



October 11, 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** improved last week to the lowest in a month after three straight weeks of climbing claims. Volatility in the claims numbers continues to be centered in California, with claims outside of California trending much lower. Layoffs have eased as employers focus on hiring and retaining workers. Claims in regular state programs fell 38,000 to 326,000 for the week ending October 2<sup>nd</sup>, after reporting 364,000 initial claims the prior week. The four-week moving average climbed to 344,000 from 340,500 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, fell 97,000 to 2.714 million for the week ending September 18<sup>th</sup>.
- The Commerce Department reported that **factory orders** increased 1.2% in August after increasing 0.7% in July. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft rose 0.6% in August after gaining 0.3% in July. **Excluding transportation**, new orders rose 0.5% in August after increasing 0.9% the prior month.
- The Commerce Department reported the **trade deficit** widened in August as the increase in exports did not keep up with imports. The gain in exports was boosted by a rise in the value of natural gas and industrial supplies, with imports pressured by strength in consumer goods. Supply chain disruptions weigh on trade in both directions. The deficit increased 4.2% to \$73.3 billion in August. **Exports** rose 0.5% to \$213.7 billion and **imports** climbed 1.4% to \$287.0 billion.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, improved slightly in September. The gain suggests the Delta virus concerns have not had much of an impact on demand, but the extreme supply shortages are barely easing. This gauge of service providers accounts for 90% of the economy. The services index climbed to 61.9 in September from a 61.7 reading in August. A reading more than 50 indicates expansion in the services sector.
- **ADP Employer Services** reported that companies added more jobs in September than expected. The stronger pace of hiring suggests that companies had greater success filling open positions after enhanced federal unemployment benefits ended on September 6<sup>th</sup> and as schools reopen. Companies hired 568,000 in September, while August was downwardly revised to a gain of 340,000, previously reported as a gain of 374,000. Services employment increased by 466,000 and manufacturing employment rose 102,000.
- The Federal Reserve reported **consumer credit** climbed at a lower than expected pace in August. Consumer credit increased \$14.4 billion in August after gaining an upwardly revised \$17.3 billion in July. Credit card debt climbed \$3.0 billion to \$1.002 trillion with auto and student loan debt increasing by \$11.4 billion to \$3.345 trillion.
- The Labor Department report showed September payrolls were underwhelming, with notable weakness in education hiring. The household survey was stronger than the establishment survey, which is likely due to the return of gig workers whose unemployment programs expired on September 6<sup>th</sup>. The report indicated employers are clearly desiring to hire and retain workers, supported by the largest monthly jump in wages since April. **Nonfarm payrolls** (establishment survey) climbed 194,000 in September, well below the 500,000 expected. The **unemployment rate** (household survey) decreased to 4.756% from 5.190% the prior month. The **labor force participation rate** declined to 61.6% in September from 61.7% in August as many women left the work force. The average hourly earnings increased to \$30.85 from \$30.66 the prior month. Weekly hours climbed to 34.8 in September from 34.6 the prior month.
- The Commerce Department reported **wholesale inventories** rose 1.2% in August after gaining 0.6% in July. Year-on-year wholesale inventories have gained 12.3%. **Wholesale sales** decreased 1.1% in August after climbing 2.1% in July, with year-on-year sales up 20.6%.



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- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased 6.9% for the week ending October 1<sup>st</sup> after declining 1.1% the prior week. **Refinancing applications** decreased 9.6% to 3,038 from 3,360 the prior week. **Home purchase mortgage applications** decreased 1.7% to 275.7. The **average contract rate** on a 30-year fixed-rate mortgage rose to 3.14% from 3.10% the prior week for a 30-year fixed rate loan.

## BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities were 0.32%, 1.06%, 1.61%, and 2.16%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 74, 55, 55, and 184 basis points respectively.

## Economic/Events Calendar

Tuesday	October 12	Sep NFIB Small Business Optimism (99.5)	5:00 Central
		Aug JOLTS Job Openings (10,954k)	9:00 Central
Wednesday	October 13	Oct 8 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		Sep Consumer Price Index (0.3%)	7:30 Central
		Sep Consumer Price Index-YOY (5.3%)	7:30 Central
		Sep CPI Ex Food & Energy (0.2%)	7:30 Central
		Sep CPI Ex Food & Energy-YOY (4.0%)	7:30 Central
		Sep 22 <sup>nd</sup> FOMC Meeting Minutes Released	13:00 Central
Thursday	October 14	Oct 9 <sup>th</sup> Initial Jobless Claims (320k)	7:30 Central
		Sep Producer Price Index (0.6%)	7:30 Central
		Sep Producer Price Index-YOY (8.7%)	7:30 Central
		Sep PPI Ex Food & Energy (0.5%)	7:30 Central
		Sep PPI Ex Food & Energy-YOY (7.1%)	7:30 Central
Friday	October 15	Oct Empire Manufacturing (25.0)	7:30 Central
		Sep Retail Sales (-0.2%)	7:30 Central
		Sep Retail Sales Ex Auto & Gas (0.3%)	7:30 Central
		Sep Import Price Index (0.6%)	7:30 Central
		Sep Import Price Index-YOY (9.4%)	7:30 Central
		Sep Import Price Index ex Petroleum (0.3%)	7:30 Central
		Oct University of Michigan Sentiment (73.4)	9:00 Central

Source: Bloomberg Finance L.P.

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