capacity to create still more wealth, and its seemingly bottomless imagination in developing new ways to use that wealth productively."
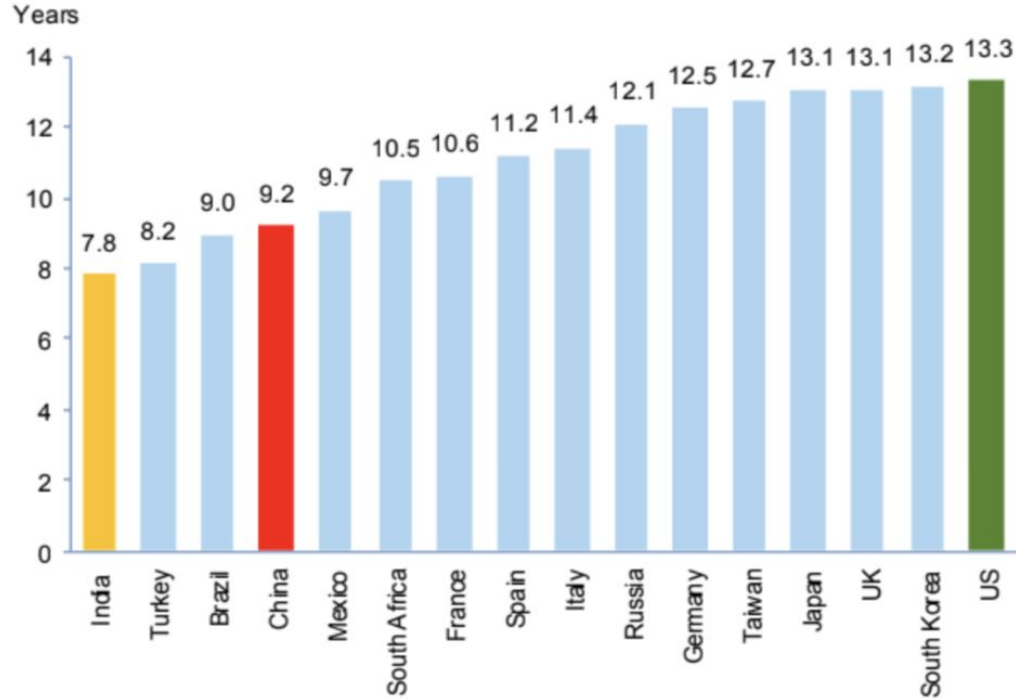
\- John Steele Gordon

