



July 11, 2022

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Economic Review

Mr. Clark has been in investment banking since 1983. He is a Chartered Financial Analyst. He has been a fixed income strategist at Stephens Inc. since 1996, developing investment strategies, policies and procedures for institutions consistent with overall asset/liability management. Mr. Clark is the risk manager for Fixed Income Sales and Trading, monitoring inventories, product, transactions and counterparty risk. He is also a member of Stephens Fixed Income Management, providing discretionary management services for institutional customers. He is a member of the American Institute of Certified Public Accountants and the CFA Institute.

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- The Labor Department reported that **initial jobless claims** climbed higher last week to their highest level since January 15th, despite being up only 4,000. The range so far this year has been very low, so while claims are now at a 6-month high, it is still at a level that indicates labor market strength. Claims are going to be very important to monitor over the coming weeks for signs the labor market conditions are taking a turn for the worse. Claims in regular state programs increased 4,000 to 235,000 for the week ending July 2nd, after reporting 231,000 initial claims the prior week. The four-week moving average climbed to 232,500 from 231,750 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, increased 51,000 to 1.375 million for the week ending June 25th.
- The Commerce Department reported that **factory orders** increased 1.6% in May after climbing 0.7% in April. **Factory orders ex transportation** increased 1.7% after gaining 0.6% in April. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft increased 0.6% in May after gaining 0.5% in April.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, declined in June, but remained above expectations. The index shows that momentum in the service sector is slowing, but it is not slowing as quickly as expected considering how much talk there has been of recession. This gauge of service providers accounts for 90% of the economy. The services index fell to 55.3 in June from 55.9 in May. A reading more than 50 indicates expansion in the services sector.
- The Labor Department reported that **job openings** edged lower in May, though remained near a record, indicating resilient demand for labor. Employment growth is slowing gradually, but that slowdown is driven more by supply constraints rather than demand weakness, which creates continued upside for wages. Job openings decreased by 427,000 in May to 11.254 million, from an upwardly revised 11.681 million in April. There are about 1.9 jobs for every unemployed person in May. The quits rate fell to 2.8% from 2.9% in the prior month, a four-month low.
- The **FOMC Minutes** for the June 14-15th meeting showed inflation concerns remain the primary concern to the Fed. The Committee stated "inflation remained much too high and observed that it continued to run well above the Committee's longer-run 2% objective, with total PCE prices having risen 6.3% over the 12 months ending in April." Members also noted that "overall economic activity appeared to have picked up after edging down in the first quarter. Job gains had been robust in recent months, and the unemployment rate had remained low."
- The Commerce Department reported the **trade deficit** narrowed in May for the second straight month. The deficit decreased to \$85.5 billion in May from a deficit of \$86.7 billion in April. **Exports** rose 1.2% to \$255.9 billion and **imports** gained 0.6% to \$341.4 billion.
- The Labor Department report indicated that employers hired at a pace that exceeded expectations in June. Hiring was broad based and led by leisure and hospitality, healthcare and professional services. The jobs report is composed of two surveys, one of employers and the other of households. The employer survey provides payroll and wage figures and the household survey determines jobless and participation rates. **Nonfarm payrolls** (employer survey) climbed 372,000 in June and the previous month was revised 6,000 lower than previously reported. The **unemployment rate** (household survey) remained unchanged at 3.60%. The **labor force participation rate** pulled back to 62.2% in June from 62.3% in May. The average hourly earnings increased to \$32.08 from \$31.98 the prior month. Weekly hours decreased to 34.5 in June from 34.6 in May.
- The Federal Reserve reported **consumer credit** increased less than expected in May as consumers pulled back on their use of credit cards. Consumer credit increased \$22.3 billion after gaining a downwardly revised \$36.8 billion in April. Credit card debt increased \$7.4 billion to \$1.112 trillion with auto and student loan debt increasing by \$14.9 billion to \$3.477 trillion. These figures are not adjusted for inflation.



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- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell last week after three weeks of gains. The index decreased 5.4% for the week ending July 1st, after gaining 0.7% the previous week. **Refinancing** applications decreased 7.7% to 670.3 from 726.1 the prior week. **Home purchase mortgage applications** decreased 4.3% to 232.6. The **average contract rate** on a 30-year fixed-rate mortgage decreased to 5.74% from 5.84% the prior week for a 30-year fixed rate loan.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 3.10%, 3.12%, 3.08% and 3.24%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 2, -4, 16, and 14 basis points respectively.

Economic/Events Calendar

Tuesday	July 12	Jun NFIB Small Business Optimism (92.5)	9:00 Central
Wednesday	July 13	Jul 8 th MBA Mortgage Applications	6:00 Central
		Jun Consumer Price Index (1.0%)	7:30 Central
		Jun Consumer Price Index-YOY (8.8%)	7:30 Central
		Jun CPI Ex Food & Energy (0.5%)	7:30 Central
		Jun CPI Ex Food & Energy-YOY (5.7%)	7:30 Central
		Jun Budget Statement (-\$75.0b)	13:00 Central
		US Federal Reserve Releases Beige Book	13:00 Central
Thursday	July 14	Jul 8 th Initial Jobless Claims (235k)	7:30 Central
		Jun Producer Price Index (0.8%)	7:30 Central
		Jun Producer Price Index-YOY (10.6%)	7:30 Central
		Jun PPI Ex Food & Energy (0.5%)	7:30 Central
		Jun PPI Ex Food & Energy-YOY (8.1%)	7:30 Central
Friday	July 15	Jul Empire Manufacturing (-1.8)	7:30 Central
		Jun Retail Sales (0.9%)	7:30 Central
		Jun Retail Sales Ex Auto & Gas (0.2%)	7:30 Central
		Jun Import Price Index (0.7%)	7:30 Central
		Jun Import Price Index-YOY (11.4%)	7:30 Central
		Jun Import Price Index Ex Petroleum (0.2%)	7:30 Central
		Jun Industrial Production (0.1%)	8:15 Central
		Jun Capacity Utilization (80.7%)	8:15 Central
		May Business Inventories (1.3%)	9:00 Central
		Jul University of Michigan Sentiment (50.0)	9:00 Central

Source: Bloomberg Finance L.P.

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