

## Preview of the Week Ahead

In a light week for economic data, the highlight will be the ISM Services PMI's July release. The survey is likely to show a return to modest growth of the less cyclical service-providing sector in July after it slipped into contraction in June.

Consumer credit likely rose more slowly in July than June. Low- and moderate-income consumer finances are under strain from the high cost of living, and consumers who relied on credit in 2022 and 2023 to fund their spending have less capacity to borrow in 2024. Higher-income households are in good financial shape, but hesitate to take on loans given high interest rates.

Wholesale trade sales likely rose moderately in June on higher production volumes and prices of domestically-produced petroleum prices, as well as increased shipments of transportation equipment and other durable goods.

## The Week in Review

The Federal Open Market Committee (FOMC) unanimously voted to hold the federal funds target unchanged at 5.25% to 5.50% at their July 31<sup>st</sup> meeting. After focusing on achieving their 2% inflation objective for over two years, the FOMC tweaked their forward guidance to indicate that they will also be attentive to their maximum sustainable employment mandate, signaling more openness to cutting rates. When asked specifically about a cut at the next meeting, Chair Powell noted that he believed a rate cut in September “could” be warranted if inflation continues to ease, economic growth remains reasonably strong, and the labor market remains around its present state.

The July jobs report was weak across the board. Nonfarm payrolls rose by a modest 114,000, well below the 175,000 consensus. The prior two months' employment figures were revised lower by a combined 29,000. Roughly half of July job gains were in a single sector: healthcare. The unemployment rate unexpectedly rose by 0.2% to 4.3%, but, on a positive note, that was largely due to temporary layoffs. The average workweek slipped to 34.2 hours, 0.1 hour below its long-term average. The labor force participation rate increased by 0.1 pp to 62.7%. Average hourly earnings rose modestly by 0.2% on the month and 3.6% from a year earlier, the slowest increase since mid-2021. Job openings fell by a marginal 46,000 to 8.184 million in June. Private sector openings declined broadly; public sector vacancies rose, all in state and local government. Along with fewer job openings, the quits rate, a widely followed proxy for employees' ability and willingness to change jobs, held steady for the second consecutive month and was below its February 2020 pre-pandemic level.

The ISM Manufacturing PMI declined again by 1.7 percentage point to 46.8% in July. Its three key subindices—production, new orders, and employment—all fell further into contractionary territory. Stock prices and long-term bond yields fell after release of the weaker-than-expected ISM PMI survey and jobs report, fearing that the economy is weakening more than anticipated in the Fed's base case.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 8/5	ISM Non-Manufacturing PMI (Jul)	48.8	51.0	50.5
Tue 8/6	International Trade Balance in Goods & Services (Jun)	-\$75.1 billion	-\$72.5 billion	-\$72.6 billion
Wed 8/7	Consumer Credit (Jun)	\$11.3 billion	\$10.0 billion	\$3.0 billion
Thu 8/8	Initial Jobless Claims (Week of 8/3)	249,000	242,000	235,000
	Continuing Jobless Claims (Week of 7/27)	1,877,000	--	1,863,000
	Wholesale Trade Sales (Jun)	0.4% M/M	--	0.3% M/M
Fri 8/9	No-market moving economic releases	--	--	--

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