



(UBS)

# US consumer confidence rises in August, home prices hit a record high in June

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**US consumer confidence improved in August, with the Conference Board's index climbing to 103.3, up from a revised 101.9 in July, while US home prices reached a record high in June with the S&P CoreLogic Case-Shiller National Home Price Index recording a 0.2% month-over-month gain and a 5.4% increase year over year.**

US consumer confidence improved in August, with the Conference Board's index climbing to 103.3, up from a revised 101.9 in July. However, concerns about the labor market are growing, with slightly fewer consumers viewing jobs as "plentiful" and a marginal increase in those finding jobs "hard to get." Meanwhile, US home prices reached a record high in June, as the S&P CoreLogic Case-Shiller National Home Price Index recorded a 0.2% month-over-month gain and a 5.4% increase year over year. This marks the fifth straight month of rising prices, though the pace of gains is slowing. Despite a recent drop in mortgage rates, affordability remains a challenge, with the National Association of Realtors' affordability index dropping to 93.3 in June, relative to 93.5 in May and 93.7 a year ago.

*Our view:* The rise in consumer confidence reflects a more upbeat tone on the economy, likely thanks in part to inflation softening. However, the increasing weakness in the labor market, as well as the record high in home prices and related affordability challenges, are reminders that the picture is not all rosy for the US consumer. Our base case, however, is still for a soft landing, where consumer spending cools but remains resilient and the economy avoids a recession. Markets are also now pricing in an almost certain chance of an interest rate cut by the Fed in September, which should bode well for consumer sentiment and housing affordability going forward. We expect the Fed to cut at each of its three remaining meetings this year, with 100-basis points of reductions in total. This scenario would create a positive backdrop for risk

assets like quality stocks. It would also erode returns on cash, underlining our view that investors should reallocate cash into high-quality bonds, such as those from investment grade corporates.

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See more in the Caught our attention section of the US Daily—[Markets brace for NVIDIA earnings amid potential volatility](#), 28 August, 2024

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