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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** climbed last week possibly as a result of volatility due to spring break at many schools. The number continues to reflect an exceptionally strong labor market. Claims in regular state programs increased 19,000 to 200,000 for the week ending April 30th, after reporting 181,000 initial claims the prior week. The four-week moving average rose to 188,000 from 180,000 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, decreased 19,000 to 1.384 million for the week ending April 23rd.
- The Commerce Department reported that **construction spending** rose 0.1% in March as spending climbed for residential construction and declined for non-residential. Spending on residential rose 1.0% in March while non-residential spending fell 0.8%. Government spending decreased 0.2% and private spending rose 0.2%.
- The **Institute for Supply Management** reported its **manufacturing index** declined in April as both supply and demand conditions worsened. Supply was hampered by the war in Ukraine and production shutdowns in China due to another COVID derivative outbreak. The report also indicated little progress in solving labor shortages. The index pulled back in April as production, new orders, prices paid and the backlog of orders receded. The manufacturing index recorded a 55.4 in April from a 57.1 reading in March. The new orders part of the index fell to 53.5 from 53.8 in March and production recorded a 53.6 from the prior months 54.5. A reading above 50 indicates expansion in the manufacturing sector.
- The Commerce Department reported that **factory orders** increased 2.2% in March after increasing 0.1% in February. **Factory orders ex transportation** increased 2.5% after gaining 1.0% in February. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft increased 1.3% in March after declining 0.2% in February.
- The Labor Department reported that **job openings** recorded its highest level of job openings and workers quitting in March. The record number of vacancies indicate that the mismatch between available positions and available workers will continue to pressure wages. Job openings increased by 205,000 in March to 11.549 million, from an upwardly revised 11.344 million in February. There are 0.53 unemployed job seekers for each available job. The quits rate climbed to 3.0% from 2.9% in the prior month, pointing to a high degree of churn in the labor market.
- **ADP Employer Services** reported that employment at companies increased less than expected in April. The weaker than expected gain indicates companies are not making much progress in filling a record number of job openings. Competition for employees is intense and employers are offering higher pay to attract workers. Companies increased payrolls by 247,000 in April, and March was upwardly revised to a gain of 479,000, previously reported as a gain of 455,000. Services employment increased by 202,000 and manufacturing employment rose 46,000.
- The Commerce Department reported the **trade deficit** surged to a record high in March as a surge in imports reflect foreign producers stepping in to meet solid domestic demand. The deficit increased to \$109.8 billion in March from a deficit of \$89.80 in February. **Exports** rose 5.6% to \$241.7 billion and **imports** surged 10.3% to \$351.5 billion.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, declined in April as renewed supply issues weigh on activity. The price index rose to a record high with the intensification of labor shortages and quitting activity. This gauge of service providers accounts for 90% of the economy. The services index fell to 57.1 in April from 58.3 in March. A reading more than 50 indicates expansion in the services sector.
- The **FOMC** met on Wednesday and the committee raised the fed funds rates by 50 basis points as expected. The targeted Federal Funds Rate is between 75 basis points and 100 basis points. The most significant disclosure was Powell's statement of the FOMC to raise rates by 50 basis point



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increments over the next three meetings, effectively taking a 75 basis point move off the table for now. The FOMC also provided a schedule to reduce the size of their balance sheet. The interest on reserve balances was increased to 90 basis points from 40 basis points.

- The Labor Department report indicated that employers hired at a pace that exceeded expectations in April. The composition of the gains were similar to the prior month, with broad based gains. Employers can't fill job openings fast enough and employees have a growing incentive to return to work as wages climb and savings fall. The jobs report is composed of two surveys, one of employers and the other of households. The employer survey provides payroll and wage figures and the household survey determines jobless and participation rates. **Nonfarm payrolls** (employer survey) climbed 428,000 in April and the previous month was revised 3,000 lower than previously reported. The **unemployment rate** (household survey) remained unchanged at 3.62%. The **labor force participation rate** disappointed, declining to 62.2% in April from 62.4% the prior month. The average hourly earnings increased to \$31.85 from \$31.75 the prior month. Weekly hours remained unchanged at 34.6 in March.
- The Federal Reserve reported **consumer credit** surged by the most on record in March. Consumers borrowed heavily with credit card purchases as well as loans for autos and student loans. Consumer credit increased \$52.4 billion after gaining a downwardly revised \$37.7 billion in February. Credit card debt jumped 31.4 billion to \$1.098 trillion with auto and student loan debt increasing by \$21.1 billion to \$3.442 trillion.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** rose for the first time in eight weeks. The index increased 2.5% for the week ending April 29th after declining 8.3% the previous week. **Refinancing** applications increased 0.2% to 932.3 from 930.7 the prior week. **Home purchase mortgage applications** increased 4.1% to 244.4. The **average contract rate** on a 30-year fixed-rate mortgage decreased to 5.36% from 5.37% 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 2.73%, 3.08%, 3.13%, and 3.23%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 35, 5, 10, and 50 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Monday	May 9	Mar Wholesale Inventories (2.3%)	9:00 Central
		Mar Wholesale Trade Sales (1.8%)	9:00 Central
Tuesday	May 10	Apr NFIB Small Business Optimism (92.9)	5:00 Central
Wednesday	May 11	May 6 th MBA Mortgage Applications	6:00 Central
		Apr Consumer Price Index (0.2%)	7:30 Central
		Apr Consumer Price Index-YOY (8.1%)	7:30 Central
		Apr CPI Ex Food & Energy (0.4%)	7:30 Central
		Apr CPI Ex Food & Energy-YOY (6.0%)	7:30 Central
		Apr Budget Statement (-\$260.0b)	13:00 Central
Thursday	May 12	May 7 th Initial Jobless Claims (190k)	7:30 Central
		Apr Producer Price Index (0.5%)	7:30 Central
		Apr Producer Price Index-YOY (10.7%)	7:30 Central
		Apr PPI Ex Food & Energy (0.6%)	7:30 Central
		Apr PPI Ex Food & Energy-YOY (8.9%)	7:30 Central
Friday	May 13	Apr Import Price Index (0.6%)	7:30 Central
		Apr Import Price Index-YOY (12.1%)	7:30 Central
		Apr Import Price Index ex Petroleum (1.2%)	7:30 Central
		May Univ of Michigan Sentiment (64.0)	9:00 Central

Source: Bloomberg Finance L.P.

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