

May 13, 2024

Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** surged last week to its highest level since August 25th. Claims had been locked in a very tight range for the last few weeks and were bound to break at some point. More than half of the advance was due to a jump in claims in New York. First time claims in regular state programs recorded 231,000 for the week ending May 4th after the prior week's report of 209,000. The four-week moving average climbed to 215,000 from 210,250 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, gained 17,000 to 1,785,000 for the week ending April 27th. 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 reported **consumer credit** reached a record \$5.059 trillion in March. Credit outstanding rose \$6.3 billion after climbing an upwardly adjusted \$15.0 billion in February. Credit card debt increased a paltry \$152 million to \$1.338 trillion after climbing \$10.7 billion the previous month, the smallest increase in three years. Auto and student loan debt increased \$6.1 billion in March after gaining \$4.3 billion in February. Total non-revolving credit climbed to \$3.721 trillion. These figures are not adjusted for inflation.
- The Commerce Department reported **wholesale inventories** fell 0.4% in March to \$894.7 billion. Year-on-year wholesale inventories have declined 2.3%. **Wholesale trade sales** dropped 1.3% in March after surging 2.0 in February, with year-on-year sales up 1.4%. The ratio of inventory to sales climbed to 1.35 from 1.34 in February.
- The **University of Michigan's preliminary index of consumer sentiment** plunged in May to the lowest level in six months. Inflation expectations rebounded to the highest levels since November, the labor market is showing signs of cooling and interest rates look to be staying higher for longer. Consumers' living standards are deteriorating suggesting they may be running out of savings. The gauge of consumer confidence decreased to 67.4 in May from 77.2 in April. The **index of current conditions** dropped to 68.8 from 79.0 the prior month while the **index of expectations** declined to 66.5 from 76.0 the prior month. The reading for 5-10 year inflation expectations, an inflation indicator closely watched by the Fed, climbed to 3.1% in May from 3.0% in April. One-year inflation expectations increased to 3.5% from 3.2% the prior month.
- The Treasury Department reported a **budget surplus** of \$209.5 billion for the month of April with the government collecting \$776.2 billion and spending \$566.7 billion. This compares to a surplus of \$176.1 billion a year earlier. The year-to-date deficit is \$855.1 billion, which compares to a year-to-date deficit of \$924.9 billion last year. April is the seventh month in the government's fiscal year.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased last week after mortgage rates pulled back from a five month high. The index rose 2.6% for the week ending May 3rd after falling 2.3% the prior week. **Refinancing** applications rose 4.5% to 477.5 from 456.9 the prior week. **Home purchase mortgage applications** increased 1.8% to 144.2. Refinancing made up 30.6% of applications with an average loan size of \$255,100, while purchases average loan size was \$443,200. The **average contract rate** on a 30-year fixed-rate mortgage dropped to 7.18% from 7.29% the prior week.

BOND MARKET REVIEW

Rates were mixed last week with very little economic data to provide direction. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.87%, 4.51%, 4.50% and 4.64%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -36, -1, 14, and -23 basis points respectively.

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Economic/Events Calendar

Tuesday	May 14	Apr NFIB Small Business Optimism (88.2)	5:00 Central
		Apr Producer Price Index (0.3%)	7:30 Central
		Apr Producer Price Index-YOY (2.2%)	7:30 Central
		Apr PPI Ex Food & Energy (0.2%)	7:30 Central
		Apr PPI Ex Food & Energy-YOY (2.3%)	7:30 Central
Wednesday	May 15	May 10 th MBA Mortgage Applications	6:00 Central
		May Empire Manufacturing (-10.0)	7:30 Central
		Apr Consumer Price Index (0.4%)	7:30 Central
		Apr Consumer Price Index-YOY (3.4%)	7:30 Central
		Apr CPI Ex Food & Energy (0.3%)	7:30 Central
		Apr CPI Ex Food & Energy-YOY (3.6%)	7:30 Central
		Apr Retail Sales (0.4%)	7:30 Central
		Apr Retail Sales Ex Auto & Gas (0.1%)	7:30 Central
		Mar Business Inventories (-0.1%)	9:00 Central
May NAHB Housing Market Index (51)	9:00 Central		
Thursday	May 16	May 11 th Initial Jobless Claims (220k)	7:30 Central
		Apr Housing Starts (1,420k)	7:30 Central
		Apr Building Permits (1,480k)	7:30 Central
		Apr Import Price Index (0.3%)	7:30 Central
		Apr Import Price Index ex Petroleum (0.1%)	7:30 Central
		Apr Industrial Production (0.1%)	8:15 Central
		Apr Capacity Utilization (78.4%)	8:15 Central
Friday	May 17	Apr Leading Index (-0.3%)	9:00 Central

Source: Bloomberg Finance L.P.

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