

September 12, 2022

Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** declined for the fourth straight week to a three-month low, signaling the labor market remains strong as companies refrain from firing workers. The economy is slowing, but economic activity is still expanding and demand for labor remains strong. The strength in the labor market puts pressure on the Fed to raise rates to further slow the economy and control inflation. Claims in regular state programs decreased 6,000 to 222,000 for the week ending September 3rd, after reporting a downwardly revised 228,000 initial claims the prior week. The four-week moving average dropped to 233,000 from 240,500 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased 36,000 to 1.473 million for the week ending August 27th.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, continued to show underlying strength even as the Fed tries to slow demand by raising interest rates. The index showed the services sector expanded in August at the fastest pace in four months with a pickup in business activity and new orders. Price pressures eased as energy prices fell. The service ISM improved in August to 56.9 from 56.7. The business activity improved to 60.9 from 59.9, hitting the highest level in 2022. New orders rose to 61.8 from 59.9, the highest reading this year. The employment index improved to 50.2 from 49.1. This gauge of service providers accounts for 90% of the economy. A reading more than 50 indicates expansion in the services sector.
- The Commerce Department reported the **trade deficit** narrowed in July for the fourth straight month. The deficit decreased to \$70.65 billion in July from a deficit of \$80.9 billion in June. **Exports** rose 0.2% to \$259.3 billion and **imports** declined 2.9% to \$329.9 billion.
- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through August 29, 2022. This report is published eight times each year. The report showed economic activity was unchanged an balance since early July, with five Districts reporting slight to modest growth in activity and five others reporting slight to modest softening. Most Districts reported steady consumer spending as households continued to trade down and to shift spending away from discretionary goods and toward food and other essential items. Manufacturing activity grew in several Districts, although there were some reports of declining output as supply chain disruptions and labor shortages continued to hamper production. Residential property conditions weakened noticeably as home sales fell in all twelve Districts and residential construction remained constrained by input shortages.
- The Federal Reserve reported **consumer credit** increased less than expected in July, but the increase followed a record surge in June. Consumer credit increased \$23.8 billion after gaining a downwardly revised \$39.1 billion in June. Credit card debt increased \$10.9 billion to \$1.137 trillion with auto and student loan debt increasing by \$12.9 billion to \$3.508 trillion. These figures are not adjusted for inflation.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell last week for the fourth straight week. The index decreased 0.8% for the week ending September 2nd, after declining 3.7% the previous week. **Refinancing** applications fell 1.1% to 556.4 from 562.5 the prior week. **Home purchase mortgage applications** decreased 0.7% to 197.8. Refinancing made up 30.7% of applications with an average loan size of \$269,300, while purchases average loan size was \$411,300. The **average contract rate** on a 30-year fixed-rate mortgage climbed to 5.94% from 5.80% last week.

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BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 3.56%, 3.44%, 3.31% and 3.45%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -12, -13, 14, and -11 basis points respectively.

Economic/Events Calendar

Tuesday	September 13	Aug NFIB Small Business Optimism (90.8)	5:00 Central
		Aug Consumer Price Index (-0.1%)	7:30 Central
		Aug Consumer Price Index-YOY (8.0%)	7:30 Central
		Aug CPI Ex Food & Energy (0.3%)	7:30 Central
		Aug CPI Ex Food & Energy-YOY (6.1%)	7:30 Central
		Aug Budget Statement (-\$216.0b)	13:00 Central
Wednesday	September 14	Sep 9 th MBA Mortgage Applications	6:00 Central
		Aug Producer Price Index (-0.1%)	7:30 Central
		Aug Producer Price Index-YOY (8.9%)	7:30 Central
		Aug PPI Ex Food & Energy (0.3%)	7:30 Central
		Aug PPI Ex Food & Energy-YOY (7.1%)	7:30 Central
		Aug PPI Ex Food, Energy & Trade-YOY (5.5%)	7:30 Central
Thursday	September 15	Sep 10 th Initial Jobless Claims (227k)	7:30 Central
		Sep Empire Manufacturing Index (-12.8)	7:30 Central
		Aug Retail Sales (-0.1%)	7:30 Central
		Aug Retail Sales Ex Auto & Gas (0.5%)	7:30 Central
		Aug Import Price Index (-1.2%)	7:30 Central
		Aug Import Price Index-YOY (7.7%)	7:30 Central
		Aug Import Price Index ex Petroleum (-0.5%)	7:30 Central
		Aug Industrial Production (0.1%)	8:15 Central
		Aug Capacity Utilization (80.2%)	8:15 Central
		Jul Business Inventories (0.6%)	9:00 Central
Friday	September 16	Sep University of Michigan Sentiment (60.0)	14:00 Central

Source: Bloomberg Finance L.P.

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