

# January 13 2025

## Financial Services Group

Author:

### Economic Review



Troy Clark, CFA  
Senior VP

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.

tclark@stephens.com

Stephens Inc.  
111 Center Street  
Little Rock, AR 72201

501.377.6314  
800.809.2016

www.stephens.com

Member NYSE, SIPC

- The Labor Department reported that **initial jobless claims** fell last week, but continuing claims surged again. The end of year can be very volatile due to the end of seasonal work, retirements and several other factors. First time claims in regular state programs recorded 201,000 for the week ending January 4<sup>th</sup>, after the prior week's report of 211,000. The four-week moving average dropped to 213,000 from 223,250 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, surged 33,000 to 1,867,000 for the week ending December 28<sup>th</sup>. The elevated continuing jobless claims are putting upward pressure on the median duration of unemployment, which rose to 10.5 weeks in November, up from 9.0 a year earlier. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The Commerce Department reported that **factory orders** fell 0.4% in November after increasing 0.5% in October. **Factory orders ex transportation** climbed 0.2% in November after gaining 0.2% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft rose 0.4% in November after declining 0.1% in October.
- The Commerce Department reported the **trade deficit** widened in November as companies increased imports faster than the rate of exports. The deficit decreased to \$78.2 billion in November from a deficit of \$73.6 billion in October. **Exports** climbed 2.6% to \$273.4 billion and **imports** increased 3.4% to \$351.6 billion.
- The Labor Department reported that **job openings** increased in November to a six-month high, boosted by a jump in "professional and business services" and "finance and insurance". Meantime, "accommodation and food services" and "manufacturing" reduced postings. Available positions increased by 259,000 to 8.098 million, from an upwardly revised 7.839 million in the prior month. The quits rate, which measures voluntary job leavers as a share of total employment dropped to 1.9 in November from 2.1 in October, suggesting more people are losing confidence in their ability to find a new job. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, held at 1.11 in November.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, accelerated in December as some businesses made preparations for anticipated tariffs noting a pull-forward of business demand. The index recorded a 54.1 in December after a 52.1 reading in November. Business activity increased in December to 58.2 from 53.7 the prior month. New orders climbed to 54.2 from 53.7, while the employment index stayed in expansionary territory at 51.4 from 51.5 in November. The prices paid component moved higher to 64.4 in December from 58.2. This gauge of service providers accounts for 90% of the economy. A reading above 50 indicates expansion in the services sector.
- **ADP Employer Services** reported that hiring at companies slowed in December, indicating an ongoing moderation in demand for workers. Companies increased payrolls by 122,000 in December after a gain of 146,000 in November. Gains were led by education, health care and construction. Services employment increased by 112,000 and manufacturing employment climbed by 10,000. Pay growth climbed as earnings rose 7.1% from a year earlier for workers who changed jobs. Pay gains for those who stayed in their current position eased to 4.6%.
- The Commerce Department reported **wholesale inventories** declined 0.2% in November to \$901.6 billion. Year-on-year wholesale inventories have climbed 0.8%. **Wholesale trade sales** jumped 0.6% in November after declining 0.3% in October, with year-on-year sales up 2.0%. The ratio of inventory to sales declined to 1.33 from 1.34 in October.
- The **FOMC Minutes** for the December 17<sup>th</sup>-18<sup>th</sup> meeting confirm the decision to cut rates by 25 basis points was "finely balanced." The cut was accompanied by a hawkish set of projections for higher inflation and fewer rate cuts in 2025. The adjustment was due to data showing solid growth and

# January 13, 2025

## Financial Services Group

upside inflation surprises. It is also partly due to the prospective changes to trade policy under the incoming Trump administration.

