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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** continued to decrease last week, hitting their lowest level since March. Claims were 840,000 for the week ending October 3rd after reporting an upwardly revised 849,000 initial claims the prior week. The four-week moving average declined to 857,000 from 870,250 the prior week. The total number of people continuing to receive jobless benefits, a report which is lagged one week, decreased 1,003,000 to 10.976 million for the week ending September 26th.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, unexpectedly rose in September, driven by impressive gains in new orders, employment and inventory sentiment. Tight inventory management continues to take hold while the employment index improved due to fewer firms cutting workers, not an increase in those adding. This gauge of service providers accounts for 90% of the economy. The non-manufacturing index rose to 57.8 in September from a 56.9 reading in August. A reading more than 50 indicates expansion in the services sector.
- The Commerce Department reported the **trade deficit** widened in August to its highest level since 2006 with imports setting a new record of consumer goods amid a pickup in demand. The deficit increased 5.9% to \$67.1 billion in August. **Exports** rose 2.2% to \$171.9 billion and **imports** gained 3.2% to \$239.0 billion.
- The Labor Department reported that **job openings** declined in August as slowing demand growth is restraining employers hiring plans. There are slightly more than two unemployed workers for every job opening. Softer demand for new employees remains acute in areas that continue to be burdened by the pandemic, such as food services, entertainment and recreation. Job openings decreased by 204,000 in August to 6.493 million, from an upwardly revised 6.697 million in July.
- The **FOMC Minutes** for the September 15-16th meeting showed the focus of the committee was on the new inflation framework and how to craft forward guidance. There was limited discussion about potential changes to QE purchases. The members made it clear that an optimistic economic outlook is contingent on the timely arrival of more fiscal stimulus that provides targeted help to consumers, small businesses and state and local governments. They emphasized a smaller than anticipated fiscal package would have a negative impact on the outlook.
- The Federal Reserve reported **consumer credit** unexpectedly declined in August as credit card debt dropped for a sixth consecutive month. Consumer credit fell \$7.2 billion in August after gaining \$14.7 billion in July. Credit card debt fell \$9.4 billion with auto and student loan debt increasing by \$2.2 billion.
- The Commerce Department reported **wholesale inventories** rose 0.4% in August after falling 0.2% the previous month. Year-on-year wholesale inventories have dropped 5.2%. **Wholesale sales** increased 1.4% in August after climbing 4.8% in July.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased by 4.6% for the week ending October 2nd after decreasing 4.8% the prior week. **Refinancing applications** increased 8.2% to 3,622 from 3,347 the prior week. **Home purchase mortgage applications** fell 1.5% to 316.0. The **average contract rate** on a 30-year fixed-rate mortgage fell to 3.01% from 3.05% the prior week.



BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.15%, 0.34%, 0.77%, and 1.57%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 15, 34, 77, and 142 basis points respectively.

Economic/Events Calendar

Tuesday	October 13	Sep NFIB Small Business Optimism (101.0)	7:30 Central
		Sep Consumer Price Index (0.2%)	7:30 Central
		Sep Consumer Price Index-YOY (1.4%)	7:30 Central
		Sep CPI ex Food & Energy (0.2%)	7:30 Central
		Sep CPI ex Food & Energy-YOY (1.7%)	7:30 Central
Wednesday	October 14	Oct 9 th MBA Mortgage Applications	6:00 Central
		Sep Producer Price Index (0.2%)	7:30 Central
		Sep Producer Price Index-YOY (0.2%)	7:30 Central
		Sep PPI Ex Food & Energy (0.2%)	7:30 Central
		Sep PPI Ex Food & Energy-YOY (0.9%)	7:30 Central
Thursday	October 15	Oct 10 th Initial Jobless Claims (825k)	7:30 Central
		Oct Empire Manufacturing (14.0)	7:30 Central
		Sep Import Price Index (0.3%)	7:30 Central
		Sep Import Price Index-YOY (-1.2%)	7:30 Central
		Sep Import Price Index ex Petroleum (0.4%)	7:30 Central
Friday	October 16	Sep Retail Sales (0.8%)	7:30 Central
		Sep Retail Sales ex Auto & Gas (0.4%)	7:30 Central
		Sep Industrial Production (0.6%)	8:15 Central
		Sep Capacity Utilization (71.9%)	8:15 Central
		Aug Business Inventories (0.4%)	9:00 Central
		Oct Univ of Michigan Sentiment (80.5)	9:00 Central

Source: Bloomberg Finance L.P.

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