

# January 3, 2023

## Financial Services Group

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## Economic Review

- The Labor Department reported that **initial jobless claims** rose last week, but remain near historically low levels. The Fed has aggressively raised interest rates in an effort to tame wage inflation, but the labor market has remained largely resilient throughout the year. Claims in regular state programs climbed by 9,000 to 225,000 for the week ending December 24<sup>th</sup>, after reporting 216,000 initial claims the prior week. The four-week moving average dropped to 221,000 from 221,250 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased by 41,000 to 1.710 million for the week ending December 17<sup>th</sup>.
- The Commerce Department reported the **goods trade deficit** narrowed in November as imports and exports both fell. The deficit decreased 15.5% to \$83.3 billion in November. **Exports** fell 3.1% to \$168.9 billion and **imports** declined 7.6% to \$252.2 billion.
- The Commerce Department reported **wholesale inventories** rose 1.0% in November after gaining 0.6% the previous month. Year-on-year wholesale inventories have climbed 21.0%. **Retail inventories** increased 0.1% in November after falling 0.4% in October and are up 18.4% year-on-year.
- The Federal Housing Finance Agency reported the **house price index** of purchase-only homes remained unchanged in October after climbing 0.1% in September. The year-on-year change in the house price index was 9.8% in October. The HPI is estimated using repeated observations of housing values for single-family homes on which at least two mortgages were originated and subsequently sold to Freddie Mac or Fannie Mae. The use of repeat transactions on the same unit helps to control for differences in the quality of the houses.
- The **S&P CoreLogic CaseShiller home price index** decreased 0.52% in October after falling 1.35% in September, the fourth straight decline in home prices. The report indicates demand for housing continues to slow in September as higher mortgage rates and affordability pressure new homebuyers. The index climbed 9.24% in October from the same month in 2022. The index tracks changes in the value of homes in 20 metropolitan regions.
- The National Association of Realtors reported the **index of pending home re-sales** declined in November for the tenth time this year. The number of contracts to purchase previously owned homes fell 4.0% in November after declining 4.7% in October. Pending home sales are down 38.6% on a seasonally adjusted year-on-year basis in November. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.

## BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 4.43%, 4.00%, 3.87% and 3.96%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -43, -13, 9, and -47 basis points respectively.

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### Economic/Events Calendar

Tuesday	January 3	Nov Construction Spending (-0.4%)	9:00 Central
Wednesday	January 4	Dec 30 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		Dec ISM Manufacturing (48.5)	9:00 Central
		Nov JOLTS Job Openings (10,025k)	9:00 Central
		Dec 14 <sup>th</sup> FOMC Meeting Minutes	13:00 Central
Thursday	January 5	Dec 31 <sup>st</sup> Initial Jobless Claims (225k)	7:30 Central
		Dec ADP Employment Change (150k)	7:15 Central
		Nov Trade Balance (-\$63.7b)	7:30 Central
Friday	January 6	Dec Change in Nonfarm Payrolls (200k)	7:30 Central
		Dec Unemployment Rate (3.7%)	7:30 Central
		Dec Average Hourly Earnings-YOY (5.0%)	7:30 Central
		Dec Labor Force Participation Rate (62.2%)	7:30 Central
		Dec ISM Services Index (55.0)	9:00 Central
		Nov Factory Orders (-2.1%)	9:00 Central
		Nov Factory Orders Ex Transportation	9:00 Central

Source: Bloomberg Finance L.P.

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