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Economic Review

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.

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- The Labor Department reported that **initial jobless claims** climbed last week to a four-week high, potentially reflecting filings from workers affected in the first week of the government shutdown which has caused the furlough of an estimated 350,000 federal employees. This report also tends to be volatile during holidays as adjustments are made for seasonal hiring and vacations. Claims rose 10,000 to 231,000 for the week ending December 29th. The four-week moving average, a less volatile measure than the weekly numbers, decreased 500 to 218,750. The total number of people continuing to receive jobless benefits, a report which is lagged one week, increased 32,000 to 1.740 million for the week ending December 22nd.
- **ADP Employer Services** reported that companies added the most workers in almost two years in December, exceeding expectations and indicating the labor sector is on solid footing going into 2019. November ADP payrolls rose 271,000 after increasing a downward revised 157,000 in November. Service provider's added 224,000 jobs in December, construction gained 37,000 and factories increased 12,000 jobs.
- The **Institute for Supply Management** reported its **manufacturing index** dropped sharply in December, indicating the manufacturing sector cooled at year-end. Trade tensions with China appear to have finally impacted demand for manufactured goods after months of having only a minimal impact on the sector. The manufacturing index recorded a 54.1 in December after a 59.3 reading in November. The new orders part of the index recorded a 51.1 in December and production recorded a 54.3. A reading above 50 indicates expansion in the manufacturing sector.
- The Labor Department reported that payroll growth was the highest in ten months as wage gains accelerated and labor-force participation jumped. The gains were higher than even the most optimistic projections, reflecting a robust job market. The report indicates the gains were broad based. The job market delivered a blowout performance in December, giving a clearer signal that the economy is on solid footing even as investors worry about trade wars and government shutdowns. **Nonfarm payrolls** rose by 312,000 in December after an upwardly revised 176,000 gain the prior month. The **unemployment rate** rose to 3.9% in December from 3.7% in November, the lowest level since 1969. The participation rate increased to 63.1% in December from 62.9% as workers entered the labor market. Private payrolls were up 301,000 and government payrolls increased 11,000. The closely watched **average hourly earnings** increased to \$27.48 in December from \$27.37 in November. The average workweek rose to 34.5 hours per week from 34.4 hours per week the prior month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell 8.5% to 293.8 from 321.2 for the week ended December 28th. **Refinancing applications** decreased 10.6% to 729.9 from 816.0 the prior week. **Home purchase mortgage applications** dropped 7.6% to 219.0. The **average contract rate** on a 30-year fixed-rate mortgage declined to 4.84% from 4.86% the prior week.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 2.49%, 2.50%, 2.67%, and 2.89%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 1, 17, 22, and 40 basis points respectively.



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Economic/Events Calendar

Monday	January 7	Dec ISM Non-Manufacturing Index (59.0)	9:00 Central
Tuesday	January 8	Dec NFIB Small Business Optimism (103.0)	5:00 Central
		Nov Trade Balance (-\$54.0b)	7:30 Central
		Nov JOLTS Job Openings	9:00 Central
		Nov Consumer Credit (\$16.0b)	14:00 Central
Wednesday	January 9	Jan 4 th MBA Mortgage Applications	6:00 Central
		Dec 19 th FOMC Meeting Minutes	13:00 Central
Thursday	January 10	Jan 5 th Initial Jobs Claims (225k)	7:30 Central
		Nov Wholesale Inventories (0.5%)	9:00 Central
		Nov Wholesale Trade Sales	9:00 Central
Friday	January 11	Dec Consumer Price Index (-0.1%)	7:30 Central
		Dec Consumer Price Index-YOY (1.9%)	7:30 Central
		Dec CPI Ex Food & Energy (0.2%)	7:30 Central
		Dec CPI Ex Food & Energy-YOY (2.2%)	7:30 Central
		Dec Budget Statement (\$0.0)	13:00 Central
Not Released		Nov Advance Goods Trade Balance (-\$76.0b)	
Due to Govt		Nov Retail Inventories	
Shutdown		Nov New Home Sales (568k)	
		Nov Construction Spending (0.2%)	
		Nov Factory Orders (0.3%)	
		Nov Factory Orders Ex Transportation	
		Nov Durable Goods Orders	
		Nov Durables Ex Transportation	
		Nov Capital Goods Orders Nondef Ex Air	

Source: Bloomberg Finance L.P.

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