



April 17, 2017

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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 hover near four decade lows, highlighting a tight labor market where employers are reluctant to fire staff. The labor market is approaching full employment, with a premium on skilled and experienced employees. Claims fell 1,000 to 234,000 for the week ended April 8<sup>th</sup>. The four-week moving average, a less volatile measure than the weekly numbers, decreased 3,000 to 247,250. The total number of people continuing to receive jobless benefits, a report which is lagged one week, decreased 7,000 to 2.028 million for the week ending April 1<sup>st</sup>.
- The Federal Reserve reported the **labor market conditions index** which is derived from 19 labor market indicators strengthened in February and the January level was revised to a higher level. The index gained 0.4 points in February following an upwardly revised gain of 1.5 points in January, earlier reported as a gain of 1.3. A positive number indicates an improvement in labor conditions.
- The Labor Department reported that **job openings** climbed to a seven month high in January, a number consistent with a healthy labor market. Job openings increased by 118,000 in February to 5.743 million, following a gain of 86,000 the prior month. There are 1.3 unemployed job seekers for each available job. The job openings rate, the number of job openings as a percent of total employment rose to 3.8% in February.
- The Labor Department reported the **import price index** fell in March, primarily due to a decline in the price of crude oil. The drop in petroleum prices masks the underlying trend of rising import prices as the dollar reaches its upper limit. **Import prices** declined 0.2% in March following a gain of 0.4% in February. **Import prices ex food and fuel** rose 0.3% after gaining 0.3% the prior month. Year-on-year import prices gained 4.2%, but were only up 1.2% ex-petroleum. Prices on petroleum imports fell 3.6% for the month but are up 52.1% year-on-year.
- The Treasury Department reported a **budget deficit** of \$176.2 billion for the month of March, with the government collecting \$216.6 billion and spending \$392.8 billion. This compares unfavorably to a \$108.0 billion deficit a year earlier.
- The Labor Department reported the **producer price index** fell in March primarily due to a large drop in energy prices, even as food prices climbed by the most this year. The final demand producer price index fell 0.1% in March after gaining 0.3% in February. Year-on-year wholesale prices gained 2.3%, the largest increase in five years. The **core PPI**, which excludes volatile food and energy prices, remained unchanged in March after gaining 0.3% the prior month, with a year-on-year gain of 1.6%.
- The **University of Michigan's preliminary index of consumer sentiment** climbed to a three month high in April as consumers continue a run of optimism, supported by a healthy labor market and optimism in the new administration. The report showed the index rose to 98.0 from 96.9 in February. The **index of current conditions** increased to 115.2 from 113.2 the prior month while the **index of expectations** increased to 86.9 in April from 86.5 in March.
- The Labor Department reported the **consumer price index** fell in March for the first time in over a year, indicating inflation is climbing gradually. The CPI dropped 0.3% in March after gaining 0.1% the prior month with a year-on-year gain of 2.4%. The decline interrupts a recent pickup in inflationary pressures. The **core CPI**, which excludes volatile food and energy prices, decreased 0.1% in March after gaining 0.2% in February. The year-on-year change in core CPI is 2.0%.
- The Commerce Department reported that **retail sales** fell for the second straight month, led by a decrease in spending on motor vehicles and building materials. Retail sales fell 0.2% in March after declining 0.3% the prior month. **Sales ex autos** remained unchanged in both March and February after gaining 1.1% in January.



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- The Commerce Department reported **business inventories** climbed 0.3% in February, matching the 0.3% gains in January and December. Inventory levels are in line with sales, receding from earlier lofty levels. **Business sales** rose 0.2% in February after gaining 0.3% the prior month. The **inventory-to-sales** ratio remained at 1.35 months in February.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** rose 1.5% to 402.9 from 397.1 for the week ended April 7<sup>th</sup> after falling 1.6% the prior week. **Refinancing applications** remained unchanged at 1,272. **Home purchase mortgage applications** gained 2.9% to 246.7. The **average contract rate** on a 30-year fixed-rate mortgage dropped to 4.28% from 4.34% the prior week.

## BOND MARKET REVIEW

- Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 1.21%, 1.77%, 2.24%, and 2.89%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 56, 47, 65, and 169 basis points respectively.

## Economic/Events Calendar

Monday	April 17	Apr Empire Manufacturing (15.0)	7:30 Central
		Apr NAHB Housing Market Index (70)	9:00 Central
Tuesday	April 18	Mar Housing Starts (1,250k)	7:30 Central
		Mar Building Permits (1,250k)	7:30 Central
		Mar Industrial Production (0.4%)	8:15 Central
		Mar Capacity Utilization (76.1%)	8:15 Central
Wednesday	April 19	Apr 14 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		US Fed Releases Beige Book	13:00 Central
Thursday	April 20	Apr 15 <sup>th</sup> Initial Jobless Claims (240k)	7:30 Central
		Mar Leading Index (0.2%)	9:00 Central
Friday	April 21	Mar Existing Home Sales (5.60m)	9:00 Central

Source: Bloomberg Finance L.P.

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