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Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** edged higher last week, a week that included Presidents' Day. First time claims in regular state programs recorded 212,000 for the week ending February 21st, after the prior week's report of 208,000. The four-week moving average climbed to 220,250 from 219,500 the prior week. Continuing claims, a proxy for people who are already receiving benefits and still cannot find a job, fell 31,000 to 1,833,000 for the week ending February 14th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity climbed above trend territory in January, the first time the reading has been above zero since March. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.18 in January after reporting negative 0.21 in December. Forty-seven of the indicators affected the index positively and thirty-eight made negative contributions. A reading above zero indicates above-trend-growth in the national economy.
- The Commerce Department reported that **factory orders** decreased 0.7% in December after increasing 2.7% in November. **Factory orders ex transportation** climbed 0.4% in December after edging 0.1% higher the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft, increased 0.8% in December after climbing 0.9% in November.
- The Federal Housing Finance Agency reported that the **house price index** of purchase-only homes increased 0.1% in December after gaining 0.7% the previous month. The year-on-year change in the house price index was 1.8% in December. 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** rose 0.42% in December after gaining 0.46% in November. The index increased 1.38% from the same month in 2024. This index includes homes of all prices, while the sample for the FHFA index is based only on conforming mortgages, which leaves out much of the upper end of the housing market. The index tracks changes in the value of homes in 20 metropolitan regions.
- The Conference Board's **consumer confidence index** improved in February on more upbeat prospects for the economy, job market and incomes. The rise in confidence comes as recent data has indicated the labor market is showing some signs of stabilization and inflation has been relatively tame. The index recorded 91.2 in February from an upwardly revised 89.0 reading in January, previously reported as 84.5. The measure of expectations for the next six months climbed to 72.0 from 67.2 in January. The present situation index decreased to 120.0 in February from 121.8 the previous month.
- The Commerce Department reported **wholesale inventories** increased 0.2% in December to \$918.0 billion. Year-on-year wholesale inventories have climbed 2.9%. **Wholesale trade sales** climbed 1.0% in December after jumping 1.4% in November, with year-on-year sales up 5.2%. The ratio of inventory to sales declined to 1.27 from 1.28 in November.
- The Labor Department reported the **producer price index** rose more than expected in January, with price pressures all along the value chain. Trade services show wholesalers and retailers raised prices, as evidenced by strong margin gains, indicating they are passing on higher costs. Prices at the wholesale level jumped 0.5% in January after gaining 0.4% in December. Prices have climbed 2.9% year-on-year. Goods prices, which make up 29.1% of the weighting, declined 0.3% in January after declining 0.1% in December. Services, which make up 68.3% of the index, surged 0.8% in January after increasing 0.7% in December. The **core PPI**, which excludes volatile food and energy

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prices, jumped 0.8% in January, with a year-on-year gain of 3.6%. **PPI ex food, energy and trade** climbed 0.3% in January.

- The Commerce Department reported that **construction spending** improved in December after three months of declines. Construction spending increased 0.3% in December after declining 0.2% in November. Spending on residential construction climbed 1.5% while non-residential construction declined 0.6%. Government spending decreased 0.5% and private spending climbed 0.5%.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** improved last week as mortgage rates slipped to the lowest level since 2022, generating more refinancing activity. Applications rose 0.4% last week after climbing 2.8% the prior week. **Refinancing applications** increased 4.1% to 1,433 after the prior week's increase of 7.1%. **Home purchase mortgage applications** fell 4.7% to 149.7. Refinancing made up 58.6% of applications with an average loan size of \$398,400, while purchases average loan size is \$442,900. The **average contract rate** on a 30-year fixed-rate mortgage declined to 6.09% after the prior week's 6.21%.

BOND MARKET REVIEW

Rates dropped last week after Friday's positive CPI report. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 3.37%, 3.50%, 3.94% and 4.61%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 13, 44, 67, and 124 basis points respectively.

Economic/Events Calendar

| | | | |
|-----------|-------------|--|---------------|
| Monday | March 2 | Feb ISM Manufacturing (51.4) | 9:00 Central |
| Wednesday | February 25 | Feb 27 th MBA Mortgage Applications | 6:00 Central |
| | | Feb ADP Employment Change (50k) | 7:15 Central |
| | | Feb ISM Services Index (53.5) | 9:00 Central |
| | | Fed Releases Beige Book | 13:00 Central |
| Thursday | February 26 | Feb 28 th Initial Jobless Claims (215k) | 7:30 Central |
| | | Jan Import Price Index (0.3%) | 7:30 Central |
| | | Jan Import Price Index-YOY (0.2%) | 7:30 Central |
| | | Jan Import Price Index ex Petroleum (0.5%) | 7:30 Central |
| | | 4 th Qtr Nonfarm Productivity (1.8%) | 7:30 Central |
| | | 4 th Qtr Unit Labor Costs (2.0%) | 7:30 Central |
| Friday | February 27 | Jan Retail Sales (-0.3%) | 7:30 Central |
| | | Jan Retail Sales Ex Auto & Gas (0.2%) | 7:30 Central |
| | | Feb Change in Nonfarm Payrolls (59k) | 7:30 Central |
| | | Feb Unemployment Rate (4.3%) | 7:30 Central |
| | | Feb Labor Force Participation Rate (62.5%) | 7:30 Central |
| | | Dec Business Inventories (0.1%) | 9:00 Central |
| | | Jan Consumer Credit (\$12.6b) | 14:00 Central |

Source: Bloomberg Finance L.P.

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