

March 13, 2023

Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** increased last week, signaling a possible beginning to the expected slowdown in labor growth as companies prepare for an economic slowdown. Claims in regular state programs increased 21,000 to 211,000 for the week ending March 4th, after reporting 190,000 initial claims the prior week. The four-week moving average climbed to 197,000 from 193,000 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased by 69,000 to 1.718 million for the week ending February 25th.
- The Commerce Department reported that **factory orders** declined 1.6% in January, offsetting a gain of 1.7% in December. **Factory orders ex transportation** gained 1.2% after dropping 1.2% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft rose 0.8% in January after declining 0.2% in December.
- The Commerce Department reported **wholesale inventories** declined 0.4% in January to \$929.0 billion after gaining 0.1% in December. Year-on-year wholesale inventories have gained 15.8%. **Wholesale trade sales** gained 1.0% in January after dropping 0.2% in December, with year-on-year sales up 3.6%. The ratio of inventory to sales declined to 1.34 in January from 1.36 in December.
- The Federal Reserve reported **consumer credit** rose less than expected in January, with gains in auto and student loan debt having their smallest gain since August 2020. An advance in credit card balances highlights the January rebound in retail sales after an year end slump. Consumer credit increased \$14.8 billion after gaining a downwardly revised \$10.7 billion in December. Credit card debt increased \$11.2 billion to \$1.215 trillion. Auto and student loan debt increased by \$3.6 billion to \$3.581 trillion. These figures are not adjusted for inflation.
- **ADP Employer Services** reported that payrolls at U.S. companies added more jobs than expected in February, signaling the labor market continues to show strength. The gain was led by hiring in leisure and hospitality and financial activities. Companies with more than 50 employees contributed strongly in February, while small firms shed jobs for a fifth-straight month. Companies increased payrolls by 242,000 in February after an upwardly revised gain of 119,000 in January. Services employment increased by 190,000 and manufacturing employment increased by 52,000.
- The Commerce Department reported the **trade deficit** widened in January to the largest deficit in three months as imports of merchandise picked up. The deficit increased to \$68.3 billion in January from a deficit of \$67.2 billion in December. **Exports** rose 3.4% to \$257.5 billion and **imports** climbed 3.0% to \$325.8 billion.
- The Labor Department reported that **job openings** remain at an elevated level in January, indicating demand for labor continues to be far in excess of supply. Job openings decreased by 410,000 in January to 10.824 million, from an upwardly revised 11.234 million in December. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, remained at about 1.9 in January. The job openings rate fell to 6.5% from 6.8% the previous month, well above the 4.3% level at the end of 2019. The quits rate fell to 2.5% in January from 2.7% in December.
- The Labor Department reported that payrolls exceeded expectations again in February, following the blowout report in January. The report was mixed though as the unemployment rate gained as the labor force grew and monthly wages rose at the slowest pace in a year. The report showed that employers are holding on to their workers they struggled so much to find over the past two years. The impressive payroll report adds pressure on the Federal Reserve to keep raising interest rates to contain inflation. **Nonfarm payrolls** (employer survey) climbed 311,000 in February after gaining 504,000 the prior month. The **unemployment rate** (household survey) climbed to 3.571% from 3.434% in January, the lowest level since May of 1969. The **labor force participation rate** climbed

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to 62.5% in February from 62.4% the previous month. The average hourly earnings increased to \$33.09 from \$33.01 the prior month. Weekly hours pulled back to 34.5 in January from 34.6.

- The Treasury Department reported a **budget deficit** of \$262.4 billion for the month of February with the government collecting \$262.1 billion and spending \$524.5 billion. This compares to a deficit of \$216.6 billion a year earlier. The February year-to-date budget deficit is \$722.6 billion, which compares to a deficit of \$475.6 billion in February of 2022. The fiscal year begins on October 1st.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased 7.4% last week even as mortgage rates rose for the fourth straight week. The index climbed 7.4% for the week ending March 3rd. **Refinancing** applications increased 9.4% to 437.9 from 400.4 the prior week. **Home purchase mortgage applications** gained 6.6% to 154.4. Refinancing made up 28.9% of applications with an average loan size of \$264,500, while purchases average loan size was \$425,700. The **average contract rate** on a 30-year fixed-rate mortgage increased to 6.79% from 6.71% last week. The average contract rate was as high as 7.16% in October of last year.

BOND MARKET REVIEW

Rates plunged on Friday last week on news of Silicon Valley Bank collapsing. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 4.59%, 3.96%, 3.70% and 3.71%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -63, -26, 1, and -88 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Tuesday	March 14	Feb NFIB Small Business Optimism (90.2)	5:00 Central
		Feb Consumer Price Index (0.4%)	7:30 Central
		Feb Consumer Price Index-YOY (6.0%)	7:30 Central
		Feb CPI Ex Food & Energy (0.4%)	7:30 Central
		Feb CPI Ex Food & Energy-YOY (5.5%)	7:30 Central
Wednesday	March 15	Mar 10 th MBA Mortgage Applications	6:00 Central
		Feb Producer Price Index (0.3%)	7:30 Central
		Feb Producer Price Index-YOY (5.4%)	7:30 Central
		Feb PPI Ex Food & Energy (0.4%)	7:30 Central
		Feb PPI Ex Food & Energy-YOY (5.2%)	7:30 Central
		Feb Retail Sales (-0.4%)	7:30 Central
		Feb Retail Sales Ex Auto & Gas (-0.3%)	7:30 Central
		Mar Empire Manufacturing (-8.0)	7:30 Central
		Jan Business Inventories (0.0%)	9:00 Central
Mar NAHB Housing Market Index (41)	9:00 Central		
Thursday	March 16	Mar 11 th Initial Jobless Claims (205k)	7:30 Central
		Feb Import Price Index (-0.2%)	7:30 Central
		Feb Import Price Index-YOY (-1.1%)	7:30 Central
		Feb Import Price Index ex Petroleum (-0.1%)	7:30 Central
		Feb Housing Starts (1,310k)	7:30 Central
		Feb Building Permits (1,346k)	7:30 Central
Friday	March 17	Feb Industrial Production (0.2%)	8:15 Central
		Feb Capacity Utilization (78.4%)	8:15 Central
		Feb Leading Index (-0.3%)	9:00 Central
		Feb University of Michigan Sentiment (67.0)	9:00 Central

Source: Bloomberg Finance L.P.

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