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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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Economic Review

- The Labor Department reported that **initial jobless claims** decreased from last week with a jump in jobless claims from federal workers being offset by a decline in regular state claims. Layoffs by the DOGE, whether directly from the Federal government payrolls or indirectly through private sector contracts, are only recommendations so it will take a few weeks for agency heads to follow through or reject the recommendations. First time claims in regular state programs recorded 221,000 for the week ending March 1st, after the prior week's report of 242,000. The four-week moving average increased to 224,250 from 224,000 the prior week. Continuing claims, a proxy for people who are already receiving benefits and still can't find a job, surged 42,000 to 1,897,000 for the week ending February 22nd. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The Commerce Department reported that **construction spending** declined in January, but the upside surprise in building permits suggest the month's exceptionally cold weather exaggerated the weakness in construction. Construction spending decreased 0.2% in January after climbing 0.5% in December. Spending on residential construction fell 0.5% while non-residential construction climbed 0.1%. Government spending increased 0.1% and private spending declined 0.2%.
- The **Institute for Supply Management** reported its **manufacturing index** declined in February after six consecutive months of improvement in the index. This is the second consecutive month above 50, last month being the first time breaking the expansionary benchmark since October 2022. The new administration offered some initial positive sentiment to the manufacturing sector, with businesses hoping to benefit from deregulation and tax cuts. Some of that initial optimism seems to be offset in February. The manufacturing index recorded a 50.3 in February after a 50.9 reading in January. The new orders part of the index decreased to 48.6 in February from 55.1 in January and production fell to 50.7 in February from 52.5 the prior month. A reading above 50 indicates expansion in the manufacturing sector.
- **ADP Employer Services** reported that hiring at companies slowed in February to the lowest pace since July, led by job cuts in the service sector and in regions of the country that were hit by severe weather. Companies increased payrolls by 77,000 in February, down from a revised 186,000 in January. Policy uncertainty and a slowdown in consumer spending are increasing stress to company hiring. Services employment increased by 36,000 and manufacturing employment gained 42,000. The ADP data indicated pay growth was stable, with earnings for workers who changed jobs climbing 6.7% from a year earlier. Pay gains for those who stayed in their current position rose by 4.7%.
- The Commerce Department reported that **factory orders** increased 1.7% in January after decreasing 0.6% in December. **Factory orders ex transportation** climbed 0.2% in January after gaining 0.3% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft rose 0.8% in January after climbing 0.2% in December.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, accelerated in February driven by an increase in new orders and an improvement in employment. The commentary suggests that tariff threats inflated the rise in new orders. The index recorded a 53.5 in February after a 52.8 reading in January. Business activity edged lower in February to 54.4 from 54.5 the prior month. New orders climbed to 52.2 from 51.3, while the employment index climbed to 53.9 from 52.3 in January. The prices paid component moved higher to 62.6 in February from 60.4. This gauge of service providers accounts for 90% of the economy. A reading above 50 indicates expansion in the services sector.
- The Fed released the latest rendition of the **Beige Book,** which is based on information collected through February 24, 2025. This report is published eight times each year. The majority of the twelve Federal Reserve Districts reported overall activity rose slightly since mid-January. Consumer spending was lower on balance, with reports of solid demand for essential goods but increased price sensitivity for discretionary items. Unusually cold weather in some regions weakened demand for leisure and hospitality services. Vehicle sales were modestly lower. Manufacturing activity exhibited

slight to modest increases across a majority of Districts. Residential real estate markets were mixed, with reports of ongoing inventory constraints. Construction activity declined modestly for both residential and nonresidential units. Employment nudged slightly higher on balance, with four Districts reporting a slight increase and one reporting a slight decline.

