

# November 13, 2023

## Financial Services Group

Author:

### Economic Review



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- The Labor Department reported that **initial jobless claims** edged lower last week, while recurring applications for unemployment benefits rose for a seventh straight week to the highest level since April 15<sup>th</sup>. The labor market is becoming increasingly vulnerable as the climbing continued jobless claims signal a weakening labor sector. Claims in regular state programs decreased 3,000 to 217,000 from the prior week's upwardly revised 220,000 for the week ending November 4<sup>th</sup>. The four-week moving average climbed to 212,250 from 210,750 the prior week. Continuing claims, which include people who have received unemployment benefits for a week or more, increased 22,000 to 1.834 million for the week ending October 28<sup>th</sup>.
- The Commerce Department reported the **trade deficit** increased in September as the value of imported goods climbed more than exports. The deficit increased to \$61.5 billion in September from a deficit of \$58.7 billion in August. **Exports** climbed 2.2% to \$261.1 billion and **imports** increased 2.7% to \$322.7 billion.
- The Federal Reserve reported **consumer credit** increased \$9.1 billion in September after dropping \$15.8 billion in August. The decline in August reflects a record drop in non-revolving credit tied to student loan forgiveness by the Biden administration. Credit card debt increased \$3.1 billion to \$1.288 trillion after climbing \$14.5 billion the previous month. Auto and student loan debt increased \$5.9 billion in September after declining \$30.3 billion in August. Total non-revolving credit climbed to \$3,689 trillion. These figures are not adjusted for inflation.
- The Commerce Department reported **wholesale inventories** climbed 0.2% in September to \$901.8 billion. Year-on-year wholesale inventories have declined 1.2%. **Wholesale trade sales** rose 2.2% in September after climbing 2.0% in August, with year-on-year sales up 0.9%. The ratio of inventory to sales declined to 1.33 in September from 1.36 in August. The ratio was 1.41 in June.
- The **University of Michigan's preliminary index of consumer sentiment** declined in November to a six-month low of 60.4 from 63.8 in October. Consumers ramped up inflation expectations, adding to concerns about labor market weakness and high borrowing costs. The long-term inflation expectations climbed to the highest level since 2011, increasing to 3.2% in November from 3.0% the prior month. The one-year-ahead inflation expectations jumped to 4.4% from 4.2% in October. The **index of current conditions** dropped to 65.7 from 70.6 the prior month while the **index of expectations** decreased to 56.9 from 59.3.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** climbed last week after mortgage rates plunged by the most in more than a year, helping generate the biggest advance in home purchase applications since early June. The index increased 2.5% for the week ending November 3<sup>rd</sup>. **Refinancing** applications rose 1.6% to 347.3 from 341.7 the prior week. **Home purchase mortgage applications** increased 3.0% to 129.0. Refinancing made up 31.4% of applications with an average loan size of \$243,700, while purchases average loan size was \$405,200. The **average contract rate** on a 30-year fixed-rate mortgage plunged 25 basis points to 7.61% from 7.86% the prior week.

### BOND MARKET REVIEW

Rates climbed last week on concerns about inflation, the national debt and the expectation the Fed will leave rates higher for longer. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities closed at 5.06%, 4.68%, 4.65% and 4.76%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -38, -3, 11, and -30 basis points respectively.

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### Economic/Events Calendar

Monday	November 13	Oct Budget Statement (-\$65.0b)	13:00 Central
Tuesday	November 14	Oct NFIB Small Business Optimism (90.5)	6:00 Central
		Oct Consumer Price Index (0.1%)	7:30 Central
		Oct Consumer Price Index-YOY (3.3%)	7:30 Central
		Oct CPI Ex Food & Energy (0.3%)	7:30 Central
		Oct CPI Ex Food & Energy-YOY (4.1%)	7:30 Central
Wednesday	November 15	Nov 10 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		Oct Retail Sales (-0.3%)	7:30 Central
		Oct Retail Sales Ex Auto & Gas (0.2%)	7:30 Central
		Oct Producer Price Index (0.1%)	7:30 Central
		Oct Producer Price Index-YOY (1.9%)	7:30 Central
		Oct PPI Ex Food & Energy (0.3%)	7:30 Central
		Oct PPI Ex Food & Energy-YOY (2.7%)	7:30 Central
		Nov Empire Manufacturing (-3.0)	7:30 Central
Sep Business Inventories (0.4%)	9:00 Central		
Thursday	November 16	Nov 11 <sup>th</sup> Initial Jobless Claims (220k)	7:30 Central
		Oct Import Price Index (-0.3%)	7:30 Central
		Oct Import Price Index-YOY (-1.8%)	7:30 Central
		Oct Import Price Index ex Petroleum (-0.3%)	7:30 Central
		Oct Industrial Production (-0.3%)	8:15 Central
		Oct Capacity Utilization (79.4%)	8:15 Central
		Nov NAHB Housing Market Index (40)	9:00 Central
Friday	November 17	Oct Housing Starts (1,350k)	7:30 Central
		Oct Building Permits (1,450k)	7:30 Central

Source: Bloomberg Finance L.P.

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