

January 2, 2024

Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** increased last week, while remaining at a level that reflects a resilient labor market. First time claims in regular state programs increased 12,000 to 218,000 from the prior week's upwardly revised 206,000 for the week ending December 23rd. The four-week moving average dropped to 212,000 from 212,250 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, climbed 14,000 to 1.875 million for the week ending December 16th.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity edged higher in November. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.03 in November after reporting a downwardly revised negative 0.66 in October. All four broad categories of indicators used to construct the index increased from October and two categories made positive contributions. A reading above zero indicates above-trend-growth in the national economy.
- The Federal Housing Finance Agency reported the **house price index** of purchase-only homes increased 0.3% in October after gaining 0.7% in September. The year-on-year change in the house price index was 6.3% in October. 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** rose 0.64% in October after gaining 0.67% in September. This is the ninth straight increase in prices, reflecting strong buyer demand amid a tight supply of listings. The index increased 4.87% in October from the same month in 2022. The index tracks changes in the value of homes in 20 metropolitan regions.
- The Commerce Department reported the **goods trade deficit** widened in November as both exports and imports declined. The deficit increased 0.8% to \$90.3 billion in November. **Exports** dropped 3.6% to \$165.1 billion and **imports** declined 2.1% to \$255.4 billion.
- The Commerce Department reported **wholesale inventories** declined 0.2% in November after falling 0.3% in October. Year-on-year wholesale inventories are down 3.1%. **Retail inventories** declined 0.1% in November after declining 0.1% in October and are up 5.1% year-on-year.
- The National Association of Realtors reported the **index of pending home re-sales** remained unchanged in November. Pending home sales are down 5.2% from a year earlier on an unadjusted basis. The combination of high mortgage rates and lack of housing inventory continues to be a major constraint to rising sales. Pending home sales are based on houses under contract as reported by over 100 multiple listing services and 60 large real estate brokers. A sale is listed as pending when a seller accepts a sales contract on a property. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.

BOND MARKET REVIEW

Rates were mixed last week with very light trading during the holiday week. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 4.25%, 3.85%, 3.88% and 4.03%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -40, 3, 15, and -22 basis points respectively.

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Economic/Events Calendar

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|-----------|-----------|--|---------------|
| Tuesday | January 2 | Nov Construction Spending (0.6%) | 9:00 Central |
| Wednesday | January 3 | Dec 29 th MBA Mortgage Applications | 6:00 Central |
| | | Dec ISM Manufacturing (47.2) | 9:00 Central |
| | | Nov JOLTS Job Openings (8,836k) | 9:00 Central |
| | | Dec 13 th FOMC Meeting Minutes | 13:00 Central |
| Thursday | January 4 | Dec ADP Employment Change (120k) | 7:15 Central |
| | | Dec 30 th Initial Jobless Claims (215k) | 7:30 Central |
| Friday | January 5 | Dec Change in Nonfarm Payrolls (170k) | 7:30 Central |
| | | Dec Unemployment Rate (3.8%) | 7:30 Central |
| | | Dec Avg Hourly Earnings-YOY (3.9%) | 7:30 Central |
| | | Dec Labor Force Participation Rate (62.8%) | 7:30 Central |
| | | Nov Factory Orders (2.3%) | 9:00 Central |
| | | Nov Factory Orders Ex Transportation | 9:00 Central |
| | | Dec ISM Services Index (52.5) | 9:00 Central |

Source: Bloomberg Finance L.P.

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