Stephens

March 27, 2023
Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** declined again last week, underscoring a very tight labor market. The Federal Reserve has been hiking interest rates over the past year with the intent of reducing labor demand, but labor continues to be resilient. Claims in regular state programs fell 1,000 to 191,000 for the week ending March 18th, after reporting 192,000 initial claims the prior week. The four-week moving average edged lower to 196,250 from 196,500 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased by 14,000 to 1.694 million for the week ending March 11th.

- The National Association of Realtors reported that **existing home sales** increased in February for the first time in thirteen months. Despite the pickup, residential real estate remains constrained by the Federal Reserve's aggressive policy tightening campaign that sent mortgage rates soaring last year. The median selling price of a previously owned home slid in February on a year-on-year basis for the first time since 2012. Contract closings, which usually occur a month or two after a contract is signed, increased 14.5% in February to a 4.58 million pace after dropping 0.7% in January. The median selling price increased to $363,000 from $361,200 in February, but down 0.2% from February of 2022.

- The **FOMC** met on Wednesday and the committee raised the fed funds rates by 25 basis points, as expected by the market. The targeted Federal Funds Rate is now between 475 basis points and 500 basis points. The Committee now view risks to the outlook as being more balanced than they did earlier this month. The stress in the banking sector presents downside risks for growth, employment and inflation, but recent data shows that the factors driving inflation have not cooled off sufficiently. With last week's rate hike, real funds rate is at roughly 0.9%, very near where Chair Powell has previously indicated that rates are in "restrictive territory".

- The Commerce Department reported a **current-account deficit** of $206.8 billion during the fourth quarter of 2022. This compares favorably to a deficit $219.0 billion in the third quarter. The current account is considered the broadest measure of international trade, covering goods and services as well as income payments and government transfers.

- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity declined slightly in February. The **Chicago Fed National index**, which draws on 85 economic indicators, was negative 0.19 in February after reporting a positive 0.23 in January. A reading below zero indicates below-trend-growth in the national economy. A reading less than -0.70 following a period of economic expansion indicates an increasing likelihood that a recession has begun.

- The Commerce Department reported sales of new homes unexpectedly rose in February after a downward revision to the prior month, suggesting the housing market is beginning to stabilize after a very challenging year. **New home sales** rose 1.8% to a 640,000 annualized pace in February after reporting a downwardly revised 633,000 pace the prior month. New home sales, which account for about 10% of the residential market, are accounted for when contracts are signed, which makes this data a more timely indicator than existing home transactions.

- The Commerce Department reported **durable goods orders** was weaker than expected in February. The decline was broad based and led by another drop in transportation orders. The gap between core capital goods orders and shipments remained negative for a second month. This measure provides an insight on future production needs and GDP growth. Durable goods, which are bookings for goods and materials meant to last at least three years, fell 1.0% in February after dropping 5.0% in January. The non-military capital goods orders excluding aircraft, a proxy for business investment, climbed 0.2% in February after gaining a downwardly revised 0.3% in January. **Excluding transportation**, durable orders remained unchanged in February after climbing 0.4% in January. The ratio of inventory to shipments climbed to 1.80 in February from 1.78 in January.

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased 3.0% last week as mortgage rates continued their decline. The index climbed 3.0% for the week ending March 17th. **Refinancing** applications increased 4.9% to 481.3 from 458.9 the prior week. **Home purchase mortgage applications** gained 2.2% to 169.3. Refinancing made up 28.6% of applications with an average loan size of $267,700, while purchases average loan size was $437,700. The **average contract rate** on a 30-year fixed-rate mortgage decreased to 6.48% from 6.71% last week. The average contract rate was as high as 7.16% in October of last year.

BOND MARKET REVIEW

Rates continued to plunge with concerns about the banking sector. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 3.77%, 3.41%, 3.38% and 3.64%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -36, -3, 26, and -13 basis points respectively.

Economic/Events Calendar

Tuesday	March 28	Feb Wholesale Inventories (-0.1%)	7:30 Central
		Feb Retail Inventories (0.2%)	7:30 Central
		Feb Goods Trade Balance (-$90.0b)	7:30 Central
		Jan FHFA House Price Index (-0.3%)	8:00 Central
		Jan S&P CoreLogic CS 20 City Index (-0.50%)	8:00 Central
		Mar Conf Board Consumer Confidence (101.0)	9:00 Central
Wednesday	March 29	Mar 24th MBA Mortgage Applications	6:00 Central
		Feb Pending Home Sales (-3.0%)	9:00 Central
Thursday	March 30	Mar 25th Initial Jobless Claims (195k)	7:30 Central
		4th Qtr Gross Domestic Product-3rd Est (2.7%)	7:30 Central
		4th Qtr GDP Price Index-3rd Est (3.9%)	7:30 Central
		4th Qtr Personal Consumption-3rd Est (1.4%)	9:00 Central
Friday	March 31	Feb Personal Income (0.2%)	7:30 Central
		Feb Personal Spending (0.3%)	7:30 Central
		Feb PCE Deflator-YOY (5.1%)	7:30 Central
		Mar University of Michigan Sentiment (63.4)	9:00 Central

Source: Bloomberg Finance L.P.