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March 17, 2025
Financial Services Group

Economic Review

- The Labor Department reported that **initial jobless claims** decreased slightly last week. This claims report confirms there is no current evidence of substantial layoffs in the labor market via a cut off in federal spending from the DOGE. It's important to note, DOGE does not have authority to make decisions on spending cuts or headcount reduction, rather they make recommendations. It will take a few weeks for agency heads to follow through, or reject the recommendations. First time claims in regular state programs recorded 220,000 for the week ending March 8th, after the prior week's report of 222,000. The four-week moving average increased to 226,000 from 224,500 the prior week. Continuing claims, a proxy for people who are already receiving benefits and still cannot find a job, declined 27,000 to 1,870,000 for the week ending March 1st. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The **National Federation of Independent Business** reported that optimism cooled in February to the lowest level since Trump's election in early November. The uncertainty index reached its second highest level on record. Small-business owners have grown more concerned about the economic outlook. Inflation remains a major problem along with a lack of clarity on how tariffs and a potential trade war could impact prices and supplies. The index fell to 100.7 in February from a 102.8 reading in January.
- The Labor Department reported that **job openings** unexpectedly increased in January, a surprising improvement in the labor market. The uptick in job openings was driven by financial services and retail trade. Available positions increased by 232,000 to 7.740 million, from a downwardly revised 7.508 million in the prior month. The quits rate, which measures voluntary job leavers as a share of total employment increased to 2.1 in January from a downwardly revised 1.9% the prior month. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, rose to 1.13 in January from 1.09 in December.
- The Labor Department reported the **consumer price index** climbed at a 0.2% pace in February, the slowest pace in four months. The report reflected a weakening demand for discretionary items, but disinflation in certain goods that are highly exposed to tariffs, such as autos, home furnishings and apparels has stalled. For the Fed, this report should not move the needle too much. Less inflation pressure reduces the risk for the Fed of having to choose which side of the dual mandate to lean on for shaping monetary policy. They can continue to maintain a patient stance while monitoring the labor market. Consumer prices year-on-year fell to 2.8% compared to the prior month's 3.0%. The **core CPI**, which excludes volatile food and energy prices, gained 0.2% in February after increasing 0.2% the prior month. Core goods prices gained 0.2% in February while core services rose 0.3%. The year-on-year change in core CPI dropped to 3.1% in February from 3.3% in January.
- The Treasury Department reported a **budget deficit** of $307.0 billion for the month of February with the government collecting $296.4 billion and spending $603.4 billion. This compares to a deficit of $271.1 billion a year earlier. February is the fifth month in the government's fiscal year, with the year-to-date deficit at $1.147 trillion, compared to $828.1 billion last year.
- The Labor Department reported the **producer price index** remained unchanged in February after climbing 0.6% in January. The drop in wholesale inflation was due largely to a sharp decline in trade margins. With consumer confidence weakening and many people already having brought forward purchases of durable goods, demand for goods will be weak later this year. Year-on-year wholesale prices were 3.2% in February after January's revised report of 3.7%. Goods prices, which make up 30% of the weighting, climbed 0.3% in February after gaining 0.6% in January. Services, which make up 67.5% of the index, declined 0.2% in February after a gain of 0.6% in January. The **core PPI**, which excludes volatile food and energy prices, declined 0.1% in February, with a year-on-year gain of 3.4%. **PPI ex food, energy and trade** climbed 0.2% in February.
- The **University of Michigan's preliminary index of consumer sentiment** declined in March to its lowest level since November 2022, reflecting uncertainty and anxiety that goes beyond the potential

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inflationary impact of tariffs. Consumers are increasingly worried about their job and income prospects as well. The gauge of consumer confidence decreased to 57.9 in March from 64.7 in February. The **index of current conditions** fell to 63.5 from 65.7 the prior month while the **index of expectations** declined to 54.2 from 64.0 the prior month. The reading for 5-10 year inflation expectations, an inflation indicator closely watched by the Fed, jumped to 3.9% in March from 3.5% in February. One-year inflation expectations climbed to 4.9% from the prior month's 4.3%.

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased 11.2% last week as mortgage rates continued to drop. **Refinancing** applications surged 16.2% to 911.3 from 784.2 the prior week. H**ome purchase mortgage applications** increased 7.0% to 154.6. Refinancing made up 45.6% of applications with an average loan size of $370,600, while purchases average loan size is $460,800. The **average contract rate** on a 30-year fixed-rate mortgage declined to 6.67% from 6.73 the previous week.

BOND MARKET REVIEW

Rates were volatile last week, but ended very close to where the week began. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.02%, 4.09%, 4.31% and 4.62%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 7, 22, 31, and 60 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Monday	March 17	Mar Empire Manufacturing (-1.9)	7:30 Central
		Feb Retail Sales (0.6%)	7:30 Central
		Feb Retail Sales ex Auto & Gas (0.4%)	7:30 Central
		Jan Business Inventories (0.3%)	9:00 Central
		Mar NAHB Housing Market Index (42)	9:00 Central
Tuesday	March 18	Feb Housing Starts (1,385k)	7:30 Central
		Feb Building Permits (1,453k)	7:30 Central
		Feb Import Price Index (-0.1%)	7:30 Central
		Feb Import Price Index-YOY (1.6%)	7:30 Central
		Feb Import Price Index ex Petroleum (0.2%)	7:30 Central
		Feb Industrial Production (0.2%)	9:00 Central
		Feb Capacity Utilization (77.8%)	9:00 Central
Wednesday	March 19	Mar 14th MBA Mortgage Applications	6:00 Central
		FOMC Rate Decision (4.25% to 4.50%)	13:00 Central
		Fed Int on Reserve Balances Rate (4.40%)	13:00 Central
Thursday	March 20	Mar 15th Initial Jobless Claims (224K)	7:30 Central
		4th Qtr Current Account Balance (-$330.0b)	9:00 Central
		Feb Leading Index (-0.2%)	9:00 Central
		Feb Existing Home Sales (3.94m)	9:00 Central

Source: Bloomberg Finance L.P.