

# August 12, 2024

## 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, potentially alleviating some concerns that the labor market is cooling too fast. Initial claims are always more volatile amid summer shutdowns of auto plants for retooling, and this year disruptions from Hurricane Beryl added to the volatility. First time claims in regular state programs recorded 233,000 for the week ending August 3<sup>rd</sup> after the prior week's report of 250,000. The four-week moving average climbed to 240,750 from 238,250 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, rose 6,000 to 1,875,000 for the week ending July 27<sup>th</sup>. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, rebounded in July after an exceptionally weak June release. A rebound in new orders and a sharp rebound in business activity into expansionary territory provided support for the index. The index recorded a 51.4 in July after a 48.8 reading in June. Business activity jumped almost 5 points in July to 54.5. New orders climbed to 52.4 from 47.3 the previous month, and the employment index rose to 51.1 from 46.1 in June. The prices paid component moved higher to 57.0 in July from 56.3. This gauge of service providers accounts for 90% of the economy. A reading above 50 indicates expansion in the services sector.
- The Commerce Department reported the **goods trade deficit** narrowed in June as exports increased at a faster pace than imports. The deficit decreased 2.5% to \$73.1 billion in June. **Exports** rose 1.5% in June to \$265.9 billion from \$262.0 billion in May and **imports** increased 0.6% to \$339.0 billion from \$337.0 billion the prior month.
- The Federal Reserve reported **consumer credit** grew at a slower pace in June as consumers pulled back from using their credit cards. Credit outstanding rose \$8.9 billion after climbing \$13.9 billion in May. Credit card debt decreased \$1.7 billion to \$1.344 trillion after jumping \$6.8 billion the previous month. Auto and student loan debt increased \$10.6 billion in June after gaining \$7.1 billion in May. Total non-revolving credit climbed to \$3.735 trillion. These figures are not adjusted for inflation.
- The Commerce Department reported **wholesale inventories** gained 0.2% in June to \$903.0 billion. Year-on-year wholesale inventories have climbed 0.1%. **Wholesale trade sales** declined 0.6% in June after climbing 0.3% in May, with year-on-year sales up 2.4%. The ratio of inventory to sales climbed to 1.37 in June from 1.35 the prior month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** climbed 6.9% for the week ending August 2<sup>nd</sup> after falling 3.9% the prior week. Refinancing activity jumped as mortgage rates tumbled after the release of a weak employment report the previous Friday. **Refinancing** applications rose 15.9% to 661.4 last week and **home purchase mortgage applications** increased 0.8% to 133.9. Refinancing made up 41.7% of applications with an average loan size of \$312,400, while purchases average loan size at \$426,900. The **average contract rate** on a 30-year fixed-rate mortgage plunged 28 basis points to 6.55% from 6.82% the prior week.

### BOND MARKET REVIEW

Rates climbed last week in a volatile market after two weeks of declining rates as the market recalibrates its expectations of Fed rate cuts. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.05%, 3.80%, 3.94% and 4.22%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -25, 14, 28, and 17 basis points respectively.

# August 12, 2024

## Financial Services Group

### Economic/Events Calendar

Monday	August 12	Jul Budget Statement (-\$242.0b)	13:00 Central
Tuesday	August 13	Jul NFIB Small Business Optimism (91.5)	5:00 Central
		Jul Producer Price Index (0.2%)	7:30 Central
		Jul Producer Price Index-YOY (2.3%)	7:30 Central
		Jul PPI Ex Food & Energy (0.2%)	7:30 Central
		Jul PPI Ex Food & Energy-YOY (2.7%)	7:30 Central
Wednesday	August 14	Aug 9 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		Jul Consumer Price Index (0.2%)	7:30 Central
		Jul Consumer Price Index-YOY (3.0%)	7:30 Central
		Jul CPI Ex Food & Energy (0.2%)	7:30 Central
		Jul CPI Ex Food & Energy-YOY (3.2%)	7:30 Central
Thursday	August 15	Aug 10 <sup>th</sup> Initial Jobless Claims (237k)	7:30 Central
		Aug Empire Manufacturing (-6.0)	7:30 Central
		Jul Retail Sales (0.4%)	7:30 Central
		Jul Retail Sales Ex Auto & Gas (0.2%)	7:30 Central
		Jul Import Price Index (0.0%)	7:30 Central
		Jul Import Price Index-YOY (1.6%)	7:30 Central
		Jul Import Price Index ex Petroleum (0.1%)	7:30 Central
		Jul Industrial Production (-0.3%)	8:15 Central
		Jul Capacity Utilization (78.5%)	8:15 Central
		Jun Business Inventories (0.3%)	9:00 Central
Aug NAHB Housing Market Index (43)	9:00 Central		
Friday	August 16	Jul Housing Starts (1,336k)	7:30 Central
		Jul Building Permits (1,425k)	7:30 Central
		Aug University of Michigan Sentiment (66.8)	9:00 Central
		Aug Univ of Michigan 1-Yr Inflation (2.9%)	9:00 Central
		Aug Univ of Michigan 5-10 Yr Inflation (2.9%)	9:00 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.