- The Commerce Department reported the **trade deficit** widened sharply in January as companies front-load imports ahead of new tariffs. The deficit increased to $131.4 billion in January from a deficit of $98.1 billion in December. **Imports** climbed 10.0% to $401.2 billion and **exports** increased 1.2% to $269.8 billion.
- Bureau of Labor Statistics reported **labor productivity** advanced at a firm pace in the fourth quarter, capping another year of impressive efficiency gains. Productivity climbed at an annualized pace of 1.5% in the fourth quarter after rising 2.9% in the third quarter. Productivity for all of last year increased 2.0%. **Unit labor costs** for the 4th quarter increased at a 2.2% rate following a revised decline of 1.5% in the 3rd quarter. On a year-over-year basis, unit labor costs were up 2.0%.
- The Commerce Department reported **wholesale inventories** increased 0.8% in January to $906.2 billion, the largest gain since August 2022. Year-on-year wholesale inventories have climbed 1.2%. **Wholesale trade sales** plunged 1.3% in January after increasing 1.4% in December, with year-on-year sales up 3.5%. The ratio of inventory to sales increased to 1.33 from 1.30 in December.
- The Labor Department reported the labor market payrolls increased at a slower pace in February indicating the labor market is stable overall, but stresses are increasing. The market is softening, with more people permanently out of work, fewer workers on federal government payrolls and a jump in those working part-time. The jobs report is made up of two surveys: one of households which provides the unemployment rate, labor force size and the labor force participation rate and the other is the establishment survey of businesses, which generates the payrolls and wage figures. The **Nonfarm payrolls** (employer survey) climbed 151,000 in February after a downwardly revised gain of 125,000 in January. The **unemployment rate** (household survey) increased to 4.139% in February from 4.011% in January. The **labor force participation rate** dropped to 62.4% from 62.6% the prior month. The average hourly earnings increased to $35.93 in February from $35.83 the prior month. Weekly hours remained unchanged at 34.1.
- The Federal Reserve reported **consumer credit** increased in January with a record share of consumers only making minimum credit card payments and car owners missing loan payments at a 30-year high. High borrowing costs and the end of pandemic savings are taking a toll on household finances. Credit outstanding climbed $18.1 billion after surging $37.1 billion in December. Credit card debt increased $9.0 billion in January to $1.326 trillion after surging $20.9 billion the previous month. Auto and student loan debt increased $9.1 billion in January after gaining $16.2 billion in December. Total non-revolving credit climbed to $3.681 trillion. These figures are not adjusted for inflation.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** jumped 20.4% last week as mortgage rates dropped to an almost three-month low. **Refinancing** applications surged 37.0% to 784.2 from 572.5 the prior week. H**ome purchase mortgage applications** increased 9.1% to 144.5. Refinancing made up 43.8% of applications with an average loan size of $336,200, while purchases average loan size is $448,300. The **average contract rate** on a 30-year fixed-rate mortgage declined to 6.73% from 6.88% the previous week.

Source: Bloomberg Finance L.P.

Stephens

March 10, 2025
Financial Services Group

BOND MARKET REVIEW

Rates climbed last week after several weeks of lower rates and the yield curve steepened. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.00%, 4.09%, 4.30% and 4.60%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 9, 21, 30, and 60 basis points respectively.

Economic/Events Calendar

Tuesday	March 11	Feb NFIB Small Business Optimism (101.0)	5:00 Central
		Jan JOLTS Job Openings (7,630k)	9:00 Central
Wednesday	March 12	Mar 7th MBA Mortgage Applications	6:00 Central
		Feb Consumer Price Index (0.3%)	7:30 Central
		Feb Consumer Price Index-YOY (2.9%)	7:30 Central
		Feb CPI ex Food & Energy (0.3%)	7:30 Central
		Feb CPI ex Food & Energy-YOY (3.2%)	7:30 Central
		Federal Budget Balance (-$310.0b)	13:00 Central
Thursday	March 13	Mar 8th Initial Jobless Claims (225K)	7:30 Central
		Feb Producer Price Index (0.3%)	7:30 Central
		Feb Producer Price Index-YOY (3.3%)	7:30 Central
		Feb PPI ex Food & Energy (0.3%)	7:30 Central
		Feb PPI ex Food & Energy-YOY (3.5%)	7:30 Central
Friday	March 14	Mar Univ of Michigan Sentiment (63.0)	9:00 Central
		Mar Univ of Michigan 1-year Inflation (4.2%)	9:00 Central
		Mar Univ of Michigan 5-10 year Inflation (3.4%)	9:00 Central

Source: Bloomberg Finance L.P.