

June 27, 2022

Financial Services Group

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Economic Review

- The Labor Department reported that **initial jobless claims** edged lower last week, indicating labor may be softening a bit but remaining near a level that is consistent with a strong labor market. Claims in regular state programs decreased 2,000 to 229,000 for the week ending June 18th, after reporting 231,000 initial claims the prior week. The four-week moving average climbed to 223,500 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 5,000 to 1.315 million for the week ending June 11th.
- The Federal Reserve Bank of Chicago reported the pace of U.S. economic activity was little changed in May from the prior month. The **Chicago Fed National index**, which draws on 85 economic indicators, was positive 0.01 in May after reporting a positive 0.40 in April. A reading above zero indicates above-trend-growth in the national economy.
- The National Association of Realtors reported that **existing home sales** fell in May for the fourth straight month to its slowest pace since June of 2020. The limited supply of properties, rising mortgage rates and high prices lowered buyer's incentive to purchase. Contract closing, which usually occur a month or two after a contract is signed decreased 3.4% in May to a 5.41 million pace after dropping 2.6% in April. The median selling price increased to \$407,600 from \$395,500 in April.
- The Commerce Department reported a **current-account deficit** of \$291.4 billion during the first quarter of 2022. This is a larger deficit than the \$224.8 billion in the fourth quarter. The current account is considered the broadest measure of international trade, covering goods and services as well as income payments and government transfers.
- The University of **Michigan's final index of consumer sentiment** decreased in June to its lowest level on record as consumers grow more concerned about inflation and supply dislocations such as baby formula. The gauge of consumer confidence decreased to 50.0 in June from an earlier estimate of 50.2. This is a decrease from the 58.4 reading in May. The **index of current conditions** fell to 53.8 from 63.3 the prior month while the **index of expectations** dropped to 47.5 from 55.2 the prior month.
- The Commerce Department reported sales of new homes unexpectedly increased in May, the first gain this year. Rising mortgage rates and growing affordability concerns have limited buyers since the start of the year. The gain may reflect buyers continued desire for a new home as well as some buyers locking in their mortgage rate in anticipation of even higher borrowing costs. **New home sales** climbed 10.7% to a 696,000 annualized pace in May after reporting an upwardly revised 629,000 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.

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- The Mortgage Bankers Association reported the **MBA index of mortgage applications** rose last week for the second straight week. The index increased 4.2% for the week ending June 17th, after gaining 6.6% the previous week. **Refinancing** applications decreased 3.1% to 712.7 from 735.5 the prior week. **Home purchase mortgage applications** increased 7.9% to 242.8. The **average contract rate** on a 30-year fixed-rate mortgage increased to 5.98% from 5.65% 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 3.06%, 3.19%, 3.13%, and 3.26%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 13, -6, 13, and 20 basis points respectively.

Economic/Events Calendar

Monday	June 27	May Durable Goods Orders(0.1%)	7:30 Central
		May Durables Ex Transportation (0.3%)	7:30 Central
		May Cap Goods Orders Nondef Ex Air (0.2%)	7:30 Central
		May Pending Home Sales(-4.0%)	9:00 Central
Tuesday	June 28	May Advance Goods Trade Balance (-\$105.4b)	7:30 Central
		May Wholesale Inventories(2.2%)	7:30 Central
		May Retail Inventories(1.6%)	7:30 Central
		Apr FHFA House Price Index(1.6%)	8:00 Central
		Apr S&P CoreLogic CS 20-City Index (1.85%)	8:00 Central
		Jun Conf Board Consumer Confidence (100.0)	9:00 Central
Wednesday	June 29	Jun 24th MBA Mortgage Applications	6:00 Central
		1st Qtr Gross Domestic Product-3rd Est (-1.5%)	7:30 Central
		1st Qtr GDP Price Index-3rd Est (8.1%)	7:30 Central
		1st Qtr Personal Consumption-3rd Est (3.1%)	7:30 Central
Thursday	June 30	Jun 25th Initial Jobless Claims (230k)	7:30 Central
		May Personal Income(0.5%)	7:30 Central
		May Personal Spending(0.4%)	7:30 Central
		May PCE Deflator(0.7%)	7:30 Central
Friday	July 1	May Construction Spending(0.4%)	9:00 Central
		Jun ISM Manufacturing(54.9)	9:00 Central

Source: Bloomberg Finance L.P.

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