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Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** rose last week to a two month high, with a large increase in claims from California, which was hit by wildfires in early December. Jobless claims could surge toward the end of the year after Boeing Co. presented measures to cut costs that includes a 10% reduction in the workforce. First time claims in regular state programs recorded 242,000 for the week ending December 7th, after the prior week's report of 225,000. The four-week moving average climbed to 224,250 from 218,500 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, increased 15,000 to 1,886,000 for the week ending November 30th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, dropped back to 1.2% after climbing to 1.3% two weeks earlier.
- The Commerce Department reported **wholesale inventories** climbed 0.2% in October to \$905.0 billion. Year-on-year wholesale inventories have climbed 0.9%. **Wholesale trade sales** declined 0.1% in October after gaining 0.5% in September, with year-on-year sales up 0.9%. The ratio of inventory to sales remained unchanged at 1.34.
- The **National Federation of Independent Business** reported sentiment among small businesses surged in November to a more than three-year high in anticipation of more favorable economic policies after Donald Trump was reelected to the White House. The election results signal a major shift in economic policy, leading to a surge in optimism among small-business owners. The index climbed to 101.7 in November from a 93.7 reading in October.
- Bureau of Labor Statistics reported **unit labor costs** in nonfarm businesses rose at a revised 0.8% in the 3rd quarter, reported earlier as a gain of 1.9%. The previous quarter was revised to a decline of 1.1% in the 2nd quarter. The adjustments to both periods reflect downward revisions to hourly compensation. On a year-over-year basis, unit labor costs were up 2.2%, the smallest annual advance since 2023. Productivity climbed at an annualized pace of 2.2% in the third quarter after rising 2.1% in the second quarter. Productivity for the year dropped to 2.0% from 2.4% in the second quarter. The slower productivity was due mostly to smaller acceleration in output growth.
- The Labor Department reported the **consumer price index** climbed 0.3% in November after 0.2% gains the prior four months. A gain in commodity prices of 0.4% masked the good news that housing-rent inflation finally stepped down. Shelter costs, one of the most persistent sources of inflation, cooled from the previous month, but the category still accounted for nearly 40% of the overall advance. Consumer prices year-on-year climbed to 2.7% from last month's 2.6%. Service prices, which make up 64.7% of the index, gained 0.3% in November after gaining 0.4% in October. Prices of commodity based manufactured goods climbed 0.4% in November after remaining unchanged the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.3% in November after increasing 0.3% the prior month. The year-on-year change in core CPI remained at 3.3% in November.
- The Treasury Department reported a **budget deficit** of \$366.8 billion for the month of November with the government collecting \$301.8 billion and spending \$668.5 billion. This compares to a deficit of \$314.0 billion a year earlier. November is the second month in the government's fiscal year, with the year-to-date deficit at \$624.2 billion, compared to \$380.6 billion last year.
- The Labor Department reported the **producer price index** grew at 0.4% in November after climbing an upwardly revised 0.3% in October. The pickup in wholesale prices was driven by price gains for goods. Year-on-year wholesale prices were up 3.0% in November after October's report of 2.6% the previous month. Goods prices, which make up 30% of the weighting, climbed 0.7% in November after climbing 0.1% in October. Services, which make up 67% of the index, climbed 0.2% in November after increasing 0.3% in October. The **core PPI**, which excludes volatile food and energy prices, rose 0.2% in November, with a year-on-year gain of 3.4%. **PPI ex food, energy and trade** climbed 0.1% in November.

December 16, 2024

Financial Services Group

- The Labor Department reported the **import price index** gained 0.1% in November after climbing a downwardly revised 0.1% the prior month. The report showed strong gains in the cost for food and beverages as well as petroleum. Import prices are 1.3% higher year-on-year. **Import prices ex petroleum** gained 0.2% in November for a year-on-year gain of 2.1%.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** climbed 5.4% last week, prompted by declining mortgage rates. **Refinancing** applications jumped 27.2% to 634.0 from 498.5 the prior week. **Home purchase mortgage applications** decreased 4.1% to 154.9. Refinancing made up 46.8% of applications with an average loan size of \$313,600, while purchases average loan size is \$416,200. The **average contract rate** on a 30-year fixed-rate mortgage fell to 6.67% from 6.69% the prior week.

BOND MARKET REVIEW

Rates surged higher last week as the market adjusts to expectation of the next administration. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.24%, 4.25%, 4.40% and 4.60%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 1, 15, 20, and 36 basis points respectively.

Source: Bloomberg Finance L.P.

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December 16, 2024

Financial Services Group

Economic/Events Calendar

Monday	December 16	Dec Empire Manufacturing (10.0)	7:30 Central
Tuesday	December 17	Nov Retail Sales (0.5%)	7:30 Central
		Nov Retail Sales Ex Auto & Gas (0.4%)	7:30 Central
		Nov Industrial Production (0.3%)	8:15 Central
		Nov Capacity Utilization (77.3%)	8:15 Central
		Oct Business Inventories (0.1%)	9:00 Central
		Dec NAHB Housing Market Index (47)	9:00 Central
Wednesday	December 18	Dec 13 th MBA Mortgage Applications	6:00 Central
		Nov Housing Starts (1,344k)	7:30 Central
		Nov Building Permits (1,430k)	7:30 Central
		3 rd Qtr Current Account Balance (-\$287.1b)	7:30 Central
		FOMC Rate Decision (4.25% to 4.50%)	13:00 Central
		Fed Interest on Reserve Bal Rate (4.40%)	13:00 Central
Thursday	December 19	Dec 14 th Initial Jobless Claims (230k)	7:30 Central
		3 rd Qtr Gross Domestic Product-3 rd Est (2.8%)	7:30 Central
		3 rd Qtr GDP Price Index-3 rd Est (1.9%)	7:30 Central
		3 rd Qtr Personal Consumption-3 rd Est (3.6%)	7:30 Central
		Nov Leading Index (-0.1%)	9:00 Central
		Nov Existing Home Sales (4.09m)	9:00 Central
Friday	December 20	Nov Personal Income (0.4%)	7:30 Central
		Nov Personal Spending (0.5%)	7:30 Central
		Nov PCE Price Index-YOY (2.5%)	7:30 Central
		Dec University of Michigan Sentiment (74.0)	9:00 Central
		Dec Univ of Michigan 1-Yr Inflation (2.9%)	9:00 Central
		Dec Univ of Michigan 5-10 Inflation (3.1%)	9:00 Central

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