Stephens

April 1, 2024
Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** held near historically low levels again last week, suggesting a broadly stable labor market even as companies continue to announce layoffs. As weeks go by, it is expected that more strain in labor market conditions is going to become more evident. First time claims in regular state programs recorded 210,000 for the week ending March 23rd after the prior week's upwardly revised 212,000. The four-week moving average slipped to 211,000 from 211,750 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, rose 24,000 to 1.819 million for the week ending March 16th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.

- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity edged into positive territory in February. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.05 in February after reporting a downwardly revised negative 0.54 in January. 46 of the indicators affected the index positively and 39 made negative contributions. A reading above zero indicates above-trend-growth in the national economy.

- The Commerce Department reported sales of new homes edged lower in February, the first decline in three months. **New home sales** fell 0.3% to a 662,000 annualized pace in February after reporting an upwardly revised 664,000 pace the prior month. Despite the drop in February, the housing market has shown signs of a sustained comeback as mortgage rates stabilize around 7.0% and builders offer various incentives amid limited listings of previously owned properties. The report also showed the median sales price of a new house decreased 7.6% from a year ago to $400,500. The supply of new homes rose to 463,000 during the month, the highest since October 2022. 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**, which are bookings for goods and materials meant to last at least three years, increased 1.4% in February after plunging 6.9% the prior month. Orders were dragged down in January by a steep decline in nondefense aircraft as Boeing booked zero net new orders in January. The gain in orders in February follows declines in 6 of the prior 8 months. **Excluding transportation**, durable orders climbed 0.5% in February after dropping 0.3% in January. The non-military capital goods orders excluding aircraft, a proxy for business investment, increased 0.7% in February after falling 0.4% in January and falling 0.6% in December. The ratio of inventory to shipments declined to 1.87 in February from 1.89 the prior month.

- The Federal Housing Finance Agency reported the **house price index** of purchase-only homes decreased 0.1% in January after gaining 0.1% in December. The year-on-year change in the house price index was 6.3% in January. The HPI is estimated using repeated observations of housing values for single-family homes on which at least two mortgages were originated and subsequently sold to Freddie Mac or Fannie Mae. The use of repeat transactions on the same unit helps to control for differences in the quality of the houses.

- The **S&P CoreLogic CaseShiller home price index** rose 0.14% in January after gaining 0.26% in December. This is the eleventh straight increase in prices, reflecting continuing buyer demand amid a still tight supply of listings. The index increased 6.59% in January from the same month in 2023. The index tracks changes in the value of homes in 20 metropolitan regions.

- The Conference Board's **consumer confidence index** held steady in March after deteriorating in February, hitting the lowest level since November of 2023. The index recorded a 104.7 in March from a downwardly revised 104.8 reading in January, previously reported as 106.7. The present situation index increased to 151.0 in March from 147.6 in February. The expectations index fell to 73.8 in March from 76.3 the prior month.

- The third and final estimate by the Commerce Department of the 4th quarter **gross domestic product** showed the economy expanded at a faster pace at the end of last year than first reported. Consumer spending was revised higher and inventories were lower. The leading contributors to growth were petroleum, coal products, chemical products, machinery and construction. **Gross domestic product** expanded at a 3.4% annualized rate in the 4th quarter, up from the initial estimate of 3.3%. **Personal consumption,** which accounts for about 70% of the economy, increased at a strong 3.3% annualized pace, up from the 2.8% initial estimate. Excluding food and energy, the gauge which is closely watched by the Fed rose 2.0%. The **GDP price index** gained 1.6% in the 4th quarter, suggesting inflation is dropping to acceptable levels.