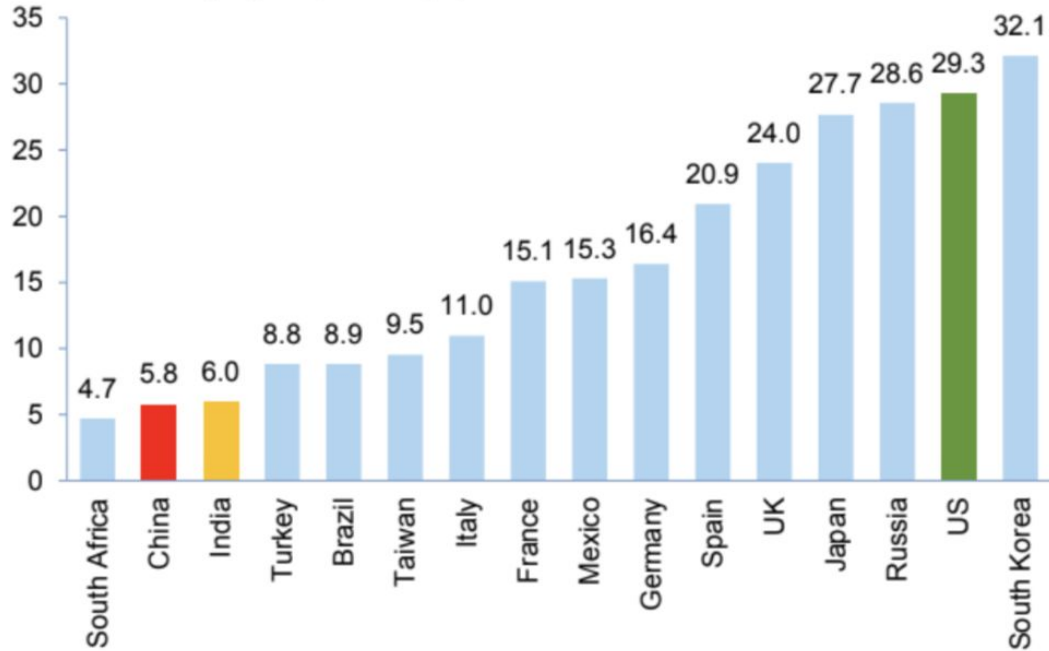# US Strength

1. Top 10 Countries Ranked by 2023 Nominal GDP

2. Average Years of Schooling – as of 2020

3. Share of Working-Age Population with Completed Tertiary Education – as of 2020

Share of Working-Age Population (%)
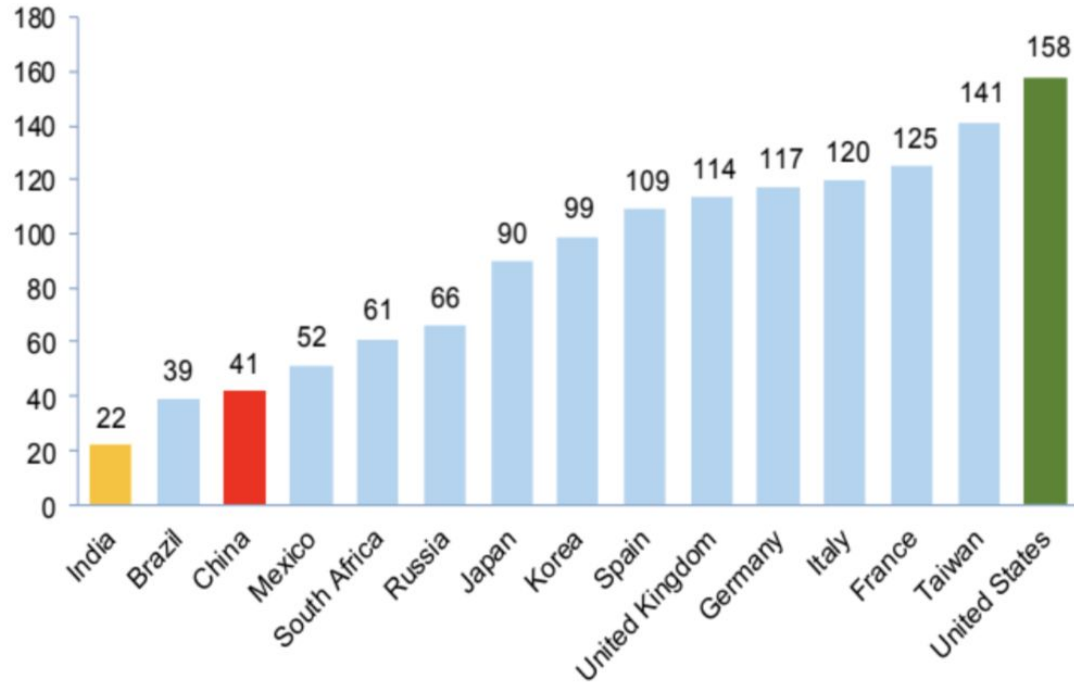
The US has more arable land than any other country, making it the largest exporter of agricultural commodities.

The US is the largest producer of oil and natural gas liquids. The US accounts for 22% of global LNG exports, exceeding both Qatar's and Australia's.

The US is at the forefront of technological innovation: the global leader in share of semiconductor sales at 48%.

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Election Year & Economy

	Donald Trump	Kamala Harris
Tax Policy	Extend and possibly expand 2017 tax cuts	Extend 2017 personal income tax cuts for those earning less than $400k per annum after 2025. Increase the top rate to 39.6% Corporate: Proposed 28% from 21% Wealth: Proposed a "Billionaire Minimum Income Tax" - 20% minimum tax rate on "full income, including unrealized appreciation"
Spending	Would cut domestic spending, but not cut "a single penny" from Medicare or Social Security	Expand education, health care, and other programs
Trade Policy	10% across-the-board tariffs, 60% China tariffs, Trump Reciprocal Trade Act	Some tariffs, export controls, entity list additions, investment restrictions
Immigration Policy	Tighten: "largest deportation operation in American history"	Implemented new border policies, would likely pursue much of the Senate's bipartisan border agreement

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We expect only small changes to the overall fiscal stance after the election, regardless of the winner. The deficit is likely to remain wide. A sweep for either party has the most potential for some fiscal expansion.

