Stephens
Fixed Income Sales & Trading

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Mr. Clark has been in investment banking since 1983. He is a Chartered Financial Analyst. He has been a fixed income strategist at Stephens Inc. since 1996, developing investment strategies, policies and procedures for institutions consistent with overall asset/liability management. Mr. Clark is the risk manager for Fixed Income Sales and Trading, monitoring inventories, product, transactions and counterparty risk. He is also a member of Stephens Fixed Income Management, providing discretionary management services for institutional customers. He is a member of the American Institute of Certified Public Accountants and the CFA Institute.

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Economic Review

- The Labor Department reported that **initial jobless claims** fell to the lowest level since the week of October 3rd, 1969. The labor market is very tight. Employers are adding jobs at a pace that is well above the natural growth rate of the labor force. Claims fell 8,000 to 196,000 for the week ending April 6th. The previous low for this cycle was the 204,000 reading last week. The four-week moving average, a less volatile measure than the weekly numbers, decreased 7,000 to 207,000. The total number of people continuing to receive jobless benefits, a report which is lagged one week, decreased 13,000 to 1.713 million for the week ending March 30th.
- The Commerce Department reported that **factory orders** fell in February as uncertainty in the trade war has continued to weigh on spending. The index dropped 0.5% in February after remaining unchanged in January. The much followed forward looking demand from businesses for nondefense capital goods, excluding aircraft fell 0.1% in February after surging 0.9% in January. **Excluding transportation**, new orders rose 0.3% in February after falling 0.1% the prior month.
- The **National Federation of Independent Business** reported sentiment among small businesses is stabilizing slightly below the highs reached over the last two years. Optimism has trended down since August, as inventories get worked off and amid significant labor-market tightness. The index increased 0.1% to 101.8 in March after recording a 101.7 in February.
- The Labor Department reported that **job openings** decreased in February by the most in more than three years while still exceeding the number of unemployed workers, indicating some possible relaxation of a tight labor market. The JOLTS data continues to tell a very positive story about the state of the labor market. Job openings decreased by 538,000 in February to 7.087 million. Openings still outnumber the total number of unemployed workers by about 852,000. The job openings rate, the number of job openings as a percent of total employment fell to 4.5% in February from 4.8% the previous month.
- The Labor Department reported the **consumer price index** climbed 0.4% in March, driven primarily by a surge in energy prices. However, a soft core print will reinforce the dovish sentiment among many inflation watchers. Service prices rose 0.3% and prices of commodity based manufactured goods rose 0.7%. Service inflation continues to run above the Fed's long-term 2.0% target with a year-on-year rise of 2.6%, while commodity-based manufactured goods are up 0.7% year-on-year. From a year earlier, prices were up 1.9% in March compared to 1.5% the prior month. The **core CPI**, which excludes volatile food and energy prices, increased 0.1% in March after a gain of 0.1% the prior month. The year-on-year change in core CPI is 2.0%.
- The minutes to the March 19-20 **FOMC meeting** did not tell us anything we didn't already know from the policy statement in March. Policymakers continue to embrace the "patient" approach to interest rate policy. They think it is likely that recent signs of weakness will not persist, and no decisions have yet been made about whether the next rate adjustment will be a cut or a hike.
- The Treasury Department reported a **budget deficit** of $146.9 billion for the month of March, with the government collecting $228.8 billion and spending $375.8 billion. This compares favorably to a $208.7 billion deficit a year earlier.
- The Labor Department reported the **producer price index** was higher than expected in March with gasoline prices surging during the month. Goods prices which make up 33% of the weighting rose 1.0%, while services which make up 65% rose 0.3%. Wholesale prices rose 0.6% in March after climbing 0.1% the prior month. Year-on-year wholesale prices rose to 2.2% from 1.9% the prior month, the highest level since December 2018. The year-on-year reading peaked at 3.4% in June. The core PPI, which excludes volatile food and energy prices, rose 0.3% in March after increasing 0.1% the previous month, with a year-on-year gain of 2.4%.

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- The Labor Department reported the **import price index** rose more than expected in March as the impact of rising oil prices more than offset the deflationary impact of dollar strength. Import prices rose 0.6% in March, following a 1.0% increase in February. The year-on-year change remained the same, up from a decline of 0.8% in February. Import prices ex petroleum increased 0.2% in March after rising 0.2% the prior month. Year-on-year import prices ex petroleum was a negative 0.3%.
- The **University of Michigan's preliminary index of consumer sentiment** fell in April, likely reflecting an awareness among consumers that the economy is expected to slow. It may also reflect disappointment about tax refunds. The index fell to 96.9 in April from a 98.4 reading in March. The **index of current conditions** increased to 114.2 from 113.3 the prior month while the **index of expectations** fell to 85.8 in April from 88.8 in March.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell 5.6% to 475.6 from 503.6 for the week ended April 5th. **Refinancing applications** decreased 11.4% to 1,583 from 1,786 the prior week. **Home purchase mortgage applications** rose 0.5% to 278.1. The **average contract rate** on a 30-year fixed-rate mortgage increased to 4.40% from 4.36% the prior week.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 2.39%, 2.38%, 2.57%, and 2.98%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -1, 19, 41, and 59 basis points respectively.

Economic/Events Calendar

Monday	April 15	Apr Empire Manufacturing (8.0)	7:30 Central
Tuesday	April 16	Mar Industrial Production (0.2%)	8:15 Central
		Mar Capacity Utilization (79.2%)	8:15 Central
		Apr NAHB Housing Market Index (63)	9:00 Central
Wednesday	April 17	Apr 12th MBA Mortgage Applications	6:00 Central
		Feb Trade Balance (-$53.5b)	7:30 Central
		Feb Wholesale Inventories (0.3%)	9:00 Central
		Feb Wholesale Trade Sales	9:00 Central
		U.S. Federal Reserve Releases Beige Book	13:00 Central
Thursday	April 18	Apr 13th Initial Jobless Claims (205k)	7:30 Central
		Mar Retail Sales (1.0%)	7:30 Central
		Mar Retail Sales Ex Auto & Gas (0.4%)	7:30 Central
		Mar Leading Index (0.4%)	9:00 Central
		Feb Business Inventories (0.3%)	9:00 Central
Friday	April 19	Mar Housing Starts (1,230k)	7:30 Central
		Mar Building Permits (1,300k)	7:30 Central

Source: Bloomberg Finance L.P.