

June 13, 2022

Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** increased more than expected last week, which included the Memorial Day weekend. Much of the increase appears to be related to seasonal adjustments to account for the holiday. Claims in regular state programs increased 27,000 to 229,000 for the week ending June 4th, after reporting 202,000 initial claims the prior week. The four-week moving average climbed to 215,000 from 207,000 the prior week. The total number of people continuing to receive regular ongoing state benefits, a report which is lagged one week, remained unchanged at 1.306 million for the week ending May 28th.
- The Commerce Department reported the **trade deficit** pulled back in April after surging in March. The deficit decreased to \$87.1 billion in April from a deficit of \$107.7 billion in March. **Exports** rose 3.5% to \$252.6 billion and **imports** fell 3.4% to \$339.7 billion.
- The Federal Reserve reported **consumer credit** surged again in April after a record increase in March. Consumers borrowed heavily with credit card purchases as well as loans for autos and student loans. Consumer credit increased \$38.1 billion after gaining a downwardly revised \$47.3 billion in March. Credit card debt increased \$17.8 billion to \$1.103 trillion with auto and student loan debt increasing by \$20.3 billion to \$3.464 trillion. These figures are not adjusted for inflation.
- The Commerce Department reported **wholesale inventories** rose 2.2% in April to \$843.6 billion after gaining 2.7% in March. Year-on-year wholesale inventories have gained 24.0%. **Wholesale sales** increased 0.7% in April after gaining 1.8% in March, with year-on-year sales up 20.9%. The ratio of inventory to sales increased to 1.25 from 1.23 in March.
- The Labor Department reported the **consumer price index** surged again in May, driven by an upside surprise of its more sticky components. Most notably, rents and OER both increased by 0.6% month-on-month. This is the largest monthly increase for OER since 1990. Food inflation also accelerated by 1.2%, which is the largest increase since April 2020. The data from the report dashed any hopes that easing supply chain issues will make inflation go away. The index gained 1.0% in May after gaining 0.3% the prior month. The year-on-year change in consumer prices is 8.6% in May. Service prices gained 0.8% in May after climbing 0.8% in April. Prices of commodity based manufactured goods gained 1.3% in May after dropping 0.3% the prior month. The **core CPI**, which excludes volatile food and energy prices, gained 0.6% in May after climbing 0.6% the prior month. The year-on-year change in core CPI is 6.0%.
- The **University of Michigan's preliminary index of consumer sentiment** dropped to its lowest level ever, surpassing even levels hit during the Global Financial Crisis and the Volcker inflation shock. Pent up demand after years of COVID related restrictions and healthy household balance sheets should support consumption in the near term, but the plunge in sentiment highlights the risk of a recession. The index decreased to 50.2 in June from a 58.4 reading in May. **The index** of current conditions decreased to 55.4 from 63.3 the prior month while the **index of expectations** dropped to 46.8 from 55.2.
- The Treasury Department reported a **budget deficit** of \$66.2 billion for the month of May with the government collecting \$389.0 billion and spending \$455.2 billion. This compares to a deficit of \$132.0 billion a year earlier. The current year-to-date deficit as of May is \$426.2 billion versus \$2,064 billion last year.

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- The Mortgage Bankers Association reported the **MBA index of mortgage applications** declined again last week. The index decreased 6.5% for the week ending June 3rd, after dropping 2.3% the previous week. **Refinancing applications** decreased 5.6% to 709.5 from 751.6 the prior week. **Home purchase mortgage applications** decreased 7.1% to 208.2. The **average contract rate** on a 30-year fixed-rate mortgage increased to 5.40% from 5.33% the prior week for a 30-year fixed rate loan.

Bond Market Review

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities were 3.06%, 3.26%, 3.16%, and 3.19%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 20, -10, 3, and 13 basis points respectively.

Economic/Events Calendar

Tuesday	June 14	May NFIB Small Business Optimism (93.0)	5:00 Central
		May Producer Price Index (0.8%)	7:30 Central
		May Producer Price Index-YOY (10.9%)	7:30 Central
		May PPI Ex Food & Energy (0.6%)	7:30 Central
		May PPI Ex Food & Energy-YOY (8.6%)	7:30 Central
Wednesday	June 15	Jun 10th MBA Mortgage Applications	6:00 Central
		Jun Empire Manufacturing (2.5)	7:30 Central
		May Retail Sales (0.1%)	7:30 Central
		May Retail Sales Ex Auto & Gas (0.4%)	7:30 Central
		May Import Price Index (1.1%)	7:30 Central
		May Import Price Index-YOY (11.9%)	7:30 Central
		May Import Price Index ex Petroleum (0.6%)	7:30 Central
		Apr Business Inventories (1.2%)	9:00 Central
		Jun NAHB Housing Market Index (67)	9:00 Central
		FOMC Rate Decision (1.25%-1.50%)	13:00 Central
		Interest on Reserve Balances (1.40%)	13:00 Central
Thursday	June 16	Jun 11th Initial Jobless Claims (218k)	7:30 Central
		May Housing Starts (1,700k)	7:30 Central
		May Building Permits (1,780k)	7:30 Central
Friday	June 17	May Industrial Production (0.4%)	8:15 Central
		May Capacity Utilization (79.2%)	8:15 Central
		May Leading Index (-0.4%)	9:00 Central

Source: Bloomberg Finance L.P.

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