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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** edged lower last week as the previous week was revised slightly higher. We are coming up on the holidays and year-end, so headline prints are going to be more volatile as a result. Claims in regular state programs fell 1,000 to 268,000 for the week ending November 13<sup>th</sup>, after reporting 269,000 initial claims the prior week. The four-week moving average declined to 272,750 from 278,500 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, declined 129,000 to 2.080 million for the week ending November 6<sup>th</sup>. For reference, continuing claims were 1.770 million the week ended March 14, 2020 and topped out at 23.128 million in May 2020.
- The New York Federal Reserve reported the **Empire State Manufacturing Index**, which is one of the first signals for factory sector activity, expanded in November, with orders growth and employment accelerating and selling prices rising to the highest since 2001. The index recorded a positive 30.9 in November after a positive 19.8 in October. Readings above zero signal expansion in New York, northern New Jersey, and southern Connecticut.
- The Commerce Department reported that **retail sales** rose for a third straight month and by the most in seven months. Retail sales increased 1.7% in October after an upwardly revised gain of 0.8% in September. October retail sales are up 14.7% year-on-year. **Retail sales ex autos and gas** increased 1.4% in October after gaining 0.5% in September. The broad based gain in spending highlights how elevated savings and rising wages have helped consumers continue spending even as prices rise at the fastest pace in 30 years.
- The Labor Department reported the **import price index** gained 1.2% in October after climbing 0.4% in September, led by gains in petroleum and industrial supplies. Import prices are up 10.7% year-on-year. **Import prices ex petroleum** climbed 0.5% in October after increasing 0.2% the prior month.
- The Federal Reserve reported **industrial production**, which includes factory production, mines and utilities, rebounded more than expected in October with impressive gains in energy and materials production. The report showed a strong advance in vehicle sales, which helped to push total industrial output back above pre-pandemic levels. Industrial production jumped 1.6% in October after dropping 1.3% in September. Production at factories, which make up 76.0% of output, increased 1.2% in October after falling 0.7% the previous month. Utilities climbed 1.2% and mining jumped 4.1%. **Capacity utilization**, which measures the amount of a plant that is in use, increased to 76.4% in October from 75.2% the prior month.
- The Commerce Department reported **business inventories** increased 0.7% in September after gaining 0.8% in August. **Business sales** gained 0.9% in September after gaining 0.1% the prior month. The ratio of business inventories to sales remained unchanged at 1.26 in September.
- The **National Association of Home Builders/Wells Fargo** reported housing sentiment rose to a six month high in November. Robust demand fueled by low mortgage rates and a desire for more space among buyers working remotely is more than offsetting higher prices due to supply-chain delays and labor shortages. The index climbed to 83 in November from 80 in October.
- The Commerce Department reported that **housing starts** unexpectedly slowed down in October, with a drop in single-family projects due to supply constraints, shortages of skilled labor and elevated material costs disrupting building activity. Housing starts fell 0.7% in October to a 1,520,000 annualized rate following the prior month's downwardly revised 1,530,000 pace. Single-family starts declined 3.9% with multi-family starts increasing 7.1%. **Building permits**, a gauge of future construction, increased 4.0% in October to a 1,650,000 pace.
- The Conference Board reported the **index of leading economic indicators** rose 0.9% in October after gaining 0.1% in September. The gain is led by an improvement in jobless claims, building



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permits and ISM New Orders. The index of U.S. leading indicators is a gauge of the economic outlook for the next three to six months. The **coincident index**, a gauge of current economic activity, climbed 0.5% in October after remained unchanged in September.

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** declined 2.8% for the week ending November 12<sup>th</sup> after increasing 5.5% the prior week. **Refinancing applications** decreased 5.1% to 2,695 from 2,841 the prior week. **Home purchase mortgage applications** rose 1.5% to 282.5. The **average contract rate** on a 30-year fixed-rate mortgage rose to 3.20% from 3.16% the prior week for a 30-year fixed rate loan.

## BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 0.51%, 1.22%, 1.55%, and 1.91%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 71, 33, 36, and 140 basis points respectively.

## Economic/Events Calendar

Monday	November 22	Oct Chicago Fed Nat Activity Index (0.10)	7:30 Central
		Oct Existing Home Sales (6.20m)	9:00 Central
Wednesday	November 24	Nov 19 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		Nov 20 <sup>th</sup> Initial Jobless Claims (260k)	7:30 Central
		Oct Goods Trade Balance (-\$95.0b)	7:30 Central
		Oct Wholesale Inventories (1.0%)	7:30 Central
		Oct Retail Inventories (0.4%)	7:30 Central
		3 <sup>rd</sup> Qtr Gross Domestic Product (2.2%)	7:30 Central
		3 <sup>rd</sup> Qtr GDP Price Index (5.7%)	7:30 Central
		3 <sup>rd</sup> Qtr Personal Consumption (1.6%)	7:30 Central
		Oct Durable Goods Orders (0.2%)	7:30 Central
		Oct Durables ex Transportation (0.5%)	7:30 Central
		Oct Cap Goods Orders Nondef Ex Air (0.5%)	7:30 Central
		Oct Personal Income (0.2%)	9:00 Central
		Oct Personal Spending (1.0%)	9:00 Central
		Oct PCE Deflator-YOY (4.1%)	9:00 Central
		Nov University of Michigan Sentiment (66.9)	9:00 Central
		Oct New Home Sales (800k)	9:00 Central
		FOMC Meeting Minutes	13:00 Central

Source: Bloomberg Finance L.P.

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