Stephens

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Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** edged higher last week, although we could soon see sharper increases after disruptions from Hurricane Helene, the port strike and a work stoppage at Boeing. First time claims in regular state programs recorded 225,000 for the week ending September 28th after the prior week's report of 219,000. The four-week moving average dropped to 224,250 from 225,000 the prior week, the lowest since June 1st. Continuing claims, which include people who have received unemployment benefits for a week or more, decreased 1,000 to 1,826,000 for the week ending September 21st. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, remained at 1.2%.
- The Commerce Department reported that **construction spending** decreased 0.1% in August after declining 0.5% in July. Spending on residential construction fell 0.3% while non-residential construction climbed 0.1%. Government spending, which made up 23.0% of construction spending, increased 0.3% and private spending fell 0.2%.
- The Labor Department reported that **job openings** unexpectedly rose in August to a three-month high. The gain was led by the biggest jump in construction openings since 2009 as well as increases in the state and local government sectors. The higher number of job openings point to a modest increase in demand for workers. Available positions increased to 8.040 million from an upwardly revised 7.711 million in the prior month. The quits rate, which measures voluntary job leavers as a share of total employment fell to 1.9 in August from 2.0% in July. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, rose to 1.13 in August from an upwardly revised 1.08 in July.
- The **Institute for Supply Management** reported its **manufacturing index** remained unchanged in September, indicating the manufacturing sector continues to contract at a steady rate. The rates of decline in orders and output eased up from August, but remained in contraction territory. Demand remains subdued as companies show an unwillingness to invest in capital and inventory. The manufacturing index recorded a 47.2 in September after a 47.2 reading in August. The new orders part of the index increased to 46.1 in September from 44.6 in August and production climbed to 49.8 in September from 44.8 the prior month. The employment sub-index declined to 43.9 in September from 46.0 the prior month, pointing to a faster decline in manufacturing employment. A reading below 50 indicates contraction in the manufacturing sector.
- **ADP Employer Services** reported that hiring at companies picked up in September, snapping a five-month stretch of slower payroll growth. Companies increased payrolls by 143,000 in September after an upwardly revised gain of 103,000 in August. Services employment increased by 101,000 and manufacturing employment climbed by 42,000. The stronger hiring did not require stronger pay growth as earnings rose 6.6% from a year earlier for workers who changed jobs, the slowest since April 2021. Pay gains for those who stayed in their current position eased slightly to 4.7%.
- The Commerce Department reported that **factory orders** fell 0.2% in August after jumping 4.9% in July. The decline was led by a 1.3% drop in non-defense capital goods. **Factory orders ex transportation** decreased 0.1% in August after climbing 0.3% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft climbed 0.3% in August after falling 0.3% in July.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, expanded at the fastest pace since February 2023 in September. The report was higher than expected and driven by a flurry of orders and stronger business activity. The index recorded a 54.9 in September after a 51.5 reading in August. Business activity jumped almost 7 points in September to 59.9. New orders climbed to 59.4 from 53.0 the previous month, while the employment index dropped to 48.1 from 50.2 in August. The prices paid component moved higher to 59.4 in September from 57.3. This gauge of service providers accounts for 90% of the economy. A reading above 50 indicates expansion in the services sector.

- The Labor Department reported that payroll growth was surprisingly strong all around. The unemployment rate fell even as the labor force expanded briskly. The number of full-time jobs increased. Leisure and hospitality, education and healthcare remain the biggest drivers of job growth. Outside of payroll growth, the wage data was also quite strong. The jobs report is made up of two surveys: one of households which provides the unemployment rate, labor force size and the labor force participation rate and the other is the establishment survey of businesses, which generates the payrolls and wage figures. The **Nonfarm payrolls** (employer survey) climbed at a better than expected 254,000 in September after an upwardly revised gain of 159,000 in August. The **unemployment rate** (household survey) decreased to 4.051% in September from 4.221% in August. The **labor force participation rate** remained unchanged at 62.7%. The average hourly earnings increased to $35.36 in September from $35.23 the prior month. Weekly hours fell to 34.2 in September from 34.3 the prior month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** declined 1.3% last week as mortgage rates take a breather from their expected decline. **Refinancing** applications declined 2.9% to 1,100 after a 20.3% gain the prior week. H**ome purchase mortgage applications** increased 0.7% to 149.3. Refinancing made up 54.9% of applications with an average loan size of $376,300, while purchases average loan size at $447,800. The **average contract rate** on a 30-year fixed-rate mortgage climbed 1 basis point to 6.14% from 6.13% the prior week.

BOND MARKET REVIEW

Rates edged higher last week as the market adjusts to the Fed's policy on cutting rates and the expected impact on inflation. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 3.92%, 3.80%, 3.97% and 4.25%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -12, 17, 28, and 33 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Monday	October 7	Aug Consumer Credit ($12.0b)	14:00 Central
Tuesday	October 8	Sep NFIB Small Business Optimism (92.0)	5:00 Central
		Aug Trade Balance (-$70.5b)	7:30 Central
Wednesday	October 9	Oct 4th MBA Mortgage Applications	6:00 Central
		Aug Wholesale Trade Sales (0.4%)	9:00 Central
		Aug Wholesale Inventories (0.2%)	9:00 Central
		Sep 18th FOMC Meeting Minutes Released	13:00 Central
Thursday	October 10	Oct 5th Initial Jobless Claims (230k)	7:30 Central
		Sep Consumer Price Index (0.1%)	7:30 Central
		Sep Consumer Price Index-YOY (2.3%)	7:30 Central
		Sep CPI Ex Food & Energy (0.2%)	7:30 Central
		Sep CPI Ex Food & Energy-YOY (3.2%)	7:30 Central
Friday	October 11	Sep Producer Price Index (0.1%)	7:30 Central
		Sep Producer Price Index-YOY (1.6%)	7:30 Central
		Sep PPI Ex Food & Energy (0.2%)	7:30 Central
		Sep PPI Ex Food & Energy-YOY (2.6%)	7:30 Central
		Oct University of Michigan Sentiment (71.0)	9:00 Central
		Oct Univ of Michigan 1-Year Inflation (2.7%)	9:00 Central
		Oct Univ of Michigan 5-10 Yr Inflation (3.0%)	9:00 Central

Source: Bloomberg Finance L.P.