



April 4, 2022

**Financial Services Group**  
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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** increased slightly last week as the number of weekly claims settle at a very low level. Employers are finding it difficult to attract and retain workers as there are a record level of open positions available and limited supply of available workers. Claims in regular state programs increased 14,000 to 202,000 for the week ending March 26<sup>th</sup>, after reporting 188,000 initial claims the prior week. The four-week moving average fell to 208,500 from 212,000 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, declined 35,000 to 1.307 million for the week ending March 19<sup>th</sup>.
- The Commerce Department reported the **goods trade deficit** narrowed slightly in February from a record level the prior month. The deficit decreased 0.9% to \$106.6 billion in February. **Exports** rose 1.2% to \$157.2 billion and **imports** climbed 0.3% to \$263.7 billion.
- The Commerce Department reported **wholesale inventories** rose 2.1% in February after gaining 1.1% the previous month. Year-on-year wholesale inventories have climbed 19.4%. **Retail inventories** increased 1.1% in February after gaining 1.9% in January and are up 7.2% year-on-year.
- The Federal Housing Finance Agency reported a gain of 1.6% in the **house price index** of purchase-only homes in January after climbing 1.3% in December. The year-on-year change in the house price index was 18.2% in February. The HPI is estimated using repeated observations of housing values for single-family homes on which at least two mortgages were originated and subsequently sold to Freddie Mac or Fannie Mae. The use of repeat transactions on the same unit helps to control for differences in the quality of the houses.
- The **S&P CoreLogic CaseShiller home price index** increased 1.79% in January after gaining 1.43% in December. We continue to see strong growth with limited housing inventory. The index climbed 19.10% in January from the same month in 2021. The index tracks changes in the value of homes in 20 metropolitan regions.
- The Conference Board's **consumer confidence index** climbed slightly in March after the previous month's sizeable downward revision. Concern about inflation and the possible impact of the Russia-Ukraine war offset optimism about the labor market. The index recorded a 107.2 in March from a downwardly revised 105.7 reading in February, previously reported as 110.5. The present situation index increased to 153.0 in March from a 143.0 reading in February. The expectations index dropped to 76.6 in March from 80.8 the prior month.
- The Labor Department reported that **job openings** edged lower in February but remained at a very elevated level. Job openings decreased by 17,000 in February to 11.266 million, from an upwardly revised 11.283 million in January. There are 0.58 unemployed job seekers for each available job. The quits rate climbed to 2.9% from 2.8% in the prior month, pointing to a high degree of churn in the labor market.
- **ADP Employer Services** reported that employment at companies increased more than expected in March as labor continues to show strength. Competition for employees is intense and employers are offering higher pay to attract workers. Companies increased payrolls by 455,000 in March, and February was upwardly revised to a gain of 486,000, previously reported as a gain of 475,000. Services employment increased by 377,000 and manufacturing employment rose 79,000.
- The third and final estimate by the Commerce Department of the 4<sup>th</sup> quarter **gross domestic product** showed economic growth climbed slightly below the second estimate, driven by a downward adjustment to personal consumption. Gross domestic product expanded at a 6.9% annualized rate in the 4<sup>th</sup> quarter, earlier reported as a gain of 7.0%. **Personal consumption**, which accounts for about 70% of the economy, gained 2.5% in the quarter, reported earlier as a gain of 3.1%. The **GDP price index** gained 7.1% in the 4<sup>th</sup> quarter.



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- The Commerce Department reported **personal income** rose 0.5% in February, as companies had to increase wages to retain and attract workers. **Personal spending** slowed in February to 0.2% as surging gasoline prices contributed to increased spending at the pump at the expense of falling sales of autos, furniture and other discretionary items. The savings rate climbed to 6.3% in February from 6.1% the prior month. The PCE Deflator, the preferred inflation gauge by the Federal Reserve, climbed 0.6% in February, bringing the year-on-year gain to 6.4%, above the central bank's target of 2.0%. Disposable income, or the money left over after taxes, increased 0.4% in February after climbing 0.1% higher in January.
- The Labor Department report showed continued strength in the labor market in March. Employers can't fill job openings fast enough and employees have a growing incentive to return to work as wages climb and savings fall. The jobs report is composed of two surveys, one of employers and the other of households. The employer survey provides payroll and wage figures and the household survey determines jobless and participation rates. **Nonfarm payrolls** (employer survey) climbed 431,000 in March and the previous month was revised 72,000 higher than previously reported. The **unemployment rate** (household survey) decreased to 3.620% from 3.823% the prior month. The **labor force participation rate** climbed to 62.4% in March from 62.3% the prior month. The average hourly earnings increased to \$31.73 from \$31.60 the prior month. Weekly hours declined to 34.6 in March from 34.7 in February.
- The Commerce Department reported that **construction spending** rose 0.5% in February as spending climbed for residential construction and declined for non-residential. Spending on residential rose 1.1% in March while non-residential spending fell 0.1%. Government spending decreased 0.4% and private spending rose 0.8%.
- The **Institute for Supply Management** reported its **manufacturing index** pulled back in March as production, new orders and the backlog of orders receded. The index had gains in prices paid, inventories and employment. Supply-chain conditions appear to be improving as demand recedes even as the Russia-Ukraine war created new headaches in the supply chain. The manufacturing index recorded a 57.1 in March from a 58.6 reading in February. The new orders part of the index fell to 53.8 from 61.7 in February and production recorded a 54.5 from the prior months 58.5. A reading above 50 indicates expansion in the manufacturing sector.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased 6.8% for the week ending March 25<sup>th</sup> after declining 8.1% the previous week. **Refinancing applications** decreased 14.9% to 1,295 from 1,523 the prior week. **Home purchase mortgage applications** increased 0.6% to 267.1. The **average contract rate** on a 30-year fixed-rate mortgage increased to 4.80% from 4.50% the prior week for a 30-year fixed rate loan.

## BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 2.46%, 2.56%, 2.38%, and 2.43%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 10, -18, 5, and -3 basis points respectively.

Source: Bloomberg Finance L.P.

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## Economic/Events Calendar

Monday	April 4	Feb Factory Orders (-0.6%)	9:00 Central
		Feb Factory Orders ex Transportation (0.3%)	9:00 Central
Tuesday	April 5	Feb Trade Balance (-\$88.5b)	7:30 Central
		Mar ISM Services Index (58.5)	9:00 Central
Wednesday	April 6	Apr 1 <sup>st</sup> MBA Mortgage Applications	6:00 Central
		Mar 16 <sup>th</sup> FOMC Meeting Minutes	13:00 Central
Thursday	April 7	Apr 2 <sup>nd</sup> Initial Jobless Claims (200k)	7:30 Central
		Feb Consumer Credit (\$18.2b)	14:00 Central
Friday	April 8	Feb Wholesale Trade Sales (0.8%)	9:00 Central
		Feb Wholesale Inventories (2.1%)	9:00 Central

Source: Bloomberg Finance L.P.

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