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If Trump wins, tariffs are likely to be the most immediate macro issue. A significant increase in tariffs is likely to initially be inflationary, but trade uncertainty is likely to weigh on growth. In most scenarios we don't see a significantly more hawkish Fed.

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Net immigration is likely to decline in all scenarios, meaning potential growth falls from its recent elevated rate. In our view, only severe and abrupt deportation schemes would meaningfully increase inflation.

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History reminds us that macroeconomic fundamentals, and whether the economic expansion continues, are far more important to US equities than who wins the election or changes to tax rates.

Outside of recessions, US equities produced favorable returns following presidential elections regardless of the winning party.

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Recession

The Fed's median projection for real GDP growth in 2024 is now 1.5%, with a central tendency range of 1.3% to 1.7% and a full range of 0.9% to 2.0%. These modest growth expectations suggest cautious optimism, with a realistic expectation of slower growth compared to stronger post-pandemic recovery years.

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GDP

REAL GDP GROWTH IN 2024:

Q1: Real GDP increased at an annual rate of **1.4%**, a slight upward revision from earlier estimates of 1.3%.

Q2: Real GDP grew by **3.0%**, reflecting strong consumer spending, private inventory investment, and business investment. This is an increase from earlier projections of 2.8%.

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Inflation

The 2.5% annual inflation rate for the last 12 months (as of July 2024) marks a significant improvement compared to the previous 12-month period (when inflation was closer to 6%), reflecting the residual effects of supply chain disruptions.

This decrease indicates that pressures are easing, in line with the Fed's efforts to bring inflation closer to its 2% target, driven by tighter monetary policies and stabilizing economic factors.

Jobs

As of July 2024, the U.S. unemployment rate is 4.3% (7.2M people), reflecting an increase from 4.1% in June 2024. This rate is higher than the 3.5% recorded in July 2023, indicating a gradual rise in unemployment over the past year.

A stable unemployment rate around 4% suggests that labor market conditions are expected to remain relatively strong.
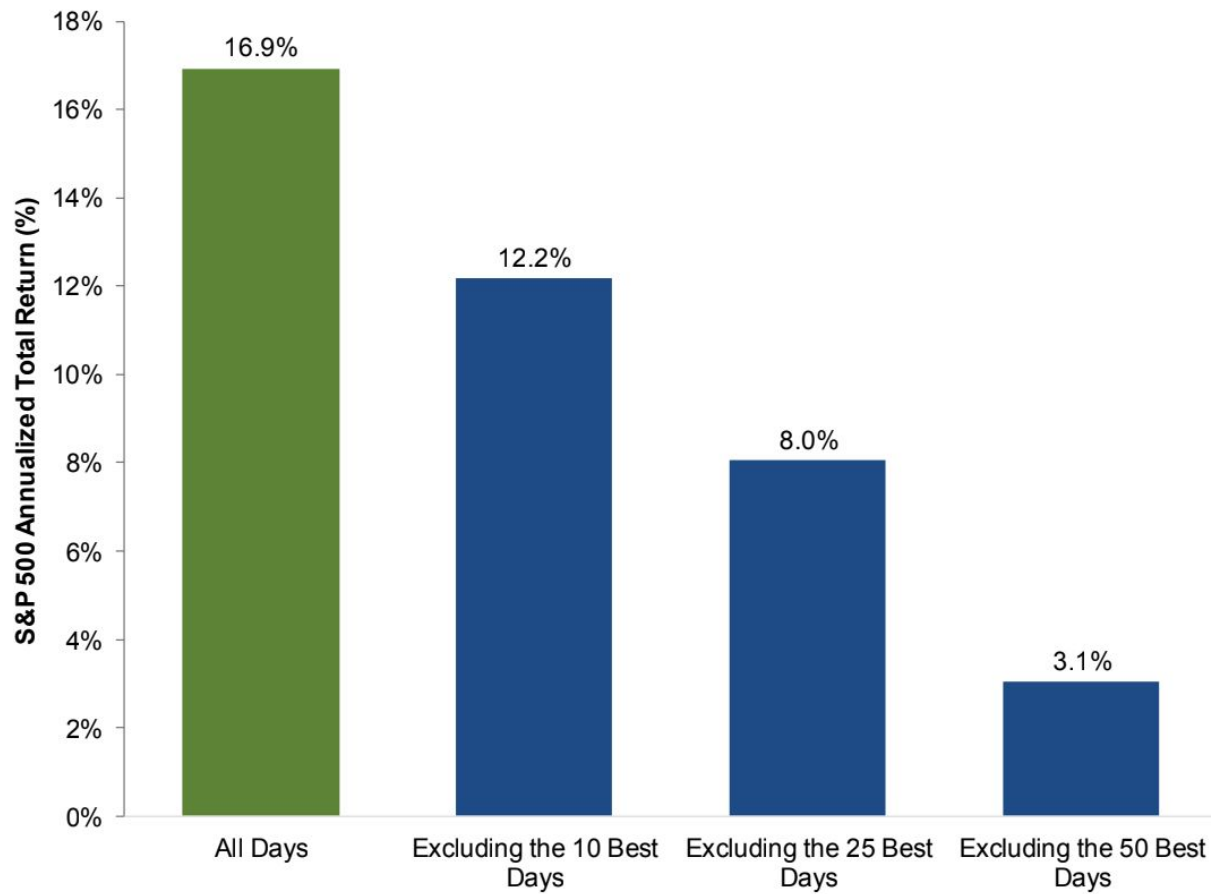
Stock Market

