

February 13, 2023

Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** rose for the first time in six weeks last week. It was the fourth straight week claims held below 200,000, a level that is historically very low. Despite a rising number of layoffs spreading beyond tech companies, such as Disney and Boeing, many businesses are still struggling to hire. Demand for workers still far exceeds supply. Claims in regular state programs increased 13,000 to 196,000 for the week ending February 4th, after reporting 183,000 initial claims the prior week. The four-week moving average dropped to 189,250 from 191,750 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased by 38,000 to 1.688 million for the week ending January 28th.
- The Commerce Department reported the **trade deficit** widened in December with imports rising and exports declining. For 2022, trade in goods between the US and China climbed to a record, underscoring the deep connection even as tensions climb between Washington and Beijing. The deficit increased to \$67.4 billion in December from a deficit of \$61.0 billion in November. **Exports** fell 0.9% to \$250.2 billion and **imports** climbed 1.3% to \$317.6 billion.
- The Federal Reserve reported **consumer credit** increased at the slowest pace in nearly two years in December, signaling that consumers are pulling back on their use of credit cards and other types of loans. Consumer credit increased \$11.6 billion after gaining an upwardly revised \$33.1 billion in November. Credit card debt increased \$7.2 billion to \$1.196 trillion. Auto and student loan debt increased by \$4.4 billion to \$3.580 trillion. These figures are not adjusted for inflation.
- The Commerce Department reported **wholesale inventories** edged higher by 0.1% in December to \$932.9 billion after gaining 0.9% in November. Year-on-year wholesale inventories have gained 17.6%. **Wholesale trade sales** remained unchanged in December after dropping 1.4% in November, with year-on-year sales up 7.3%. The ratio of inventory to sales remained unchanged at 1.36 in December.
- The **University of Michigan's preliminary index of consumer sentiment** improved in February to its highest reading since April 2022. The details of the report are mixed as consumer sentiment continues to reflect the improvement in conditions since the summer, but also the expectations that the economy is going to slow during the second half of the year. Overall consumer sentiment continues to heal from the damage caused over the summer by record high gasoline prices. The one-year-ahead inflation expectations rose to 4.2% from 3.9% the previous month. The closely watched 5-10 year inflation expectations measure remained unchanged at 2.9% in February. The index increased to 66.4 in February from a 64.9 reading in January. The **index of current conditions** climbed to 72.6 from 68.4 the prior month while the **index of expectations** decreased to 62.3 from 62.7.
- The Treasury Department reported a **budget deficit** of \$38.8 billion for the month of January with the government collecting \$447.3 billion and spending \$486.1 billion. This compares to a surplus of \$118.7 billion a year earlier. The January year-to-date budget deficit is \$460.2 billion, which compares to a deficit of \$259.0 billion in January of 2022. The fiscal year begins on October 1st.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased last week for the fourth week in five. The index rose 7.4% for the week ending February 3rd. **Refinancing applications** jumped 17.7% to 549.3 from 466.6 the prior week. **Home purchase mortgage applications** climbed 3.1% to 190.0. Refinancing made up 33.9% of applications with an average loan size of \$280,100, while purchases average loan size was \$428,500. The **average contract rate** on a 30-year fixed-rate mortgage decreased to 6.18% from 6.19% last week. The average contract rate was as high as 7.16% in October of last year.

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BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 4.52%, 3.92%, 3.73% and 3.82%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -60, -19, 9, and -70 basis points respectively.

Economic/Events Calendar

Tuesday	February 14	Jan NFIB Small Business Optimism (91.0)	5:00 Central
		Jan Consumer Price Index (0.5%)	7:30 Central
		Jan Consumer Price Index-YOY (6.2%)	7:30 Central
		Jan CPI ex Food & Energy (0.4%)	7:30 Central
		Jan CPI ex Food & Energy-YOY (5.5%)	7:30 Central
Wednesday	February 15	Feb 10 th MBA Mortgage Applications	6:00 Central
		Feb Empire Manufacturing (-18.0)	7:30 Central
		Jan Retail Sales (2.0%)	7:30 Central
		Jan Retail Sales ex Auto & Gas (0.8%)	7:30 Central
		Jan Industrial Production (0.5%)	8:15 Central
		Jan Capacity Utilization (79.1%)	8:15 Central
		Dec Business Inventories (0.3%)	9:00 Central
Feb NAHB Housing Market Index (37)	9:00 Central		
Thursday	February 16	Feb 11 th Initial Jobless Claims (200k)	7:30 Central
		Jan Housing Starts (1,358k)	7:30 Central
		Jan Building Permits (1,350k)	7:30 Central
		Jan Producer Price Index (0.4%)	7:30 Central
		Jan Producer Price Index-YOY (5.4%)	7:30 Central
		Jan PPI Ex Food & Energy (0.3%)	7:30 Central
		Jan PPI Ex Food & Energy-YOY (4.9%)	7:30 Central
Friday	February 17	Jan Import Price Index (-0.1%)	7:30 Central
		Jan Import Price Index-YOY (1.6%)	7:30 Central
		Jan Import Price Index ex Petroleum (-0.2%)	7:30 Central
		Jan Leading Index (-0.3%)	9:00 Central

Source: Bloomberg Finance L.P.

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