

April 24, 2023

Financial Services Group

Author:



Troy Clark, CFA
Senior VP

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

Economic Review

- The Labor Department reported that **initial jobless claims** rose again last week, continuing their gradual climb since the beginning of the year. Continuing claims have reached their highest level since November of 2021. The pickup in claims adds to signs that the labor market is beginning to lose momentum. Claims in regular state programs climbed 5,000 to 245,000 for the week ending April 15th. The four-week moving average edged lower to 239,750 from 240,250 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, rose 61,000 to 1.865 million for the week ending April 8th.
- The New York Federal Reserve reported the **Empire State Manufacturing Index**, which is one of the first signals for factory sector activity, unexpectedly expanded in April for the first time in five months. The report showed both new orders and shipments snapped back from declines in March. The index recorded a positive 10.8 in April after a negative 24.6 reading in March. New orders recorded a positive 25.1 in April after -21.7 reading in March and Shipments jumped to 23.9 after a -13.4 reading last month. Readings above zero signal expansion in New York, northern New Jersey, and southern Connecticut.
- The **National Association of Home Builders/Wells Fargo** reported housing sentiment climbed in April for the fourth straight month. A very limited resale inventory helped drive demand for new houses. Currently one-third of housing inventory is new construction, compared to historical norms of a little more than 10%. The improvement so far in 2023 comes after a year-long rout in 2022. The index of builder sentiment climbed to 45 in April from 44 in March. The index recorded an 84 in December of 2021.
- The Commerce Department reported that **housing starts** edged lower in March as a pullback in multifamily projects more than offset a pickup in construction of single-family homes. Housing starts remain well below completions and the total number of units under construction continues to edge lower. With backlogs being cleared, contractors are not going to need as many workers in the months ahead. Housing starts fell 0.8% in March to a 1,420,000 annualized rate following February's 1,432,000 pace. Single-family starts increased 2.7% in March with multi-family starts down 5.9%. **Building permits**, a gauge of future construction, declined 8.8% in March to a 1,413,000 pace.
- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through April 10, 2023. This report is published eight times each year. The report showed economic activity was relatively unchanged since the previous report. Consumer spending was generally seen as flat to down slightly amid continued reports of moderate price growth. Travel and tourism picked up across much of the country. Manufacturing activity was widely reported as flat or down. Employment growth moderated with several Districts reporting a slower pace of growth. Overall price levels rose moderately during this reporting period, though the rate of price increases appeared to be slowing.
- The National Association of Realtors reported that **existing home sales** decreased in March for the thirteenth time in fourteen months. Residential real estate remains constrained by the Federal Reserve's aggressive policy tightening campaign that sent mortgage rates soaring last year. Higher mortgage rates, tightening credit standards and very low inventory will keep house transactions down for the foreseeable future. Contract closings, which usually occur a month or two after a contract is signed decreased 2.4% in March to a 4.44 million pace after surging 13.8% in February. The median selling price increased to \$375,700 from \$363,600 in March.
- The Conference Board reported the **index of leading economic indicators** declined 1.2% in March, the thirteenth straight drop. The loss was led by a decline in building permits, consumer expectations and ISM New Orders. The index of U.S. leading indicators is a gauge of the economic outlook for the

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next three to six months. The **coincident index**, a gauge of current economic activity, climbed 0.2% in March after gaining 0.2% in February.

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** declined last week after mortgage rates climbed from two-month lows. The index fell 8.8% for the week ending April 14th. **Refinancing applications** decreased 5.8% to 449.8 from 477.5 the prior week. **Home purchase mortgage applications** fell 10.0% to 161.6. Refinancing made up 27.6% of applications with an average loan size of \$262,400, while purchases average loan size was \$437,700. The **average contract rate** on a 30-year fixed-rate mortgage increased to 6.43% from 6.30% last week. The average contract rate was as high as 7.16% in October of last year.

BOND MARKET REVIEW

Rates climbed last week as the banking sector stabilized and Fed policymakers made statements that the inflation fight continues. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 4.18%, 3.66%, 3.57% and 3.78%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -52, -9, 21, and -40 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Monday	April 24	Mar Chicago Fed Nat Activity Index (-0.20)	7:30 Central
Tuesday	April 25	Feb FHFA House Price Index (-0.2%)	8:00 Central
		Feb S&P CoreLogic CS 20-City Index (-0.40%)	8:00 Central
		Mar New Home Sales (633k)	9:00 Central
		Apr Conf Board Consumer Confidence (104.0)	9:00 Central
Wednesday	April 26	Apr 21 st MBA Mortgage Applications	6:00 Central
		Mar Durable Goods Orders (0.8%)	7:30 Central
		Mar Durables Ex Transportation (-0.2%)	7:30 Central
		Mar Cap Goods Orders Nondef Ex Air (-0.1%)	7:30 Central
		Mar Wholesale Inventories (0.1%)	7:30 Central
		Mar Retail Inventories (0.2%)	7:30 Central
		Mar Goods Trade Balance (-\$90.0b)	7:30 Central
Thursday	April 27	April 22 nd Initial Jobless Claims (250k)	7:30 Central
		1 st Qtr Gross Domestic Product (2.0%)	7:30 Central
		1 st Qtr GDP Price Index (3.7%)	7:30 Central
		1 st Qtr Personal Consumption (4.3%)	7:30 Central
		Mar Pending Home Sales (0.7%)	9:00 Central
Friday	April 28	Mar Personal Income (0.2%)	7:30 Central
		Mar Personal Spending (-0.1%)	7:30 Central
		Mar PCE Deflator-YOY (4.1%)	7:30 Central
		1 st Qtr Employment Cost Index (1.1%)	7:30 Central
		Apr University of Michigan Sentiment (63.5)	9:00 Central

Source: Bloomberg Finance L.P.

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