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Financial Services Group

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Economic Review



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- The Labor Department reported that **initial jobless claims** rose last week in a volatile session due to the Thanksgiving holiday. Jobless claims are set to jump toward the end of the year after Boeing Co. presented a range of measures to cut costs, including a 10% reduction in the workplace. First time claims in regular state programs recorded 224,000 for the week ending November 30th, after the prior week's report of 215,000. The four-week moving average climbed to 218,250 from 217,500 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, decreased 25,000 to 1,871,000 for the week ending November 23rd. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained unchanged from the previous week at 1.3%.
- The Commerce Department reported that **construction spending** increased 0.4% in October after climbing 0.1% in September. Spending on residential construction jumped 1.5% while non-residential construction declined 0.4%. Government spending, which made up 22.9% of construction spending, decreased 0.5% and private spending climbed 0.7%.
- The **Institute for Supply Management** reported its **manufacturing index** contracted at a slower pace in November and the gauge of new orders moved into expansion territory for the first time in eight months. Demand remains subdued as companies show an unwillingness to invest in capital and inventory. The manufacturing index recorded a 48.4 in November after a 46.5 reading in October. The new orders part of the index increased to 50.4 in November from 47.1 in October and production climbed to 46.8 in November from 46.2 the prior month. The employment sub-index moved higher to 48.1 in November from 44.4 the prior month, indicating manufacturing employment is still contracting. A reading below 50 indicates contraction in the manufacturing sector.
- The Labor Department reported that **job openings** increased in October and layoffs eased, suggesting demand for workers is stabilizing. This uptick follows months of steep declines. The advance was led by "professional and business services", and "accommodation and food services". Available positions increased by 372,000 to 7.744 million, from a downwardly revised 7.372 million in the prior month. The quits rate, which measures voluntary job leavers as a share of total employment climbed to 2.1 in October from 1.9 in September. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, climbed to 1.11 in October from a downwardly revised 1.08 in September.
- **ADP Employer Services** reported that hiring at companies remained firm in November, indicating the labor market is slowing but resilient. Companies increased payrolls by 146,000 in November after a downwardly revised gain of 184,000 in October. Gains were led by education, health care and construction. Services employment increased by 140,000 and manufacturing employment climbed by 6,000. Pay growth climbed as earnings rose 7.2% from a year earlier for workers who changed jobs. Pay gains for those who stayed in their current position eased slightly to 4.8%.
- The Commerce Department reported that **factory orders** rose 0.2% in October after declining 0.2% in September. **Factory orders ex transportation** climbed 0.1% in October after gaining 0.1% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft fell 0.2% in October after gaining 0.3% in September.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, expanded at the slowest pace in three months as demand and employment growth pulled back signaling the largest part of the economy is losing momentum. The index recorded a 52.1 in November after a 56.0 reading in October. Business activity pulled back three and a half points in November to 53.7 from 57.2 the prior month. New orders dropped to 53.7 from 57.4, while the employment index fell to 51.5 from 53.0 in October. The prices paid component edged higher to 58.2 in November from 58.1. This gauge of service providers accounts for 90% of the economy. A reading above 50 indicates expansion in the services sector.
- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through November 28, 2024. This report is published eight times each year. The report indicated

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economic activity rose slightly in most Districts. Though growth in economic activity was generally small, expectations for growth rose moderately. Business contacts expressed optimism that demand will rise in coming months. Consumer spending was generally stable, with several reports of increased sensitivity to price and quality. Demand for mortgages was low overall, though reports on recent changes in home loan demand were mixed due to volatility in rates. Commercial real estate lending was similarly subdued. Employment levels were flat or up only slightly across Districts, with hiring activity subdued as worker turnover remained low and few firms reported increasing their headcount.

- The Commerce Department reported the **trade deficit** narrowed in October from a two-year high in September as companies dialed back imports of consumer goods and business equipment. The deficit decreased to \$73.8 billion in October from a deficit of \$83.8 billion in September. **Exports** declined 1.6% to \$265.7 billion and **imports** decreased 4.0% to \$339.6 billion.
- The Labor Department reported that payroll growth recovered in November after October's low print due to hurricanes and a Boeing strike. The bounce-back came alongside an uptick in the unemployment rate and higher-than-expected wage growth. 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 227,000 in November after an upwardly revised gain of 36,000 in October. The **unemployment rate** (household survey) increased to 4.246% in November from 4.145% in October. The **labor force participation rate** declined to 62.5% from 62.6% the prior month. The average hourly earnings increased to \$35.61 in November from \$35.48 the prior month. Weekly hours climbed to 34.3 from 34.2 the prior month.
- The **University of Michigan's preliminary index of consumer sentiment** rose in November to the highest level in seven months after the presidential election, with expectations climbing for Republicans and declining for Democrats. Democrats are worried that proposed tariffs will cause a resurgence in inflation, while Republicans expect inflation to slow. The gauge of consumer confidence increased to 74.0 in December from 71.8 in November. The **index of current conditions** surged to 77.7 from 63.9 the prior month while the **index of expectations** declined to 71.6 from 76.9 the prior month. The reading for 5-10 year inflation expectations, an inflation indicator closely watched by the Fed, declined to 3.1% in December from 3.2% in November. One-year inflation expectations increased to 2.9% from the prior month's 2.6%.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** climbed 2.8% last week, prompted by a 17 basis point drop in mortgage rates from the prior week. **Refinancing** applications declined 0.6% to 498.5 from 501.7 the prior week. **Home purchase mortgage applications** increased 5.6% to 161.5. Refinancing made up 38.7% of applications with an average loan size of \$291,500, while purchases average loan size is \$431,900. The **average contract rate** on a 30-year fixed-rate mortgage fell to 6.69% from 6.86% the prior week.

Source: Bloomberg Finance L.P.

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BOND MARKET REVIEW

Rates declined last week as expectations increased for a rate cut by the FOMC at their next meeting on December 18th. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.10%, 4.04%, 4.15% and 4.34%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -6, 11, 19, and 24 basis points respectively.

Economic/Events Calendar

Monday	December 9	Oct Wholesale Inventories (0.2%)	9:00 Central
		Oct Wholesale Trade Sales (0.2%)	9:00 Central
Tuesday	December 10	Nov NFIB Small Business Optimism (95.3)	5:00 Central
		3 rd Qtr Nonfarm Productivity (2.2%)	7:30 Central
		3 rd Qtr Unit Labor Costs (1.4%)	7:30 Central
Wednesday	December 11	Dec 6 th MBA Mortgage Applications	6:00 Central
		Nov Consumer Price Index (0.3%)	7:30 Central
		Nov Consumer Price Index-YOY (2.7%)	7:30 Central
		Nov CPI Ex Food & Energy (0.3%)	7:30 Central
		Nov CPI Ex Food & Energy-YOY (3.3%)	7:30 Central
Thursday	December 12	Dec 7 th Initial Jobless Claims (220k)	7:30 Central
		Nov Producer Price Index (0.2%)	7:30 Central
		Nov Producer Price Index-YOY (2.6%)	7:30 Central
		Nov PPI Ex Food & Energy (0.2%)	7:30 Central
		Nov PPI Ex Food & Energy-YOY (3.2%)	7:30 Central
Friday	December 13	Nov Import Price Index (-0.2%)	7:30 Central
		Nov Import Price Index-YOY (1.0%)	7:30 Central
		Nov Import Price Index ex Petroleum (-0.1%)	7:30 Central

Source: Bloomberg Finance L.P.

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