

Economic Review

- The Labor Department reported that **initial jobless claims** rose last week as labor market volatility continued to reflect holiday adjustments. The number of applications for the week ended January 26th rose 38,000 to 368,000 from 330,000 in the prior week. The four-week moving average rose 250 to 352,000 from the prior week. Continuing claims, which are lagged one week, rose 22,000 to 3.197 million for the week ended January 19th.
- The Commerce Department reported **durable goods orders** rose for a fourth consecutive month, gaining 4.6% in December. The report indicates manufacturing continues to improve. **Excluding transportation**, durable orders rose 1.3% after gaining 1.2% in November.
- The index of **pending home re-sales** dropped 4.3% in December after gaining 1.6% in November according to the National Association of Realtors. The drop is the first since August, indicating uneven progress in the housing market.
- The **S&P/CaseShiller home price index** rose for the year ended in November by the most in six years with home prices rising 5.5% for the year. The index tracks changes in the value of homes in 20 metropolitan regions.
- **Consumer confidence** fell in January to the lowest level in more than a year. The Conference Board's confidence index fell to 58.6 from a 66.7 reading in December. The **expectations index** fell to 59.5 from 68.1 while the **present situation index** fell to 57.3 from 64.6.
- **ADP Employer Services** reported that companies added more workers than expected in January, indicating employment continues to expand. Companies added 192,000 workers in January after adding a downwardly revised 185,000 in December.
- The advance estimate by the Commerce Department of **gross domestic product** showed the economy shrank at a 0.1% annual pace in the 4th quarter. The decline was driven by a plunge in defense spending and slowing inventory growth.
- The Commerce Department reported **personal income** surged 2.6% in December after gaining 1.0% the prior month. Disposable income, or the money left over after taxes, gained 2.7%. **Personal spending** rose 0.2% in December after gaining 0.6% the prior month.
- The Labor Department reported that **nonfarm payrolls** increased 157,000 **nonfarm jobs** in January after gaining an upwardly revised 196,000 in December. The **unemployment rate** rose to 7.9% in January from 7.8% the prior month. Private payrolls were up 166,000 in January, and government payrolls were down 9,000. **Average hourly earnings** increased to \$23.78 from \$23.74 in December. The **average weekly earnings** rose to \$818.03 from \$816.66 the prior month. The average workweek remained unchanged at 34.4 hours.
- The **University of Michigan's final index of consumer sentiment** unexpectedly rose in January as rising property values helped consumer attitudes. The index rose to 73.8 in January from 71.3 the previous month. The **index of current conditions** rose to 85.0 from 84.8 the prior month while the **index of expectations** rose to 66.6 in January from 62.7.
- The Commerce Department reported that **construction spending** climbed more than forecast as spending on housing continued to grow. Construction spending rose 0.9% in December after gaining 0.1% in November. Spending on residential properties climbed 2.1%, with spending on non-residential projects 0.3% higher in December.
- The **Institute for Supply Management Manufacturing Index** reported that manufacturing rose in January, reaching a nine month high. The index rose to 53.1 in January from 50.2 in December. A number above 50 indicates expansion.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell 8.1% to 822.1 for the week ended January 25th, after gaining 7.0% the prior week. **Refinancing applications** fell 10.2% to 4,415. **Home purchase mortgage applications** fell 1.8% to 211.1. The **average contract rate** on a 30-year fixed-rate mortgage rose to 3.67% from 3.62% the prior month.

BOND MARKET REVIEW

- Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.26%, 0.88%, 2.02%, and 3.22%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 62, 114, 120, and 296 basis points respectively.

Economic/Events Calendar

Monday	February 4	Dec Factory Orders (2.3%)	9:00 Central
Tuesday	February 5	Jan ISM Non-Manufacturing Index (55.0)	9:00 Central
Wednesday	February 6	Feb 1 st MBA Mortgage Applications	6:00 Central
Thursday	February 7	Feb 2 nd Initial Jobless Claims (360K)	7:30 Central
		4 th Qtr Nonfarm Productivity / Unit Labor Costs (-1.5%/3.0%)	7:30 Central
		Dec Consumer Credit (\$14.00B)	14:00 Central
Friday	February 8	Dec Trade Balance (-\$46.0B)	7:30 Central
		Dec Wholesale Inventories (0.4%)	9:00 Central

Source: Bloomberg

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