

July 22, 2024

Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** increased last week. Data can be especially noisy in the summer months with the retooling of auto plants and seasonal workers contributing to the volatility. The jobless claims data indicates a rather smooth climb of continuing claims and the upward trend in initial claims that indicate the labor market is cooling. First time claims in regular state programs recorded 243,000 for the week ending July 13th after the prior week's report of 223,000. The four-week moving average climbed to 234,750 from 233,750 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, rose 20,000 to 1,867,000 for the week ending July 6th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The New York Federal Reserve reported the **Empire State Manufacturing Index**, which is one of the first signals for factory sector activity, contracted for an eighth straight month. The index recorded a negative 6.6 in July after a negative 6.0 reading in June. New orders recorded a negative 0.6 in July after a negative 1.0 reading in June while shipments increased to positive 3.9 after a positive 3.3 reading last month. Readings below zero signal contraction in New York, northern New Jersey, and southern Connecticut.
- The Commerce Department reported that **retail sales** was unchanged in June with consumers taking advantage of lower goods prices while limiting discretionary services spending at food and drink outlets. The slowdown in spending reflects a moderation in aggregate earnings, high borrowing costs and mounting debt. The value of retail purchases remained unchanged in June after an upwardly revised gain of 0.3% in May. Consumers spent more on building materials and non-retail stores. Spending declined at gasoline stations and automobiles. Retail sales represent roughly half of total consumption, while the other half captures spending on services. **Retail sales ex autos and gas** increased 0.1% in May after falling 0.3% in April. The numbers in this report are not adjusted for inflation.
- The Labor Department reported the **import price index** remained unchanged in June after declining 0.2% the prior month. Gains in agricultural, food and beverages was offset by declines in petroleum and industrial supplies. Import prices are 1.6% higher year-on-year. **Import prices ex petroleum** gained 0.2% in June for a year-on-year gain of 1.0%.
- The **National Association of Home Builders/Wells Fargo** reported builders housing sentiment declined in July to the lowest level this year as elevated mortgage rates and high costs limit prospective buyer interest. The index of builder sentiment dropped 1 point to 42 in July. The index recorded an 84 in December of 2021.
- The Commerce Department reported **business inventories** increased 0.5% in May after gaining 0.3% the prior month. Inventories are 1.6% higher than a year earlier. **Business sales** remained unchanged in May after climbing 0.2% in April. Sales are 2.0% higher than a year earlier. The ratio of business inventories to sales remained unchanged at 1.37.
- The Commerce Department reported that **housing starts** increased in June with a surge in multi-family construction. Starts for single family residences are slowing again as the expected drop in rates has been postponed and the Fed looks for more evidence that inflation pressures are subsiding. Housing starts rose 3.0% in June to a 1,353,000 annualized rate after declining 4.6% in May to a 1,314,000 annualized rate. Single-family starts decreased 2.2% in June with multi-family starts surging 19.6%. **Building permits**, a gauge of future construction, increased 3.4% in June to a 1,446,000 pace, driven by a surge in multi-family applications. This follows a decline of 2.8% in May.
- The Federal Reserve reported **industrial production**, which includes factory production, mines and utilities posted a solid gain for a second straight month in June. The report is a welcome sign for a manufacturing sector that has been struggling for momentum. Industrial production gained 0.6% in June after increasing 0.9% in May. Production at factories, which make up 74% of output, rose 0.4% in June after gaining 1.0% the previous month. Utilities rose 2.8% in June after gaining 1.9% in May

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while mining rose 0.3% in June after declining 0.7% the prior month. **Capacity utilization**, which measures the amount of a plant that is in use, increased to 78.8% in June from a downwardly revised 78.3% in May.

- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through July 8, 2024. This report is published eight times each year. The report indicated economic activity expanded at a slight to modest pace. Wages continued to grow at a modest to moderate pace. Household spending was little changed with soft demand for consumer and business loans. Travel and tourism grew steadily. Districts also reported widely disparate trends in manufacturing activity ranging from a brisk downturn to moderate growth. Seven districts reported some level of increase in activity and five noted flat or declining activity.
- The Conference Board reported the **index of leading economic indicators** dropped 0.2% in June after declining 0.4% the prior month. The drop was led by a decline in consumer expectations, ISM New Orders and an increase in Jobless Claims. The index of U.S. leading indicators is a gauge of the economic outlook for the next three to six months. The **coincident index**, a gauge of current economic activity, increased 0.3% in June after climbing 0.4% in the previous month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** climbed 3.9% for the week ending July 12th after dropping 0.2% the prior week as mortgage rates dropped 13 basis points last week. **Refinancing** applications surged 15.2% to 613.0 last week after declining 2.2% the prior week. **Home purchase mortgage applications** decreased 2.7% to 140.4. Refinancing made up 38.8% of applications with an average loan size of \$281,900, while purchases average loan size at \$416,900. The **average contract rate** on a 30-year fixed-rate mortgage declined to 6.87% from 7.00% the prior week.

BOND MARKET REVIEW

Rates increased last week as the markets adjusted their forecast in a turbulent political environment. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 4.51%, 4.17%, 4.24% and 4.45%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -34, 7, 21, and -6 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Monday	July 22	Jun Chicago Fed Nat Activity Index (-0.09)	7:30 Central
Tuesday	July 23	Jun Existing Home Sales (3.99m)	9:00 Central
Wednesday	July 24	Jul 19 th MBA Mortgage Applications	6:00 Central
		Jun Goods Trade Balance (-\$98.8b)	7:30 Central
		Jun Wholesale Inventories (0.4%)	7:30 Central
		Jun Retail Inventories	7:30 Central
		Jun New Home Sales (640k)	9:00 Central
Thursday	July 25	Jul 20 th Initial Jobless Claims (238k)	7:30 Central
		2 nd Qtr Gross Domestic Product (2.0%)	7:30 Central
		2 nd Qtr GDP Price Index (2.6%)	7:30 Central
		2 nd Qtr Personal Consumption (2.0%)	7:30 Central
		Jun Durable Goods Orders (0.4%)	7:30 Central
		Jun Durables Ex Transportation (0.2%)	7:30 Central
		Jun Cap Goods Orders Nondef Ex Air (0.2%)	7:30 Central
Friday	July 26	Jun Personal Income (0.4%)	7:30 Central
		Jun Personal Spending (0.3%)	7:30 Central
		Jun PCE Price Index-YOY (2.4%)	7:30 Central
		Jul University of Michigan Sentiment (66.4)	9:00 Central
		Jul Univ of Michigan 1 Year Inflation (2.9%)	9:00 Central
		Jul Univ of Michigan 5-10 Year Inflation (2.9%)	9:00 Central

Source: Bloomberg Finance L.P.

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