



April 19, 2021

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## Economic Review

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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- The Labor Department reported that **initial jobless claims** dropped to the lowest level since the pandemic began last week as the labor market continues to improve. The report indicates the labor market continues to recover as more workers get vaccinated and businesses reopen. Claims in regular state programs plunged 193,000 to 576,000 for the week ending April 10<sup>th</sup> after reporting an upwardly revised 769,000 initial claims the prior week. The four-week moving average dropped to 683,000 from 730,250 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, climbed 4,000 to 3.731 million for the week ending April 3<sup>rd</sup>.
- The Treasury Department reported a **budget deficit** of \$659.6 billion for the month of March with the government collecting \$267.6 billion and spending \$927.2 billion. This compares to a deficit of \$119.0 billion a year earlier. The current fiscal YTD deficit is \$1,706 billion compared to \$743 billion the prior year.
- The **National Federation of Independent Business** reported sentiment among small businesses increased to a four-month high in March as owners indicated they expect stronger sales and more opportunities to expand. The index rose 2.5% to 98.2 in March from 95.8 the prior month.
- The Labor Department reported the **consumer price index** climbed 0.6% in March after gaining 0.4% the prior month, once again due primarily to increases in energy costs. Both goods and services prices began to reaccelerate as the economy reopens, driven in part by the mass distribution of stimulus checks. The year-on-year change in consumer prices is 2.6% in March, reflecting the growing significance of base effects, as last year prices were crumbling due to the early onslaught of the pandemic. Service prices gained 0.4% in March after climbing 0.3% in February. Prices of commodity based manufactured goods gained 0.9% after gaining 0.5% the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.3% in March after climbing 0.1% the prior month. The year-on-year change in core CPI is 1.6%.
- The Labor Department reported the **import price index** climbed 1.2% in March after increasing 1.3% in February. Import prices are up 6.9% year-on-year. **Import prices ex petroleum** increased 0.9% in March after rising 0.5% the prior month. Year-on-year import prices ex petroleum is 4.1%.
- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through April 5, 2021. This report is published eight times each year. The tone of the report was more upbeat than the last report in March. Economic activity has accelerated to a moderate pace. Consumer spending strengthened and reports on tourism were more upbeat. Auto sales grew even as new vehicle inventories remained constrained by microchip shortages. The report noted strengthened demand for transportation, professional and business, and leisure and hospitality services. The report highlighted the expected acceleration as vaccinations accelerate.
- The New York Federal Reserve reported the **Empire State Manufacturing Index**, which is one of the first signals for factory sector activity, expanded to its highest level since October 2017. The report showed the service-sector firms expanded in April after declining for 13 straight months. The index recorded a positive 26.3 in April after a positive 17.4 reading in March. Readings above zero signal expansion in New York, northern New Jersey, and southern Connecticut.
- The Commerce Department reported that **retail sales** surged in March after another round of stimulus checks, unwinding from the February freeze and a broader economic reopening. Retail sales jumped 9.8% in March after an upwardly revised decline of 2.7% in February. The strength in consumer activity is expected to persist into the second quarter, boosting GDP growth to the highest pace in decades. March retail sales are up 30.4% year-on-year. **Retail sales ex autos and gas** increased 8.2% in March after declining 3.1% in February.



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- The Federal Reserve reported **industrial production**, which includes factory production, mines and utilities, climbed less than expected in March. The gains in March production follows severe winter in February, which disrupted production and temporarily closed some plants. Industrial production rose 1.4% in March after decreasing 2.6% in February. Production at factories, which make up 75.0% of output increased 2.7% in March after falling 3.7% the previous month. Utilities dropped 11.4% and mining rose 5.7%. **Capacity utilization**, which measures the amount of a plant that is in use, increased to 74.4% in March from a downwardly revised 73.4% the prior month.
- The Commerce Department reported **business inventories** climbed 0.5% in February after increasing 0.4% in January. **Business sales** fell 1.9% in February after climbing 4.5% the prior month. The ratio of business inventories to sales increased to 1.30 from 1.27 in January.
- The **National Association of Home Builders/Wells Fargo** reported housing sentiment among builders improved in April as strong demand offset concerns about rising material costs and supply chain issues. The index climbed to 83 in April from 82 in March.
- The Commerce Department reported that **housing starts** rebounded sharply in March putting starts at a new cycle high. The bounce back was particularly acute in regions impacted by February winter storms. Inventories remain very tight, which should encourage continued building activity. Housing starts rose 19.4% in March to a 1,739,000 annualized rate following the prior month's upwardly revised 1,457,000 pace. Single-family starts increased 15.3% with multi-family starts up 30.8%. **Building permits**, a gauge of future construction, rose 2.7% in March to a 1,766,000 pace.
- The **University of Michigan's preliminary index of consumer sentiment** improved in April following another round of fiscal stimulus and as job growth accelerated. The index rose to 86.5 in April from a 84.9 reading in March. The **index of current conditions** increased to 97.2 from 93.0 the prior month while the **index of expectations** remained unchanged at 79.7.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased by 3.7% for the week ending April 9<sup>th</sup> after dropping 5.1% the prior week. **Refinancing applications** decreased 5.0% to 2,917 from 3,069 the prior week. **Home purchase mortgage applications** fell 1.4% to 279.5. The **average contract rate** on a 30-year fixed-rate mortgage fell to 3.27% from 3.36% the prior week.

## BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.16%, 0.83%, 1.58%, and 2.26%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 67, 75, 68, and 210 basis points respectively.

## Economic/Events Calendar

Wednesday	April 21	Apr 16 <sup>th</sup> MBA Mortgage Applications	6:00 Central
Thursday	April 22	Apr 17 <sup>th</sup> Initial Jobless Claims (625k)	7:30 Central
		Mar Chicago Fed Nat Activity Index (1.20)	7:30 Central
		Mar Leading Index (1.1%)	9:00 Central
		Mar Existing Home Sales (6.16m)	9:00 Central
Friday	April 23	Mar New Home Sales (885k)	9:00 Central

Source: Bloomberg Finance L.P.

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