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Economic Review

- The Labor Department reported that **initial jobless claims** declined last week to a level that is consistent with a very strong labor market. These levels are lower than the pre-COVID lows and suggest there has been no relief for employers trying to find help in this tight labor market. Workers continue to hold all the leverage. Claims in regular state programs decreased 5,000 to 180,000 for the week ending April 23rd, after reporting 185,000 initial claims the prior week. The four-week moving average rose to 179,750 from 177,500 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, decreased 1,000 to 1.408 million for the week ending April 16th.

- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity declined in March but remained positive. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.44 in March after reporting a positive 0.54 in February. A reading above zero indicates above-trend-growth in the national economy.

- The Commerce Department reported **durable goods orders** climbed in March, indicating progress in clearing supply chain bottlenecks. Demand for durable goods is broad-based, even as the Federal Reserve looks to increase interest rates and put a damper on rate-sensitive demand. Durable goods, which are bookings for goods and materials meant to last at least three years, rose 0.8% in March after decreasing an upwardly revised 1.7% in February. The non-military capital goods orders excluding aircraft, a proxy for business investment, rose 1.0% in March after declining 0.3% in February. **Excluding transportation**, durable orders increased 1.1% in March after falling 0.5% in February. The ratio of inventory to shipments fell to 1.76 from 1.77 in February.

- The Federal Housing Finance Agency reported a gain of 2.1% in the **house price index** of purchase-only homes in February after climbing 1.6% in January. The year-on-year change in the house price index was 19.4% in March. 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** increased 2.39% in February after gaining 1.71% in January. Demand for housing remains strong with very little inventory and rapidly rising mortgage rates. The index climbed 20.20% in February from the same month in 2021. The index tracks changes in the value of homes in 20 metropolitan regions.

- The Conference Board's **consumer confidence index** edged lower in April while expectations improved. Consumers concern about inflation retreated from its record high in March as gasoline prices come off their peaks. Consumer's views on the labor market remained very favorable. The index recorded a 107.3 in April from an upwardly revised 107.6 reading in March, previously reported as 107.2. The present situation index decreased to 152.6 in April from a 153.8 reading in March. The expectations index climbed to 77.2 in April from 76.7 the prior month.

- The Commerce Department reported sales of new homes fell in March for the third straight month after a surge in purchases at the end of 2021. Climbing mortgage rates, high prices and limited inventory are sidelining many prospective buyers. **New home sales** declined 8.6% to a 763,000 annualized pace in March after reporting an upwardly revised 835,000 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 the **goods trade deficit** increased to a new record in March as imports surged, reflecting a jump in demand that is outpacing economic activity in many other countries. The deficit increased 17.8% to $125.3 billion in March. **Exports** rose 7.2% to $169.3 billion and **imports** jumped 11.5% to $294.6 billion.

May 2, 2022

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- The Commerce Department reported **wholesale inventories** rose 2.3% in March after gaining 2.6% the previous month. Year-on-year wholesale inventories have climbed 21.5%. **Retail inventories** increased 2.0% in March after gaining 1.5% in February and are up 11.0% year-on-year.
- The National Association of Realtors reported the **index of pending home re-sales** declined for the fifth straight month as rising mortgage rates, high prices and low inventory pressure buyers. The number of contracts to purchase previously owned homes decreased 1.2% in March after dropping 4.0% in February. Pending home sales are down 5.2% on a seasonally adjusted year-on-year basis in March. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.
- The initial estimate by the Commerce Department of the 1st quarter **gross domestic product** showed economic growth declined for the first time since 2020. The unexpected contraction in the U.S. economy was driven primarily by a profoundly weak trade deficit due to a big increase in imports. Global supply chain disruptions continue to drag down growth and inflation muddies the water. The good news is the consumer is still strong and the surge in imports while mathematically negative for GDP, reflects a massive consumer demand that remains intact. Gross domestic product contracted at a 1.4% annualized rate in the 1st quarter, after gaining 6.9% in the previous quarter. **Personal consumption,** which accounts for about 70% of the economy, gained 2.7% in the quarter after gaining 2.5% in the previous quarter. The **GDP price index** gained 8.0% in the 1st quarter after increasing 7.1% in the 4th quarter.
- The Commerce Department reported **personal income** rose 0.5% in March, as companies had to increase wages to retain and attract workers. **Personal spending** jumped 1.1% in March as consumers rotated to spending on services. After adjusting for inflation, the real gain in spending was a less impressive 0.2%. The savings rate fell to 6.2% in March from 6.8% the prior month. The PCE Deflator, the preferred inflation gauge by the Federal Reserve, climbed 0.9% in March, bringing the year-on-year gain to 6.6%, above the central bank's target of 2.0%. Disposable income, or the money left over after taxes, increased 0.5% in March after climbing 0.7 higher in February.
- The **University of Michigan's final index of consumer sentiment** increased in April from the previous months record low as consumers became less concerned about inflation and the impact of Russia's invasion of Ukraine. The gauge of consumer confidence decreased to 65.2 in April from an earlier estimate of 65.7. This is an increase from the 59.4 reading in March. The **index of current conditions** climbed to 69.4 from 67.2 the prior month while the **index of expectations** rose to 62.5 from 54.3 the prior month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** continued to decline as mortgage rates climb. The index decreased 8.3% for the week ending April 22nd after declining 5.0% the previous week. **Refinancing** applications decreased 9.0% to 930.7 from 1,023 the prior week. **Home purchase mortgage applications** decreased 7.6% to 234.7. The **average contract rate** on a 30-year fixed-rate mortgage increased to 5.37% from 5.20% the prior week for a 30-year fixed rate loan.

Source: Bloomberg Finance L.P.

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BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 2.71%, 2.95%, 2.93%, and 3.00%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 24, -2, 7, and 29 basis points respectively.

Economic/Events Calendar

Monday	May 2	Mar Construction Spending (0.8%)	9:00 Central
		Apr ISM Manufacturing (57.6)	9:00 Central
Tuesday	May 3	Mar Factory Orders (1.2%)	9:00 Central
		Mar Factory Orders Ex Transportation	9:00 Central
		Mar JOLTS Job Openings (11,200k)	9:00 Central
Wednesday	May 4	Apr 29th MBA Mortgage Applications	6:00 Central
		Apr ADP Employment Change (385k)	7:15 Central
		Mar Trade Balance (-$107.1b)	7:30 Central
		Apr ISM Services Index (58.5)	9:00 Central
		FOMC Rate Decision (0.75% - 1.00%)	13:00 Central
		Interest on Reserve Balances (0.90%)	13:00 Central
Thursday	May 5	Apr 30th Initial Jobless Claims (180k)	7:30 Central
		1st Qtr Nonfarm Productivity (-5.0%)	7:30 Central
		1st Qtr Unit Labor Costs (10.0%)	7:30 Central
Friday	May 6	Apr Change in Nonfarm Payrolls (391k)	7:30 Central
		Apr Unemployment Rate (3.5%)	7:30 Central
		Apr Avg Hourly Earnings-YOY (5.5%)	7:30 Central
		Apr Labor Force Participation Rate (62.5%)	7:30 Central
		Mar Consumer Credit ($25.0b)	14:00 Central

Source: Bloomberg Finance L.P.