



March 14, 2022

Financial Services Group

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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** edged higher last week and seem set to fluctuate around current low levels. Demand for labor remains strong with job openings at record highs. Claims in regular state programs increased 11,000 to 227,000 for the week ending March 5th, after reporting 216,000 initial claims the prior week. The four-week moving average climbed to 231,250 from 230,750 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, climbed 25,000 to 1.494 million for the week ending February 26th.
- The Federal Reserve reported **consumer credit** rose at its slowest pace in a year as consumers paid down credit card balances that jumped during the holiday buying season. Consumer credit increased \$6.8 billion after gaining an upwardly revised \$22.4 billion in December. Credit card debt declined \$0.2 billion to \$1.043 trillion with auto and student loan debt increasing by \$7.1 billion to \$3.399 trillion.
- The **National Federation of Independent Business** reported sentiment among small businesses dropped to its lowest level since January of 2021. Inflation and labor are the most important problems plaguing small businesses as concerns about the pandemic subsidy. The index declined 1.4% to a 95.7 reading in February from 97.1 the prior month.
- The Commerce Department reported the **trade deficit** widened in January to a new record. The value of imports, especially capital equipment, consumer goods and oil pushed imports to a record while exports declined. The deficit increased 9.4% to \$89.7 billion in January. **Imports** rose 1.2% to \$314.1 billion and **exports** fell 1.7% to \$224.4 billion.
- The Commerce Department reported **wholesale inventories** rose 0.8% in January after gaining 2.6% in December. Year-on-year wholesale inventories have gained 18.1%. **Wholesale sales** increased 4.0% in January after gaining 0.8% in December, with year-on-year sales up 22.4%.
- The Labor Department reported that **job openings** edged lower in January but remained at a very elevated level. Job openings decreased by 185,000 in January to 11.263 million, from an upwardly revised 11.448 million in December. There are 0.58 unemployed job seekers for each available job. The quits rate declined to 2.8% from a record 3.0% in the prior month, pointing to a high degree of churn in the labor market.
- The Labor Department reported the **consumer price index** increased in February at the fastest annual pace in four decades, with costs surging for gasoline, food and housing. Costs are expected to continue to climb following Russia's invasion of Ukraine. The data shows goods inflation is spilling over to core services inflation and energy costs passing through to core inflation. That adds to the growing momentum for stickier price pressures. The index gained 0.8% in February after gaining 0.6% the prior month. The year-on-year change in consumer prices is 7.9% in February. Service prices gained 0.5% in February after climbing 0.6% in January. Prices of commodity based manufactured goods gained 1.3% in February after gaining 0.8% the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.5% in February after climbing 0.6% the prior month. The year-on-year change in core CPI is 6.4%.
- The Treasury Department reported a **budget deficit** of \$216.6 billion for the month of February with the government collecting \$289.9 billion and spending \$506.5 billion. This compares to a deficit of \$310.9 billion a year earlier. The current year-to-date deficit as of February is \$475.6 billion.
- The **University of Michigan's preliminary index of consumer sentiment** continued to deteriorate as surging inflation weakens personal financial prospects. Consumers held a very negative prospect for the economy with the sole exception of the job market. The index decreased to 59.7 in March from a 62.8 reading in February. The **index of current conditions** decreased to 67.8 from 68.2 the prior month while the **index of expectations** dropped to 54.4 from 59.4, its lowest reading in more than a decade.



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- The Mortgage Bankers Association reported the **MBA index of mortgage applications** rose 8.5% for the week ending March 4th after falling the previous four weeks. **Refinancing** applications increased 8.5% to 1,830 from 1,686 the prior week. **Home purchase mortgage applications** increased 8.6% to 267.6. The **average contract rate** on a 30-year fixed-rate mortgage declined to 4.09% from 4.15% 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 1.75%, 1.95%, 1.99%, and 2.35%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 20, 4, 36, and 60 basis points respectively.

Economic/Events Calendar

Tuesday	March 15	Feb Producer Price Index (0.9%)	7:30 Central
		Feb Producer Price Index-YOY (10.0%)	7:30 Central
		Feb PPI Ex Food & Energy (0.6%)	7:30 Central
		Feb PPI Ex Food & Energy-YOY (8.7%)	7:30 Central
		Mar Empire Manufacturing (7.0)	7:30 Central
Wednesday	March 16	Mar 11 th MBA Mortgage Applications	6:00 Central
		Feb Advance Retail Sales (0.4%)	7:30 Central
		Feb Retail Sales Ex Auto & Gas (0.4%)	7:30 Central
		Feb Import Price Index (1.6%)	7:30 Central
		Feb Import Price Index-YOY (11.3%)	7:30 Central
		Feb Import Price Index ex Petroleum (0.7%)	7:30 Central
		Jan Business Inventories (1.1%)	9:00 Central
		Mar NAHB Housing Market Index (81)	9:00 Central
		FOMC Rate Decision (0.25% - 0.50%)	13:00 Central
Thursday	March 17	Interest on Reserve Balances (0.40%)	13:00 Central
		Mar 12 th Initial Jobless Claims (220k)	7:30 Central
		Feb Housing Starts (1,700k)	7:30 Central
		Feb Building Permits (1,850k)	7:30 Central
		Feb Industrial Production (0.5%)	8:15 Central
Friday	March 18	Feb Capacity Utilization (77.9%)	8:15 Central
		Feb Existing Home Sales (6.10m)	9:00 Central
		Feb Leading Index (0.4%)	9:00 Central

Source: Bloomberg Finance L.P.

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