The S&P 500 was up 2.28% in August, bringing its YTD return to 18.42%.

The Dow Jones Industrial Average increased 1.76% for the month and was up 10.28% YTD.

2. S&P 500 Bull and Bear Markets Over the Post-WWII Period[1]

S&P 500 Annualized Total Return – March 9, 2009 to August 23, 2024

Markets Monitor

	1Y Price Range	8/13/2024	WTD	Last Week¹	YTD
S&P 500		**5,434**	**1.7%**	**0.0%**	**13.9%**
Comm Svcs		299	0.8%	0.8%	21.5%
Cons Disc		1,428	2.1%	-1.0%	0.7%
Cons Staples		848	0.0%	-0.3%	11.2%
Energy		683	-0.5%	1.2%	6.7%
Financials		706	0.4%	0.5%	12.8%
Health Care		1,761	0.8%	-0.6%	10.7%
Industrials		1,057	0.6%	1.2%	9.6%
Info Tech		4,174	3.9%	-0.2%	22.9%
Materials		561	0.6%	-1.7%	4.0%
Real Estate		262	0.1%	-0.2%	4.3%
Utilities		376	0.7%	-0.9%	16.8%
NASDAQ		**17,188**	**2.6%**	**-0.2%**	**14.5%**
VIX		**18.12**	**(2.25)**	**(3.02)**	**5.67**
3M Yield		5.18%	-0.03%	0.03%	-0.16%
1yr Yield		4.39%	-0.09%	0.12%	-0.37%
10yr Yield		3.84%	-0.10%	0.15%	-0.04%
30yr Yield		4.16%	-0.06%	0.11%	0.13%
HY Spread (bps)		345	6	-20	22
3M LIBOR		5.38%	0.00%	-0.12%	-0.22%

	1Y Price Range	8/13/2024	WTD	Last Week¹	YTD
MSCI AC World		**963**	**1.4%**	**-0.1%**	**10.9%**
MSCI EAFE		**1,467**	**1.1%**	**-0.3%**	**5.3%**
TOPIX		2,554	2.8%	-2.1%	7.9%
Euro Stoxx 50		4,695	0.4%	0.8%	3.8%
DAX		17,812	0.5%	0.3%	6.3%
FTSE MIB		32,006	0.7%	-0.7%	5.5%
FTSE 100		8,235	0.8%	-0.1%	6.5%
MSCI EM		**66,322**	**0.7%**	**-0.3%**	**7.8%**
MSCI China		57	0.9%	1.5%	1.3%
MSCI India		2,944	-0.2%	-1.4%	18.3%
MSCI Brazil		319,365	1.5%	3.4%	-4.7%
USD Trade Weighted		89.13	-0.4%	-0.3%	2.0%
EUR		1.0993	0.7%	0.1%	-0.4%
JPY		146.84	-0.2%	-0.1%	-3.9%
GBP		1.2862	0.8%	-0.3%	1.0%
EM Currencies²			0.0%	0.7%	0.1%
CNH		7.1480	0.4%	-0.1%	-0.3%
WTI Crude Oil		78.35	2.0%	4.5%	9.4%
Gold Spot Price		2,465	1.4%	-0.5%	19.5%

1Y Low ——— 1Y High

Interest Rates

As of August 1, 2024, the Federal Reserve maintained the federal funds rate target range at 5.25% to 5.5%.

