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Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** declined last week for the third straight week. The surprise drop comes after many high profile layoff announcements, adding to lingering doubts about how tight the labor market really is. First time claims in regular state programs fell 12,000 to 201,000 from the prior week's upwardly revised 213,000 for the week ending February 17th. The four-week moving average fell to 215,250 from 218,750 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, fell 27,000 to 1.862 million for the week ending February 10th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, fell back to 1.2% from 1.3% the prior week.
- The Conference Board reported the **index of leading economic indicators** declined 0.4% in January after falling a downwardly revised 0.2% the prior month. The loss was led by a decline in the average workweek, a negative interest rate spread and consumer expectations. The biggest positive contributor to the leading index was stock prices. 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, was 0.2% in January after climbing 0.2% in December.
- The **FOMC Minutes** for the January 30th-31st meeting indicated participants were fairly united about delaying rate cuts. This is before the hot January CPI reading which has changed the picture since then. The running theme of the meeting is surprise at the resilience of the economy, particularly consumption. Stronger than expected fourth quarter GDP growth appeared to play a key role in making FOMC members wary of cutting rates too soon. Some glaring omissions from the minutes was guidance about the conditions for cutting rates and any mention of the neutral interest rate, known as "r-star". The Fed is in a tough position of needing to demonstrate resilience against cutting rates too soon to avoid reigniting inflationary pressures.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity declined in January. The **Chicago Fed National index**, which draws on 85 economic indicators, was negative 0.30 in January after reporting an upwardly revised positive 0.02 in December. 59 of the indicators affected the index negatively and 26 made positive contributions. A reading below zero indicates below-trend-growth in the national economy.
- The National Association of Realtors reported that **existing home sales** rose 3.1% in January to an annualized selling rate of 4.00 million units. This is the biggest increase in nearly a year as buyers took advantage of lower mortgage rates at the start of 2024, which have since climbed back above 7.00%. The median selling price declined to \$379,100 in January from \$381,400 in December. Contract closings usually occur a month or two after a contract is signed.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased last week as mortgage rates climbed above 7.00% for the first time since early December. The index fell 10.6% for the week ending February 16th after falling 3.3% the prior week. **Refinancing applications** declined 11.4% to 427.0 from 482.0 the prior week. **Home purchase mortgage applications** declined 10.1% to 133.6. Refinancing made up 32.6% of applications with an average loan size of \$254,000, while purchases average loan size was \$439,400. The **average contract rate** on a 30-year fixed-rate mortgage climbed to 7.06% from 6.87% the prior week.

BOND MARKET REVIEW

Rates were mixed last week on little economic data and the yield curve flattened. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 4.69%, 4.28%, 4.25% and 4.37%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -41, -3, 12, and -32 basis points respectively.

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Economic/Events Calendar

Monday	February 26	Jan New Home Sales (684k)	9:00 Central
Tuesday	February 27	Jan Durable Goods Orders (-5.0%)	7:30 Central
		Jan Durables Ex Transportation (0.2%)	7:30 Central
		Jan Cap Goods Orders Nondef Ex Air (0.1%)	7:30 Central
		Dec FHFA House Price Index (0.3%)	8:00 Central
		Dec S&P CoreLogic CS 20-City Index (0.20%)	8:00 Central
		Feb Conf Board Consumer Confidence (115.0)	9:00 Central
Wednesday	February 28	Feb 23 rd MBA Mortgage Applications	6:00 Central
		4 th Qtr Gross Domestic Product-2 nd Est (3.3%)	7:30 Central
		4 th Qtr GDP Price Index-2 nd Est (1.5%)	7:30 Central
		4 th Qtr Personal Consumption-2 nd Est (2.7%)	7:30 Central
		Jan Goods Trade Balance (-\$88.3b)	7:30 Central
		Jan Retail Inventories (0.4%)	7:30 Central
		Jan Wholesale Inventories (0.2%)	7:30 Central
Thursday	February 29	Feb 24 th Initial Jobless Claims (210k)	7:30 Central
		Jan Personal Income (0.4%)	7:30 Central
		Jan Personal Spending (0.2%)	7:30 Central
		Jan PCE Deflator-YOY (2.4%)	7:30 Central
		Jan Pending Home Sales (1.1%)	9:00 Central
Friday	March 1	Jan Construction Spending (0.2%)	9:00 Central
		Feb University of Michigan Sentiment (79.6)	9:00 Central
		Feb ISM Manufacturing (49.5)	9:00 Central

Source: Bloomberg Finance L.P.

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