- The Federal Reserve reported **consumer credit** unexpectedly declined in November as credit card balances declined. Credit outstanding fell \$7.5 billion after climbing \$17.3 billion in October. Credit card debt plunged \$13.7 billion to \$1.359 trillion after jumping \$15.2 billion the previous month. Auto and student loan debt increased \$6.2 billion in November after gaining \$2.2 billion in October. Total non-revolving credit climbed to \$3.743 trillion. The data suggest consumers are making an effort to pay down credit card balances as borrowing rates remain near record highs. These figures are not adjusted for inflation.
- The Labor Department reported the labor market was stronger than expected in December. The data capped a surprisingly strong year for the labor market despite high borrowing costs and lingering inflation. The jobs report is made up of two surveys: one of households which provides the unemployment rate, labor force size and the labor force participation rate and the other is the establishment survey of businesses, which generates the payrolls and wage figures. The **Nonfarm payrolls** (employer survey) climbed 256,000 in December after a downwardly revised gain of 212,000 in November. The **unemployment rate** (household survey) decreased to 4.086% in December from 4.231% in November. The **labor force participation rate** remained at 62.5%. The average hourly earnings increased to \$35.69 in December from \$35.59 the prior month. Weekly hours remained unchanged at 34.3.
- The **University of Michigan's preliminary index of consumer sentiment** declined in December that follows a surge in November after the presidential election. Sentiment deteriorated slightly in early January on fears of higher inflation and the potential impact of tariffs on prices. The gauge of consumer confidence decreased to 73.2 in January from 74.0 in December. The **index of current conditions** climbed to 77.9 from 75.1 the prior month while the **index of expectations** declined to 70.2 from 73.3 the prior month. The reading for 5-10 year inflation expectations, an inflation indicator closely watched by the Fed, climbed to 3.3% in January from 3.1% in December. One-year inflation expectations jumped to 3.3% from the prior month's 2.8%.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** declined 3.7% last week to the lowest level since February, adding to evidence of a struggling housing market. **Refinancing** applications increased 1.5% to 401.1 from 395.1 the prior week. **Home purchase mortgage applications** decreased 6.6% to 127.7. Refinancing made up 40.8% of applications with an average loan size of \$279,900, while purchases average loan size is \$414,400. The **average contract rate** on a 30-year fixed-rate mortgage climbed to 6.99% from 6.97% the prior week.

## BOND MARKET REVIEW

Rates climbed after the strong employment report and the yield curve steepened. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 4.38%, 4.57%, 4.76% and 4.95%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 19, 19, 19, and 57 basis points respectively.

Source: Bloomberg Finance L.P.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. All expressions of opinion reflect the judgment of the individual expressing the opinion and are subject to change. This report does not purport to be a complete description of the markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Prices, yields, and availability are subject to change with the market. There is no assurance any forward looking statements will be realized or any of the trends mentioned will continue. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Additional information available upon request.

# January 13, 2025

## Financial Services Group

### Economic/Events Calendar

Tuesday	January 14	Dec NFIB Small Business Optimism (102.1)	5:00 Central
		Dec Producer Price Index (0.4%)	7:30 Central
		Dec Producer Price Index-YOY (3.5%)	7:30 Central
		Dec PPI Ex Food & Energy (0.3%)	7:30 Central
		Dec PPI Ex Food & Energy-YOY (3.8%)	7:30 Central
Wednesday	January 15	Jan 10 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		Jan Empire Manufacturing (3.0)	7:30 Central
		Dec Consumer Price Index (0.4%)	7:30 Central
		Dec Consumer Price Index-YOY (2.9%)	7:30 Central
		Dec CPI Ex Food & Energy (0.3%)	7:30 Central
		Dec CPI Ex Food & Energy-YOY (3.3%)	7:30 Central
Thursday	January 16	Jan 11 <sup>th</sup> Initial Jobless Claims (210K)	7:30 Central
		Dec Retail Sales (0.6%)	7:30 Central
		Dec Retail Sales Ex Auto & Gas (0.4%)	7:30 Central
		Dec Import Price Index (-0.1%)	7:30 Central
		Dec Import Price Index-YOY (2.1%)	7:30 Central
		Dec Import Price Index ex Petroleum (-0.1%)	7:30 Central
		Nov Business Inventories (0.1%)	9:00 Central
Jan NAHB Housing Market Index (45)	9:00 Central		
Friday	January 17	Dec Housing Starts (1,325k)	7:30 Central
		Dec Building Permits (1,460k)	7:30 Central
		Dec Industrial Production (0.3%)	8:15 Central
		Dec Capacity Utilization (77.0%)	8:15 Central

Source: Bloomberg Finance L.P.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. All expressions of opinion reflect the judgment of the individual expressing the opinion and are subject to change. This report does not purport to be a complete description of the markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Prices, yields, and availability are subject to change with the market. There is no assurance any forward looking statements will be realized or any of the trends mentioned will continue. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Additional information available upon request.