30-year fixed-rate mortgages are projected to be around 6.5% to 6.9% for Q3 2024.

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US: 3 cuts in 2024 starting in September

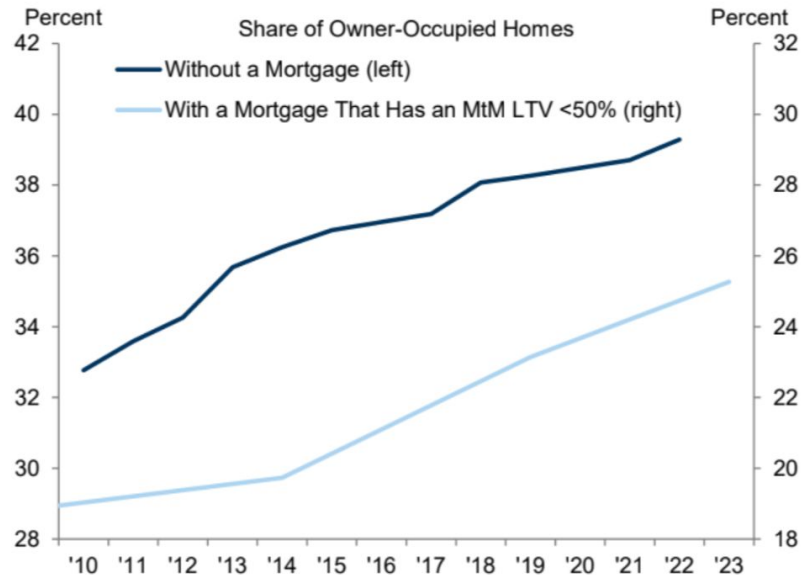Euro Area: 3 cuts in 2024 starting in June

UK: 2 cuts in 2024 starting in August

Japan: 3 hikes (10-15bp) in 2024 starting in March

Mortgage

Exhibit 3: Nearly All Borrowers Have Mortgage Rates Well Below Current Market Rates, Although a Higher Share of Homeowners Without a Mortgage Dampens that Financial Disincentive to Move

Distribution of Rates on Outstanding Mortgages

Percent (left axis, 0 to 15)
Percent (right axis, 0 to 15)

Current rate: 7.03%

Mortgage Rate (Percent): <=2.5, 2.75, 3.00, 3.25, 3.50, 3.75, 4.00, 4.25, 4.50, 4.75, 5.00, 5.25, 5.50, 5.75, 6.00, 6.25, 6.50, 6.75, 7.00, 7.25, 7.50, 7.75, >8

Share of Owner-Occupied Homes

Percent (left axis, 28 to 42)
Percent (right axis, 18 to 32)

— Without a Mortgage (left)
— With a Mortgage That Has an MtM LTV <50% (right)

Years: '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23

Source: eMBS, Department of Commerce, Black Knight, Goldman Sachs Global Investment Research

Sustained higher mortgage rates will continue to have their most pronounced impact on housing turnover, and the recent run-up in rates is likely to push existing home sales lower in the coming months. 95% of mortgage borrowers have interest rates below current market rates, and almost 80% have rates 2pp below market rates, strongly disincentivizing them from moving. As a result, we expect the fewest annual existing home sales since the early 1990s at just under 4.1mn.

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Home prices in the U.S. are expected to appreciate by 4.5% in 2024. This is a slight upward revision from previous forecasts of 3.9 to 4.2%. Several factors contribute to this outlook, including the anticipation of lower mortgage rates and resilient income growth.

As of the second quarter of 2024, the median home sales price in the United States was $412,300, according to the Federal Reserve. This is a decrease of $14,500 from the previous quarter and $6,200 from the previous year.

