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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** have fallen in each of the last three weeks. The report reflects a continually tightening labor market and there is no reason to believe this will change anytime soon. Layoffs are low and companies are struggling to fill open positions. Claims in regular state programs decreased 16,000 to 223,000 for the week ending February 5th, after reporting 239,000 initial claims the prior week. The four-week moving average edged lower to 253,250 from 255,250 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, remained unchanged at 1.21 million for the week ending January 29th.
- The Federal Reserve reported **consumer credit** pulled back after the previous month's surge, as consumers slowed in their use of credit cards in December. Consumer credit increased \$18.9 billion after gaining a downwardly revised \$38.8 billion in November. Credit card debt climbed \$2.1 billion to \$1.038.5 trillion with auto and student loan debt increasing by \$16.8 billion to \$3.393 trillion.
- The **National Federation of Independent Business** reported sentiment among small businesses dropped to an 11-month low in January. Seven out of the 10 components in the index declined in January as COVID cases reached a record high. A record share of small businesses raised their prices in January as costs for labor and material surged. The index declined 1.8% to a 97.1 reading in January from 98.9 the prior month.
- The Commerce Department reported the **trade deficit** widened in December, with both imports and exports climbing. Trade continues to climb even as the Omicron variant posted new record cases at the end of the year. The deficit increased 1.8% to \$80.7 billion in December. **Exports** rose 1.5% to \$228.1 billion and **imports** gained 1.6% to \$308.9 billion.
- The Commerce Department reported **wholesale inventories** rose 2.2% in December after gaining 1.7% in November. Year-on-year wholesale inventories have gained 18.5%. **Wholesale sales** increased 0.2% in December after gaining 1.7% in November, with year-on-year sales up 21.8%.
- The Labor Department reported the **consumer price index** increased at the fastest annual pace in four decades. The gain in prices was broad based with the biggest increases in vehicles and apparel. The increases of concern include hikes in housing prices and wage increases that are considered sticky as once these prices rise, they are less likely to come back down. The index gained 0.6% in January after gaining 0.6% the prior month. The year-on-year change in consumer prices is 7.5% in January. Service prices gained 0.6% in January after climbing 0.3% in December. Prices of commodity based manufactured goods gained 0.8% in January after gaining 1.0% the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.6% in January after climbing 0.6% the prior month. The year-on-year change in core CPI is 6.0%.
- The Treasury Department reported a **budget surplus** of \$118.7 billion for the month of January with the government collecting \$465.1 billion and spending \$346.6 billion. This compares to a deficit of \$162.8 billion a year earlier.
- The **University of Michigan's preliminary index of consumer sentiment** plunged to its lowest level in over a decade in February. Consumers are increasingly concerned that inflation will hurt their personal finances. The index decreased to 61.7 in February from a 67.2 reading in January. The **index of current conditions** decreased to 68.5 from 72.0 the prior month while the **index of expectations** dropped to 57.4 from 64.1, its lowest reading in more than a decade.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** dropped 8.1% for the week ending February 4th after increasing 12.0% the prior week. **Refinancing applications** decreased 7.3% to 2,184 from 2,355 the prior week. **Home purchase mortgage applications** fell 9.6% to 282.3. The **average contract rate** on a 30-year fixed-rate mortgage rose to 3.83% from 3.78% 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 1.50%, 1.85%, 1.94%, and 2.24%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 35, 9, 30, and 74 basis points respectively.

Economic/Events Calendar

Tuesday	February 15	Jan Producer Price Index (0.5%)	7:30 Central
		Jan Producer Price Index-YOY (9.0%)	7:30 Central
		Jan PPI Ex Food & Energy (0.4%)	7:30 Central
		Jan PPI Ex Food & Energy-YOY (7.8%)	7:30 Central
		Feb Empire Manufacturing (11.0)	7:30 Central
Wednesday	February 16	Feb 11 th MBA Mortgage Applications	6:00 Central
		Jan Retail Sales (2.0%)	7:30 Central
		Jan Retail Sales ex Auto & Gas (1.0%)	7:30 Central
		Jan Import Price Index (1.3%)	7:30 Central
		Jan Import Price Index-YOY (9.8%)	7:30 Central
		Jan Import Price Index ex Petroleum (0.4%)	7:30 Central
		Jan Industrial Production (0.4%)	8:15 Central
		Jan Capacity Utilization (76.8%)	8:15 Central
		Feb NAHB Housing Market Index (83)	9:00 Central
FOMC Meeting Minutes for Jan 26 th Meeting	13:00 Central		
Thursday	February 17	Feb 12 th Initial Jobless Claims (220k)	7:30 Central
		Jan Housing Starts (1,700k)	7:30 Central
		Jan Building Permits (1,750k)	7:30 Central
Friday	February 18	Jan Existing Home Sales (6.10m)	9:00 Central
		Jan Leading Index (0.2%)	9:00 Central

Source: Bloomberg Finance L.P.

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