



September 14, 2020

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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** remained unchanged from the prior week, reflecting progress in the labor market is stalling. Regular initial benefits that include claims under Pandemic Unemployment Assistance rose for a fourth consecutive week. Claims were 884,000 for the week ending September 5th after reporting an upwardly revised 884,000 initial claims the prior week. The four-week moving average declined to 970,750 from 992,500 the prior week. The total number of people continuing to receive jobless benefits, a report which is lagged one week, increased 93,000 to 13.385 million for the week ending August 29th.
- The **National Federation of Independent Business** reported sentiment among small businesses climbed in August by more than expected, driven primarily by an uptick in job-creation plans. The index is still below pandemic levels, reflecting uncertainty that the ongoing effects of Covid-19 could slow demand. The index increased 1.4% to 100.2 in August after recording a 98.8 in July. The index showed sales expectations for the next six months retreated 10 points in the last two months to 3% from 13% in June.
- The Federal Reserve reported **consumer credit** rose in July for a second month, with an increase in non-revolving credit such as auto loans. Consumer credit climbed \$12.2 billion in July after gaining \$11.4 billion in June. Credit card debt fell \$0.3 billion with auto and student loan debt increasing by \$12.5 billion.
- The Labor Department reported that **job openings** climbed in July for the third straight month. The areas of vacancy gains include trade, transportation, utilities, construction, education, health care, manufacturing and business services. Job competition remains elevated though with a little more than 16 million unemployed workers, leaving about 2.5 unemployed workers vying for every job opening. Job openings increased by 617,000 in July to 6.618 million, from an upwardly revised 6.001 million in June.
- The Labor Department reported the **producer price index** increased more than expected in August indicating a rebound in activity from the lockdowns is gradually restoring pricing power. Prices along the production chain climbed 0.3% in August after increasing 0.6% in July. Goods prices, which make up 33% of the weighting rose 0.1% in August after climbing 0.8% in July. Services, which make up 66% of the index rose 0.5% in August for the second straight month. Year-on-year wholesale prices were negative 0.2% in August after reporting negative 0.4% in July. The **core PPI**, which excludes volatile food and energy prices, rose 0.4% in August after gaining 0.5% the previous month, with a year-on-year gain of 0.6%. **PPI ex food, energy and trade** gained 0.3%. Economists consider this the true "core" measure of PPI, but ex food and energy is still the market convention.
- The Commerce Department reported **wholesale inventories** fell 0.3% in July after falling 1.3% the previous month. Year-on-year wholesale inventories have dropped 5.6%. **Wholesale sales** increased 4.6% in July after climbing 9.0% in June.
- The Labor Department reported the **consumer price index** rose 0.4% in August driven largely by a jump in vehicle and recreation prices. A supply constrained vehicle market is pushing prices higher on used cars and trucks. The August gain follows a gain of 0.6% in July and June. The year-on-year change in consumer prices is 1.3% in August. Service prices climbed 0.1% in August after gaining 0.6% in July and prices of commodity based manufactured goods climbed 0.8%. The **core CPI**, which excludes volatile food and energy prices, increased 0.4% in August. The year-on-year change in core CPI is 1.7%.
- The Treasury Department reported a **budget deficit** of \$200.1 billion for the month of August with the government collecting \$223.2 billion and spending \$423.3 billion. This compares to a deficit of \$200.3 billion a year earlier. The current year-to-date deficit is \$3.007 trillion in August.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased by 2.9% for the week ending September 4th after decreasing 2.0% the prior week. **Refinancing**



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applications increased 3.0% to 3,415 from 3,316 the prior week. **Home purchase mortgage applications** rose 2.6% to 317.7. The **average contract rate** on a 30-year fixed-rate mortgage dropped to 3.07% last week from 3.08% the prior week.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.13%, 0.25%, 0.67%, and 1.41%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 12, 42, 74, and 128 basis points respectively.

Economic/Events Calendar

Tuesday	September 15	Sep Empire Manufacturing (7.0)	7:30 Central
		Aug Import Price Index (0.5%)	7:30 Central
		Aug Import Price Index-YOY (-2.2%)	7:30 Central
		Aug Import Price Index ex Petroleum (0.3%)	7:30 Central
		Aug Industrial Production (1.0%)	8:15 Central
		Aug Capacity Utilization (71.4%)	8:15 Central
Wednesday	September 16	Sep 11 th MBA Mortgage Applications	6:00 Central
		Aug Advance Retail Sales (1.0%)	7:30 Central
		Aug Retail Sales Ex Auto & Gas (0.9%)	7:30 Central
		Jul Business Inventories (0.1%)	9:00 Central
		Sep NAHB Housing Market Index (78)	9:00 Central
		FOMC Rate Decision (0.00%-0.25%)	13:00 Central
Thursday	September 17	Sep 12 th Initial Jobless Claims (850k)	7:30 Central
		Aug Housing Starts (1,483k)	7:30 Central
		Aug Building Permits (1,520k)	7:30 Central
Friday	September 18	2 nd Qtr Current Account Balance (-\$160.0b)	7:30 Central
		Aug Leading Index (1.3%)	9:00 Central
		Sep University of Michigan Sentiment (75.0)	9:00 Central

Source: Bloomberg Finance L.P.

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