

Author:

Troy Clark, CFA

Senior VP

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.

tclark@stephens.com

Stephens Inc.
111 Center Street
Little Rock, AR 72201

501.377.6314
800.809.2016

www.stephens.com

Member NYSE, SIPC

- The Labor Department reported that **initial jobless claims** dropped to its lowest level since 1969. The incentive to go back to work is high as the cost of living soars, savings rates fall and stimulus payments dry up. The aggregate demand continues to be significantly above aggregate supply which reflects the difficulty for employers to attract skilled workers. Claims in regular state programs decreased 28,000 to 187,000 for the week ending March 19th, after reporting 215,000 initial claims the prior week. The four-week moving average fell to 211,750 from 223,250 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, declined 67,000 to 1.350 million for the week ending March 12th, the lowest level since February of 1970.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity edged lower in February but remained in positive territory. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.51 in February after reporting a positive 0.59 in January. A reading above zero indicates above-trend-growth in the national economy.
- The Commerce Department reported sales of new homes fell in February for the second straight month after a surge in purchases at the end of 2021. Climbing mortgage rates, high prices and limited inventory may be starting to pressure strong housing demand. **New home sales** declined 2.0% to a 772,000 annualized pace in February after reporting a downwardly revised 788,000 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 a **current-account deficit** of \$217.9 billion during the fourth quarter of 2021. This is a lower deficit than the \$219.9 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 Commerce Department reported **durable goods orders** declined in February as a drop in civilian aircraft orders pulled transportation down sharply. Growth has been uneven with COVID and now the Ukrainian conflict affecting both the supply capabilities and the demand for goods. The Ukraine conflict is set to generate fresh snags in supply chains, but the net impact will depend on the accompanying hit to demand and confidence. Durable goods, which are bookings for goods and materials meant to last at least three years, fell 2.2% in February after increasing 1.6% in January. The non-military capital goods orders excluding aircraft, a proxy for business investment, declined 0.3% in February after gaining 1.3% in January. **Excluding transportation**, durable orders fell 0.6% in February after gaining 0.8% in January. The ratio of inventory to shipments climbed to 1.77 from 1.76 in January.
- The National Association of Realtors reported the **index of pending home re-sales** declined for the fourth straight month as rising mortgage rates, high prices and low inventory pressure buyers. The number of contracts to purchase previously owned homes decreased 4.1% in February after dropping 5.8% in January. Pending home sales are down 5.4% on a seasonally adjusted year-on-year basis in February. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.
- The **University of Michigan's final index of consumer sentiment** decreased in March to a new decade low as consumers became more concerned about inflation and the impact of Russia's invasion of Ukraine. The gauge of consumer confidence decreased to 59.4 in March from an earlier estimate of 59.7. This is a decrease from the 62.8 reading in February. The **index of current conditions** dropped to 67.2 from 68.2 the prior month while the **index of expectations** fell to 54.3 from 59.4 the prior month.



March 21, 2022

Financial Services Group
Troy W Clark, CFA
Fixed Income Strategist
501-377-6314

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased 8.1% for the week ending March 18th after declining 1.2% the previous week. **Refinancing applications** decreased 14.4% to 1,523 from 1,778 the prior week. **Home purchase mortgage applications** decreased 1.5% to 265.4. The **average contract rate** on a 30-year fixed-rate mortgage increased to 4.50% from 4.27% 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 2.27%, 2.55%, 2.47%, and 2.58%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 28, -8, 11, and 31 basis points respectively.

Economic/Events Calendar

Monday	March 28	Feb Goods Trade Balance (-\$106.5b)	7:30 Central
		Feb Wholesale Inventories (1.0%)	7:30 Central
		Feb Retail Inventories (1.3%)	7:30 Central
Tuesday	March 29	Jan FHFA House Price Index (1.2%)	8:00 Central
		Jan S&P CoreLogic CS 20-City (1.50%)	8:00 Central
		Mar Conf Board Consumer Confidence (107.0)	9:00 Central
		Feb JOLTS Job Openings (11,000k)	9:00 Central
Wednesday	March 30	Mar 25 th MBA Mortgage Applications	6:00 Central
		Mar ADP Employment Change (450k)	7:30 Central
		4 th Qtr Gross Domestic Product-3 rd Est (7.0%)	7:30 Central
		4 th Qtr GDP Price Index-3 rd Est (7.1%)	7:30 Central
		4 th Qtr Personal Consumption (3.1%)	7:30 Central
Thursday	March 31	Mar 26 th Initial Jobless Claims (195k)	7:30 Central
		Feb Personal Income (0.5%)	7:30 Central
		Feb Personal Spending (0.5%)	7:30 Central
		Feb PCE Deflator-YOY (6.4%)	7:30 Central
Friday	April 1	Mar Change in Nonfarm Payrolls (490k)	7:30 Central
		Mar Unemployment Rate (3.7%)	7:30 Central
		Mar Avg Hourly Earnings-YOY (5.5%)	7:30 Central
		Mar Labor Force Participation Rate (62.4%)	7:30 Central
		Feb Construction Spending (1.0%)	9:00 Central
		Mar ISM Manufacturing (59.0)	9:00 Central

Source: Bloomberg Finance L.P.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. All expressions of opinion reflect the judgment of the individual expressing the opinion and are subject to change. This report does not purport to be a complete description of the markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Prices, yields, and availability are subject to change with the market. There is no assurance any forward looking statements will be realized or any of the trends mentioned will continue. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Additional information available upon request.