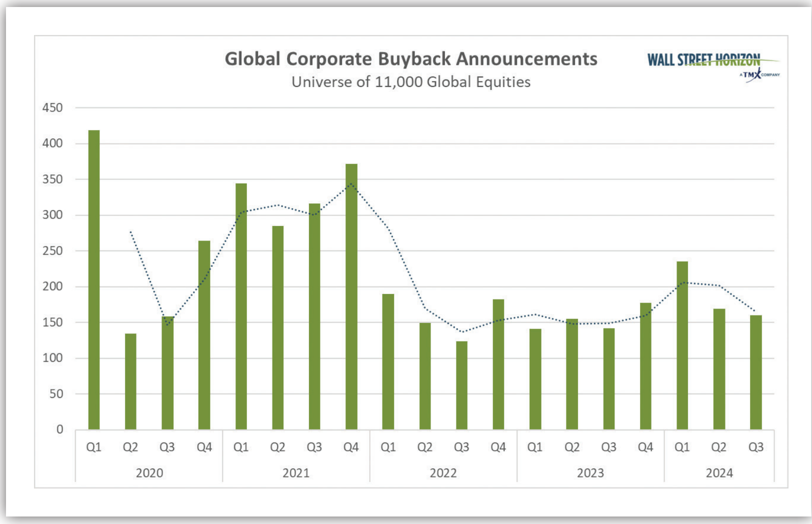


DISPATCHES

Buybacks Bounce Back in 2024

Corporate buybacks are showing a notable resurgence in 2024 after a significant decline in activity last year.

The study, conducted by Christine Short of Wall Street Horizon, analyzed global publicly traded companies to look at corporate buyback trends over the past few years. The study examined buyback announcements from companies and considered external factors such as interest rate changes and broader economic conditions.



The analysis showed that only 617 companies announced buybacks in 2023, following a peak of 1,319 in 2021. In 2024, repurchase activity is picking up, with 565 announcements in the first three quarters of the year, compared to 440 in the same period of 2023. Goldman Sachs predicts that the total in buybacks could reach $925 billion by the end of 2024—surpassing the 2022 record of $922 billion—and could reach $1 trillion by 2025.

Researchers note that a strong economy and the prospect of lower interest rates has driven this surge in buybacks. The Federal Reserve's 50-basis-point interest rate cut in September is expected to further accelerate this trend, encouraging even more corporations to resume or expand their buyback programs.

For investors, rising repurchase announcements potentially reflect stronger financial health and future growth prospects. Monitoring buyback trends can offer insights into broader market sentiment and economic recovery.

Source: "Are Buybacks Back? 2024 Showing Improvement After Hitting a Low Last Year," by Christine Short of Wall Street Horizon; Advisor Perspectives, October 3, 2024. ■

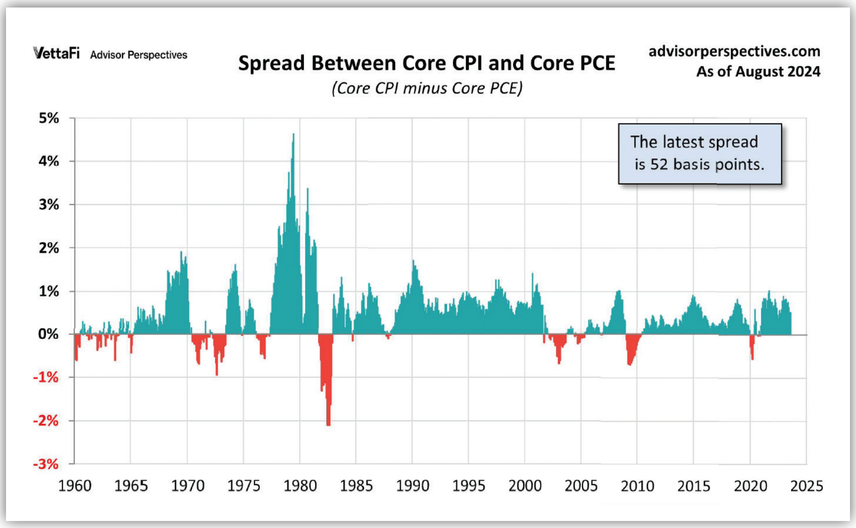
How Does the CPI Compare to the PCE Price Index as a Measure of Inflation?

The Federal Reserve uses the personal consumption expenditure (PCE) price index as the preferred method of measuring inflation instead of the more familiar consumer price index (CPI).

Researchers looked at layered charts comparing the growth rates of different price indexes that are used to measure inflation. The two main indexes examined were the PCE price index, constructed by the U.S. Bureau of Economic Analysis (BEA), and the CPI, calculated by the U.S. Bureau of Labor Statistics (BLS). The core PCE price index and core CPI exclude food and energy prices because of their volatility.

The article notes the core PCE price index is preferred by the Fed as an inflation gauge because it is less volatile than the CPI, providing a more consistent measure of long-term inflation trends. However, prior to 2022, the core PCE price index exhibited a disinflationary trend, which puts into question the effectiveness of the Fed's monetary policy.

A chart of the two indexes shows that they track each other closely over the long term and tend to move in the same direction. However, the core CPI is the more volatile of the two. Comparing the cumulative change in the two measures since 1960 illustrates that although the PCE price index and the CPI seem to grow at a similar rate, the core CPI has grown 974%, while the core PCE grew 677% over the same period.



Source: "Two Measures of Inflation: August 2024," by Jennifer Nash; Advisor Perspectives, October 2, 2024. ■