Exhibit 21: Existing home sales are down 4% year to date through June

Pending and existing home sales

Source: NAR, Goldman Sachs Global Investment Research

Approximately 37% of owner-occupied housing in the U.S. is owned free and clear of any mortgage debt. This reflects the stability of homeownership across various demographics and regions in the country.

Housing Market Activity Scale

Exhibit 13: We forecast home prices will appreciate by 4.5% in 2024 and 4.4% in 2025

GS housing and mortgage forecasts

Variable	2024				Annual Data		
	Q1	Q2	Q3	Q4	2023	2024	2025
Housing Measures							
Housing Starts (SAAR, Thousands)	1,448	1,450	1,443	1,450	1,421	1,450	1,541
Single Family	1,071	1,059	1,061	1,059	1,026	1,059	1,111
Multi Family	377	391	382	391	401	391	430
Case-Shiller National House Prices (YoY %Chg)	6.0	5.1	4.1	4.5	5.7	4.5	4.4
Interest Rates							
10-Year Treasury (%)	4.2	4.4	4.2	4.3	4.0	4.3	4.1
PMMS 30-Year Fixed-Rate Mortgage (%)	6.8	6.9	6.6	6.5	6.8	6.5	6.1
Mortgage Originations							
Total 1-4 Family ($Billions)	377	426	532	502	1,639	1,838	2,360
Purchase Originations	291	310	407	364	1,325	1,373	1,684
Refinance Originations	86	116	125	138	314	465	676
Gross Issuance of Agency MBS ($Billions)	211	273	373	351	986	1,209	1,699
Refinance Share (%)	23	27	23	27	19	25	29

Note 1: Annual data for housing starts are annual averages. Annual data for Case-Shiller national house prices are year-end numbers. Annual data for mortgage originations are the sum of quarterly originations.

Note 2: The Case-Shiller National House Price index is a weighted average of metro-level HPIs for 381 metro cities where the weights are dollar values of housing stock reported in the American Community Survey.

Note 3: Interest rates refer to period end values.

Note 4: Sources for historical data are Census Bureau, NAR, Moody's Analytics, Federal Reserve, Freddie Mac, and MBA.

Exhibit 39: New York year-over-year house price growth is the highest of the top 20 metro areas
Metro level housing indicators

City	1/2000 to Current HPA (%)	Annualized HPA 1/2000-Current (%)	YoY HPA (%)	Serious Delinq. (%)	Unemploy-ment Rate (%)	Vacancy Rate (%)	Median Price ($Th)	Median Income ($Th)	HOI	Average FICO
New York	210	5	9.4	3.2	4.4	0.8	667	113	13	742
San Diego	346	6	9.1	0.7	4.4	0.3	828	117	4	761
Las Vegas	196	5	8.6	1.4	5.4	1.1	432	84	14	739
Los Angeles	344	6	8.4	1.0	4.9	0.4	905	105	3	754
Miami	340	6	7.6	2.2	2.7	0.9	451	85	22	730
Cleveland	92	3	7.5	2.5	4.0	0.8	186	94	71	730
Chicago	107	3	7.5	2.5	4.7	0.5	347	125	51	738
Boston	237	5	7.2	1.4	3.1	0.7	632	140	23	751
Charlotte	180	4	7.2	1.6	3.5	0.6	389	103	37	741
Seattle	294	6	7.1	0.8	4.5	0.5	673	139	25	757
Detroit	88	3	6.9	2.9	3.9	0.6	226	95	66	726
Washington DC	229	5	6.1	1.7	2.8	0.2	517	150	46	747
Atlanta	148	4	5.7	2.2	3.1	0.8	375	104	40	734
Phoenix	228	5	4.4	1.2	3.0	1.0	440	99	22	745
San Francisco	265	5	4.3	0.5	4.2	1.1	1108	158	9	768
Tampa	287	6	3.3	1.9	3.4	1.1	359	89	31	736
Dallas	201	5	2.6	1.8	3.8	1.0	376	103	28	738
Minneapolis	141	4	2.4	1.3	2.7	0.6	350	125	60	752
Denver	223	5	2.1	0.8	3.8	0.1	560	126	24	757
Portland	228	5	1.0	0.9	4.1	0.6	500	114	18	757

Economic Story

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What, How & Social Proof

Average Price:

Average Payment:

Average Appreciation in Dollars: