

May 28, 2024

Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** declined for the second straight week, suggesting that any cooling in the labor market is a very slow process. First time claims in regular state programs recorded 215,000 for the week ending May 18th after the prior week's report of 223,000. The four-week moving average climbed to 219,750 from 218,000 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, gained 8,000 to 1,794,000 for the week ending May 11th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The National Association of Realtors reported that **existing home sales** fell for the second straight month in April as high borrowing costs and near record home prices pressure demand. Contract closings decreased 1.9% in April to an annualized selling rate of 4.14 million units. Mortgage rates remained above 7% for a seventh straight week and home prices reached a record high in April with a median price of \$407,600. Inventory has edged up a bit in recent months, with the supply of homes increasing 16% in April from the same month last year to 1.21 million.
- The **FOMC Minutes** for the April 30th-May 1st meeting focused on whether current monetary policy is restrictive enough. Some of the members are willing to tighten policy more if needed and believe the neutral rate of interest may be higher than previously thought. FOMC members noted economic growth had slowed since the first half of 2023, but final demand is proving resilient. They noted that lower income households are coming under pressure, with credit card and auto loan delinquencies on the rise. Meanwhile, asset price appreciation is supporting the upper end of the income and wealth distribution. The outlook was largely unchanged since the previous FOMC meeting in March.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity declined in April. The **Chicago Fed National index**, which draws on 85 economic indicators, was negative 0.23 in April after reporting a downwardly revised negative 0.04 in March. 20 of the indicators affected the index positively and 65 made negative contributions. A reading below zero indicates below-trend-growth in the national economy.
- The Commerce Department reported sales of new homes declined in April, as buyers were deterred by high prices and mortgage rates. **New home sales** fell 4.7% to a 634,000 annualized pace in April after reporting a downwardly revised 665,000 pace the prior month. Buyers are largely restrained by affordability challenges with housing prices reaching a record high and mortgage rates settling in above 7%. The supply of new homes rose to 480,000 during the month, the highest since 2008. The report also showed the median sales price of a new house increased 3.9% from a year ago to \$433,500. 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 **durable goods orders**, which are bookings for goods and materials meant to last at least three years, unexpectedly increased 0.7% in April while orders in March were revised down to 0.8% from 2.6%. The gain was broad based, including increases in orders for motor vehicles, communication equipment and machinery. **Excluding transportation**, durable orders climbed 0.4% in April after remaining unchanged in March. The non-military capital goods orders excluding aircraft, a proxy for business investment, increased 0.3% in April after falling 0.1% in March. The ratio of inventory to shipments declined to 1.85 in April from 1.87 in March.
- The **University of Michigan's final index of consumer sentiment** declined in May, but not as much as the preliminary survey indicated. The final sentiment index for the month dropped to 69.1 from 77.2 in April. The long-term inflation expectations remained unchanged at 3.0% in April. The one-year-ahead inflation expectations rose to 3.3% from 3.2% in April. The **index of current conditions** declined to 69.6 from 79.0 the prior month while the **index of expectations** dropped to 68.8 from 76.0.

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- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased last week for the third straight week after mortgage rates continued to pull back from a five month high. The index rose 1.9% for the week ending May 17th after climbing 0.5% the prior week. **Refinancing** applications rose 7.4% to 536.9 from 499.9 the prior week. **Home purchase mortgage applications** decreased 1.2% to 140.0. Refinancing made up 34.0% of applications with an average loan size of \$267,000, while purchases average loan size at \$444,000. The **average contract rate** on a 30-year fixed-rate mortgage dropped to 7.01% from 7.08% the prior week.

BOND MARKET REVIEW

Rates were rose last week on very little economic data. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 4.95%, 4.53%, 4.47% and 4.57%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -42, -6, 10, and -38 basis points respectively.

Economic/Events Calendar

Tuesday	May 28	1 st Qtr House Price Purchase Index (1.1%)	8:00 Central
		Mar FHFA House Price Index (0.5%)	8:00 Central
		Mar Conf Board Consumer Confidence (96.0)	9:00 Central
Wednesday	May 29	May 24 th MBA Mortgage Applications	6:00 Central
		Federal Reserve Releases Beige Book	13:00 Central
Thursday	May 30	May 25 th Initial Jobless Claims (217k)	7:30 Central
		1 st Qtr Gross Domestic Product-2 nd Est (1.3%)	7:30 Central
		1 st Qtr GDP Price Index-2 nd Est (3.1%)	7:30 Central
		1 st Qtr Personal Consumption-2 nd Est (2.2%)	7:30 Central
		Apr Goods Trade Balance (-\$92.0b)	7:30 Central
		Apr Wholesale Inventories (0.1%)	7:30 Central
		Apr Retail Inventories (0.3%)	7:30 Central
Apr Pending Home Sales (-1.0%)	9:00 Central		
Friday	May 31	Apr Personal Income (0.3%)	7:30 Central
		Apr Personal Spending (0.3%)	7:30 Central
		Apr PCE Deflator-YOY (2.7%)	7:30 Central

Source: Bloomberg Finance L.P.

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