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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** increased last week but remains near historically low levels. The demand for labor continues to substantially outstrip supply. Claims in regular state programs increased 18,000 to 185,000 for the week ending April 9th, after reporting 167,000 initial claims the prior week. The four-week moving average rose to 172,250 from 170,250 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, decreased 48,000 to 1.475 million for the week ending April 2nd.
- The **National Federation of Independent Business** reported sentiment among small businesses continued its slide to the lowest level of the pandemic as surging costs and labor shortages batter the economic outlook. The index declined 2.6% to a 93.2 reading in March from a 95.7 the prior month.
- The Labor Department reported the **consumer price index** surged again in March, reflecting big increases in energy, food and a disturbing acceleration in the cost of services. 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 1.2% in March after gaining 0.8% the prior month. The year-on-year change in consumer prices is 8.5% in March. Service prices gained 0.7% in March after climbing 0.5% in February. Prices of commodity based manufactured goods gained 2.1% in March after gaining 1.3% the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.3% in March after climbing 0.5% the prior month. The year-on-year change in core CPI is 6.5%.
- The Treasury Department reported a **budget deficit** of \$192.7 billion for the month of March with the government collecting \$315.2 billion and spending \$507.9 billion. This compares to a deficit of \$659.6 billion a year earlier. The current year-to-date deficit as of March is \$668.3 billion.
- The Labor Department reported the **producer price index** increased by 1.4% in March, indicating that pricing pressures are intensifying with the cost of energy and food soaring. The price pressures reflect a supply/demand imbalance, supply chain disruptions, and a labor shortage that has been amplified by Russia's invasion of Ukraine. Goods prices, which make up 33% of the weighting rose 2.3% in March after gaining 2.3% in February. Services, which make up 67% of the index jumped 0.9% in March after gaining 0.3% the prior month. Year-on-year wholesale prices were up 11.2% in March compared to 10.3% in February. The **core PPI**, which excludes volatile food and energy prices, rose 1.0% in March after gaining 0.4% the previous month, with a year-on-year gain of 9.2%. **PPI ex food, energy and trade** gained 0.9%.
- The Commerce Department reported that **retail sales** was a disappointment in March. Sales were lifted by gasoline sales, but consumers had to cut back on other shopping items. Sales fell in both department stores and online. Retail sales increased 0.5% in March after an upwardly revised gain of 0.8% in February. March retail sales are up 7.0% year-on-year. **Retail sales ex autos and gas** climbed 0.2% in March after declining 0.1% in February.
- The Labor Department reported the **import price index** jumped 2.6% in March after gaining 1.6% in February. The cost of petroleum and industrial supplies continue to push prices higher. Import prices are up 12.5% year-on-year. **Import prices ex petroleum** climbed 1.1% in March after increasing 0.7% the prior month.
- The Commerce Department reported **business inventories** increased 1.5% in February after gaining 1.3% in January. **Business sales** increased 1.0% in February after surging 4.1% the prior month. The ratio of business inventories to sales climbed to 1.26 in February from 1.25 the prior month.
- The **University of Michigan's preliminary index of consumer sentiment** unexpectedly improved in early April, even as energy prices continue to surge. The initial impact of the invasion of Ukraine on sentiment seems to be receding as focus shifts to the strong labor market and the end of the economic shutdowns due to COVID. The index increased to 65.7 in April from a 59.4 reading in



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March. The **index of current conditions** increased to 68.1 from 67.2 the prior month while the **index of expectations** jumped to 64.1 from 54.3, its lowest reading in more than a decade.

- The New York Federal Reserve reported the **Empire State Manufacturing Index**, which is one of the first signals for factory sector activity, rebounded in April after a disappointing March report. Orders increased to the highest level of the year, while shipments was the firmest since July. An index of delivery times declined, suggesting supply chains are becoming less stressed. The measure of prices paid and received suggest costs will continue to rise and put upside pressure on inflation. The index recorded a positive 24.6 in April after a negative 11.8 reading in March. Readings below zero signal contraction in New York, northern New Jersey, and southern Connecticut.
- The Federal Reserve reported **industrial production**, which includes factory production, mines and utilities, improved in March as manufacturers make steady progress on the supply chain. Orders growth helped by solid business investment continues to support a solid manufacturing sector. Industrial production rose 0.9% in March after increasing 0.9% in February. Production at factories, which make up 76.0% of output, increased 0.9% in March after gaining 1.2% the previous month. Utilities climbed 0.4% after declining 1.0% in February and mining gained 1.7%. **Capacity utilization**, which measures the amount of a plant that is in use, increased to 78.3% in March from 77.7% the prior month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased 1.3% for the week ending April 8th after declining 6.3% the previous week. **Refinancing** applications decreased 4.9% to 1,109 from 1,166 the prior week. **Home purchase mortgage applications** increased 1.4% to 261.8. The **average contract rate** on a 30-year fixed-rate mortgage increased to 5.13% from 4.90% the prior week for a 30-year fixed rate loan.
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BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities were 2.46%, 2.79%, 2.83%, and 2.91%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 33, 4, 8, and 45 basis points respectively.

Economic/Events Calendar

Monday	April 18	Apr NAHB Housing Market Index (77)	9:00 Central
Tuesday	April 19	Mar Housing Starts (1,740k)	7:30 Central
		Mar Building Permits (1,820k)	7:30 Central
Wednesday	April 20	Apr 15 th MBA Mortgage Applications	6:00 Central
		Mar Existing Home Sales (5.78m)	9:00 Central
		US Federal Reserve Releases Beige Book	13:00 Central
Thursday	April 21	Apr 16 th Initial Jobless Claims (180k)	7:30 Central
		Mar Leading Index (0.3%)	9:00 Central

Source: Bloomberg Finance L.P.

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