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Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** were down last week to the lowest level since January. The data indicates that layoff activity remains moribund. There have been brief periods of elevated counts during 2023, specifically in June, but these periods have been short-lived and often explainable by special factors. Claims in regular state programs declined 20,000 to 201,000 from the prior week's upwardly revised 221,000 for the week ending September 16th. The four-week moving average declined to 217,000 from 224,750 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, decreased 21,000 to 1.662 million for the week ending September 9th.
- The **National Association of Home Builders/Wells Fargo** reported builders housing sentiment dropped to a five month low in September as climbing mortgage rates, high construction costs and a lack of buildable lots drive many prospective buyers out of the market. The index of builder sentiment declined to 45 in September from 50 in August. The index recorded an 84 in December of 2021.
- The Commerce Department reported that **housing starts** plunged in August as high mortgage rates discourage buyers of new homes. Housing starts have been subject to large downward revisions this year as financing pressures get buyers to abandon new projects. Housing starts declined 11.3% in August to a 1,283,000 annualized rate following July's downwardly revised 1,447,000 pace. Single-family starts declined 4.3% in August with multi-family starts down 26.3%. **Building permits**, a gauge of future construction, increased 6.9% August to a 1,543,000 pace. Multi-family units drove the increase in housing permits in August as higher mortgage rates push many prospective buyers out of the market.
- The **FOMC** met on Wednesday and held the targeted federal funds rate as expected to a range of 5.25% to 5.50%. The committee also released an updated Summary of Economic Projections with a very hawkish upward revision to rate projections for 2024 and 2025. Officials also completely scrapped any recession forecast for this year. Chair Jerome Powell said the goal is to achieve a soft landing for the economy and the new projections imply the FOMC members are confident about it. The dot plot shows a revision toward a higher for longer rate path. The median forecast for year-end 2023 remains at 5.6%, but the forecasts for 2024 and 2025 were revised sharply up from 4.6% to 5.1% and from 3.4% to 3.9%.
- The Commerce Department reported a **current-account deficit** of \$212.1 billion during the second quarter of 2023. This is slightly narrower than the \$214.5 billion deficit in the prior quarter. The current account is considered the broadest measure of international trade, covering goods and services as well as income payments and government transfers.
- The National Association of Realtors reported that **existing home sales** declined 0.7% in August to a selling rate of 4.04 million, the lowest level since the start of the year. The lack of inventory in the resale market remains a key constraint with housing inventories at historic lows. Elevated mortgage rates are also discouraging home buying. Many homeowners with low locked in mortgage rates are choosing not to sell their homes. Contract closings usually occur a month or two after a contract is signed. The median selling price climbed to \$407,100 in August from \$405,700 in July.
- The Conference Board reported the **index of leading economic indicators** declined 0.4% in August, the eighteenth straight drop. The loss was led by a decline in ISM New Orders, consumer expectations and the interest rate spread. The biggest positive contributor to the leading index was building permits. The index of U.S. leading indicators is a gauge of the economic outlook for the next three to six months. The **coincident index**, a gauge of current economic activity, climbed 0.2% in August after gaining 0.3% in July.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** rose last week from a very low level, driven by a jump in refinancing applications. The index increased 5.4% for the week ending September 15th. **Refinancing** applications rose 13.2% to 415.4 from 367.0 the prior week. **Home purchase mortgage applications** increased 2.3% to 147.0. Refinancing made up 31.6% of applications with an average loan size of \$254,600, while purchases average loan size

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was \$416,800. The **average contract rate** on a 30-year fixed-rate mortgage climbed to 7.31% from 7.27% the prior week.

BOND MARKET REVIEW

Rates continued to climb after the FOMC meeting last week as committee members indicated rates would be higher for longer. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 5.11%, 4.56%, 4.43% and 4.52%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -55, -13, 9, and -59 basis points respectively.

Economic/Events Calendar

Monday	September 25	Aug Chicago Fed Nat Activity Index (0.05)	7:30 Central
Tuesday	September 26	Jul FHFA House Price Index (0.4%)	8:00 Central
		Jul S&P CoreLogic CS 20-City Index (0.65%)	8:00 Central
		Aug New Home Sales (699k)	9:00 Central
		Sep Conf Board Consumer Confidence (105.5)	9:00 Central
Wednesday	September 27	Sep 22 nd MBA Mortgage Applications	6:00 Central
		Aug Durable Goods Orders (-0.5%)	7:30 Central
		Aug Durables Ex Transportation (0.1%)	7:30 Central
		Aug Cap Goods Orders Nondef Ex Air (0.1%)	7:30 Central
Thursday	September 28	Sep 23 rd Initial Jobless Claims (215k)	7:30 Central
		2 nd Qtr Gross Domestic Product-3 rd Est (2.2%)	7:30 Central
		2 nd Qtr GDP Price Index-3 rd Est (2.0%)	7:30 Central
		2 nd Qtr Personal Consumption-3 rd Est (1.7%)	7:30 Central
		Aug Pending Home Sales (-1.0%)	9:00 Central
Friday	September 29	Aug Goods Trade Balance (-\$91.4b)	7:30 Central
		Aug Personal Income (0.4%)	7:30 Central
		Aug Personal Spending (0.4%)	7:30 Central
		Aug PCE Deflator-YOY (3.5%)	7:30 Central
		Aug Wholesale Inventories (-0.2%)	7:30 Central
		Aug Retail Inventories (0.5%)	7:30 Central
		Sep University of Michigan Sentiment (67.7)	9:00 Central

Source: Bloomberg Finance L.P.

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