- The National Association of Realtors reported the **index of pending home re-sales** recovered in February after declining at the start of the year, indicating the housing market is gradually improving. The housing market has generally been on the upswing in recent months as home buyers show a gradual acceptance of borrowing costs that are still double their levels in 2021, but expected to decline at some point. Housing inventories are also reaching their highest level since 2020. The number of contract signings increased 1.6% in February after declining 4.7% in January. Pending home sales are based on houses under contract as reported by over 100 multiple listing services and 60 large real estate brokers. A sale is listed as pending when a seller accepts a sales contract on a property. 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** jumped in March, supported by a strong stock market and expectations inflation will ease. The final sentiment index for the month climbed to 79.4 from 76.9 in February. The long-term inflation expectations declined to 2.8% in March from 2.9%. The one-year-ahead inflation expectations fell to 2.9% from 3.0% in February. The **index of current conditions** improved to 82.5 from 79.4 the prior month while the **index of expectations** climbed to 77.4 from 75.2.

- The Commerce Department reported **personal income** climbed 0.3% in February after jumping 1.0% the prior month. **Personal spending** increased 0.8% in February after gaining 0.2% the prior month. Spending gains caused the savings rate to drop to 3.6% in February from 4.1% the prior month, the lowest level since December 2022. The spending outlook now hinges partly on how much momentum can be maintained in the labor market. Monthly **PCE inflation** rose 0.3% in February after climbing 0.4% in January and year-on-year PCE climbed to 2.5% from 2.4%. The **core PCE Deflator**, the preferred inflation gauge by the Federal Reserve, climbed 0.3% in February, bringing the year-on-year gain to 2.8%. **Disposable income**, or the money left over after taxes, increased 0.2% in February.

- The Commerce Department reported the **goods trade deficit** widened in February as imports climbed at a faster pace than exports. The deficit increased 1.5% to $91.8 billion in February. **Exports** climbed 2.8% to $175.1 billion from $170.3 billion in January and **imports** increased 2.3% to $266.9 billion from $260.8 billion the prior month.

- The Commerce Department reported **wholesale inventories** increased 0.5% in February after falling 0.2% in January. Year-on-year wholesale inventories are down 1.6%. **Retail inventories** increased 0.5% in February after climbing 0.5% in January and are up 5.6% year-on-year.

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased last week for the second straight week. The index fell 0.7% for the week ending March 22nd after dropping 1.6% the prior week. **Refinancing** applications fell 1.6% to 460.9 from 468.4 the prior week. **Home purchase mortgage applications** decreased 0.2% to 145.7. Refinancing made up 30.8% of applications with an average loan size of $264,000, while purchases average loan size was $441,800. The **average contract rate** on a 30-year fixed-rate mortgage declined to 6.93% from 6.97% the prior week.

Source: Bloomberg Finance L.P.

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BOND MARKET REVIEW

Rates were mixed last week with short-term rates edging higher and longer-term rates declining. Fed speakers during the week, including Powell, made is clear the Fed is not in a hurry to cut rates. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.62%, 4.21%, 4.20% and 4.34%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -41, -1, 14, and -28 basis points respectively.

Economic/Events Calendar

Monday	April 1	Feb Construction Spending (0.7%)	9:00 Central
		Feb ISM Manufacturing (48.3)	9:00 Central
Tuesday	April 2	Feb JOLTS Job Openings (8,770k)	9:00 Central
		Feb Factory Orders (1.0%)	9:00 Central
		Feb Factory Orders Ex Transportation	9:00 Central
Wednesday	April 3	Mar 29th MBA Mortgage Applications	6:00 Central
		Mar ADP Employment Change (150k)	7:15 Central
		Mar ISM Services Index (52.8)	9:00 Central
Thursday	April 4	Mar 30th Initial Jobless Claims (214k)	7:30 Central
		Feb Trade Balance (-$67.0b)	7:30 Central
Friday	April 5	Mar Change in Nonfarm Payrolls (205k)	7:30 Central
		Mar Unemployment Rate (3.8%)	7:30 Central
		Mar Avg Hourly Earnings-YOY (4.1%)	7:30 Central
		Mar Labor Force Participation Rate (62.5%)	7:30 Central
		Feb Consumer Credit ($16.4b)	14:00 Central

Source: Bloomberg Finance L.P.