Stephens

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Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** surged last week to its highest level since August 13th. The labor market is finally showing signs of weakness, although the claims are rising off of historically low levels. Claims can increase a lot before they're at levels that suggest the labor market is really deteriorating. Layoffs are climbing in the technology industry and other select industries as hiring freezes and job cuts mount. Claims in regular state programs increased 17,000 to 240,000 for the week ending November 19th, after reporting 223,000 initial claims the prior week. The four-week moving average climbed to 226,750 from 221,250 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased 48,000 to 1.551 million for the week ending November 12th.

- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity eased in October to below-trend-growth after three months of above trend. The **Chicago Fed National index**, which draws on 85 economic indicators, was negative 0.05 in October after reporting a positive 0.17 in September. A reading below zero indicates below-trend-growth in the national economy.

- The Commerce Department reported **durable goods orders** climbed more than expected in October, suggesting capital spending plans are holding up in the face of higher borrowing costs and economic uncertainty. Durable goods, which are bookings for goods and materials meant to last at least three years, climbed 1.0% in October after edging 0.3% higher in September. The non-military capital goods orders excluding aircraft, a proxy for business investment, rose 0.7% in October after declining 0.8% in September. **Excluding transportation**, durable orders increased 0.5% in October after falling 0.9% in September. The ratio of inventory to shipments remained unchanged at 1.78 in October.

- The **University of Michigan's final index of consumer sentiment** declined in November, reflecting concerns about inflation and the increasing likelihood of a recession next year. The survey also indicated consumer assessments of the labor market continue to deteriorate. The final reading for 5-10 year inflation expectations, an inflation indicator closely watched by the Fed, climbed to 3.0% in November from 2.9% in October. One year inflation expectations slowed to 4.9% from 5.1%, driven by lower gasoline prices. The gauge of consumer confidence increased to 56.8 in November from an earlier estimate of 54.7. This is a decrease from the 59.9 reading in October. The **index of current conditions** fell to 58.8 from 65.6 the prior month while the **index of expectations** dropped to 55.6 from 56.2 the prior month.

- The Commerce Department reported sales of new homes unexpectedly increased in October, driven by an increase in the South. While the gain is welcome news, it is likely just a pause in a weak housing market. **New home sales** rose 7.5% to a 632,000 annualized pace in October after reporting a downwardly revised 588,000 pace the prior month. New home sales, which account for about 10% of the residential market, are accounted for when contracts are signed, which makes this data a more timely indicator than existing home transactions.

- The **FOMC Minutes** for the November 1-2nd meeting revealed a surprisingly dovish sentiment on the committee. The minutes indicate there is widespread agreement to slow the rate of interest rate hikes, a view championed by Fed Vice Chair Lael Brainard. It indicates that Fed Chair Jerome Powell belongs to the minority group that does not view the policy stance as clearly restrictive yet. Most participants seem to believe inflation has peaked ant that inflation expectations are well anchored. Powell is one of the most hawkish members of the committee, and the minutes show he likely had to work hard to get other members on board with the need to communicate a higher terminal rate.

- The Mortgage Bankers Association reported the **MBA index of mortgage applications** increased last week for the second straight week. The index increased 2.2% for the week ending November 18th, after gaining 2.7% the previous week. **Refinancing** applications climbed 1.8% to 373.6 last week from 367.1. **Home purchase mortgage applications** increased 2.8% to 174.4. Refinancing made up 28.4% of applications with an average loan size of $270,700, while purchases average loan size was $400,100. The **average contract rate** on a 30-year fixed-rate mortgage declined to 6.67% from 6.90% last week.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 4.45%, 3.86%, 3.68% and 3.73%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -59, -18, 5, and -72 basis points respectively.

Economic/Events Calendar

Tuesday	November 29	Sep FHFA House Price Index (-1.2%)	8:00 Central
		Sep S&P Corelogic CS 20-City Index (-1.2%)	8:00 Central
		Nov Conf Board Consumer Confidence (100.0)	9:00 Central
Wednesday	November 30	Nov 25th MBA Mortgage Applications	6:00 Central
		Nov ADP Employment Change (198k)	7:15 Central
		3rd Qtr Gross Domestic Product-2nd Est (2.8%)	7:30 Central
		3rd Qtr GDP Price Index-2nd Est (4.1%)	7:30 Central
		3rd Qtr Personal Consumption-2nd Est (1.6%)	7:30 Central
		Oct Goods Trade Balance (-$90.4b)	7:30 Central
		Oct Wholesale Inventories (0.5%)	7:30 Central
		Oct Retail Inventories (0.5%)	7:30 Central
		Oct Pending Home Sales (-5.3%)	9:00 Central
		Oct JOLTS Job Openings (10,200k)	9:00 Central
		US Federal Reserve Releases Beige Book	13:00 Central
Thursday	December 1	Nov 26th Initial Jobless Claims (235k)	7:30 Central
		Oct Personal Income (0.4%)	7:30 Central
		Oct Personal Spending (0.8%)	7:30 Central
		Oct PCE Deflator-YOY (6.0%)	7:30 Central
		Oct Construction Spending (-0.2%)	9:00 Central
		Nov ISM Manufacturing (49.8)	9:00 Central
Friday	December 2	Nov Chg in Nonfarm Payrolls (200k)	7:30 Central
		Nov Unemployment Rate (3.7%)	7:30 Central
		Nov Avg Hourly Earnings-YOY (4.6%)	7:30 Central
		Nov Labor Force Participation Rate (62.3%)	7:30 Central

Source: Bloomberg Finance L.P.