

November 14, 2022

Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** climbed last week as layoff announcements from larger companies have become more frequent. In the near-term, data suggest that small businesses are going to be eager to absorb workers laid off from larger businesses, but this will not persist indefinitely. Claims in regular state programs increased 7,000 to 225,000 for the week ending November 5th, after reporting 218,000 initial claims the prior week. The four-week moving average declined to 218,750 from 219,000 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased 6,000 to 1.493 million for the week ending October 29th.
- The Federal Reserve reported **consumer credit** increased less than expected in September. Consumer credit increased \$25.0 billion after gaining a downward revised \$30.2 billion in August. Credit card debt increased \$8.3 billion to \$1.162 trillion, the smallest increase in four months. Auto and student loan debt increased by \$16.7 billion to \$3.539 trillion. Many households are beginning to pull back on spending as inflation drives up costs of most items. These figures are not adjusted for inflation.
- The **National Federation of Independent Business** reported sentiment among small businesses pulled back in October as the sales outlook worsened. This is the first decline in optimism in four months. Inflation, supply chain disruptions and labor shortages continue to burden many small businesses. The index declined to 91.3 in October from a 92.1 reading in September.
- The Commerce Department reported **wholesale inventories** rose 0.6% in September to \$918.5 billion after gaining 1.4% in August. Year-on-year wholesale inventories have gained 24.1%. **Wholesale trade sales** increased 0.4% in September after remaining unchanged in August, with year-on-year sales up 14.4%. The ratio of inventory to sales remained unchanged at 1.31.
- The Labor Department reported the **consumer price index** was below expectations in October, causing markets to recalibrate projected rate hikes by the Fed. We are seeing disinflation in parts of the goods sector as firms cut back on pricing to liquidate excess inventory. Household furnishings, electronics, apparel and used cars saw declines in prices. Services inflation also moderated, with decreases in airfares and medical insurance. Still, robust services inflation keeps alive the threat that inflation expectations will become anchored at an unacceptable level. The index gained 0.4% in October after climbing 0.4% in September. The year-on-year change in consumer prices is 7.7% in October. Service prices gained 0.4% in October after climbing 0.8% in September. Prices of commodity based manufactured goods climbed 0.5% in October after falling 0.3% the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.3% in October after increasing 0.6% the prior month. The year-on-year change in core CPI is 6.3%.
- The Treasury Department reported a **budget deficit** of \$87.8 billion for the month of October with the government collecting \$318.6 billion and spending \$406.4 billion. This compares to a deficit of \$165.1 billion a year earlier. This is the first month of the federal government's fiscal year which is from October to September.
- The **University of Michigan's preliminary index of consumer sentiment** plunged in November, indicating the markets excitement about inflation being constrained after the CPI report may have been premature. Both the short and long-term household inflation outlook, which is closely monitored by the Fed, drifted higher even as gasoline prices stabilized. Inflation expectations remain at the high end of the Fed's comfort zone. The index decreased to 54.7 in November from a 59.9 reading in October. The long-run inflation expectations index closely monitored by the Fed, climbed to 3.0% in November from 2.7% in September. The **index of current conditions** dropped to 57.8 from 65.6 the prior month while the **index of expectations** dropped to 52.7 from 56.2.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** continued to fall last week, the twelfth decline in thirteen weeks. The index decreased 0.1% for the week ending

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November 4th, after falling 0.5% the previous week. **Refinancing** applications dropped 3.5% to 373.1 last week from 386.7. **Home purchase mortgage applications** increased 1.3% to 162.6. Refinancing made up 28.1% of applications with an average loan size of \$277,900, while purchases average loan size was \$403,300. The **average contract rate** on a 30-year fixed-rate mortgage rose to 7.14% from 7.06% last week.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 4.33%, 3.94%, 3.81% and 4.02%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -39, -13, 21, and -31 basis points respectively.

Economic/Events Calendar

Tuesday	November 15	Nov Empire Manufacturing (-6.0)	7:30 Central
		Oct Producer Price Index (0.3%)	7:30 Central
		Oct Producer Price Index-YOY (8.3%)	7:30 Central
		Oct PPI Ex Food & Energy (0.3%)	7:30 Central
		Oct PPI Ex Food & Energy-YOY (7.2%)	7:30 Central
Wednesday	November 16	Nov 11 th MBA Mortgage Applications	6:00 Central
		Oct Retail Sales (1.0%)	7:30 Central
		Oct Retail Sales ex Auto & Gas (0.2%)	7:30 Central
		Oct Import Price Index (-0.4%)	7:30 Central
		Oct Import Price Index-YOY (4.2%)	7:30 Central
		Oct Import Price Index ex Petroleum (-0.9%)	7:30 Central
		Oct Industrial Production (0.1%)	8:15 Central
		Oct Capacity Utilization (80.4%)	8:15 Central
		Sep Business Inventories (0.5%)	9:00 Central
Nov NAHB Housing Market Index (36)	9:00 Central		
Thursday	November 17	Nov 12 th Initial Jobless Claims (225k)	7:30 Central
		Oct Housing Starts (1,410k)	7:30 Central
		Oct Building Permits (1,512k)	7:30 Central
Friday	November 18	Oct Existing Home Sales (4.38m)	9:00 Central
		Oct Leading Index (-0.4%)	9:00 Central

Source: Bloomberg Finance L.P.

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