

July 25, 2022 Financial Services Group

Author:



Troy Clark, CFA
Senior VP

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.

tclark@stephens.com

Stephens Inc.
111 Center Street
Little Rock, AR 72201

501.377.6314
800.809.2016

www.stephens.com

Member NYSE, SIPC

Economic Review

- The Labor Department reported that **initial jobless claims** climbed last week to their highest level since November 13, 2021. The gain signals that labor market conditions may be cooling, although they are still at a healthy level. In recent weeks, tech companies including giants like Alphabet Inc., Google, Apple Inc., Meta Platforms Inc. and Microsoft Corp have said they will slow hiring due to global uncertainty. Claims in regular state programs increased 7,000 to 251,000 for the week ending July 16th, after reporting 244,000 initial claims the prior week. The increases in claims this week was heavily concentrated in Massachusetts with a gain of 14,100. The four-week moving average climbed to 240,500 from 236,000 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 1.384 million for the week ending July 9th.
- The **National Association of Home Builders/Wells Fargo** reported housing sentiment dropped to its lowest level since April of 2020. Builders are getting more pessimistic as the cost to build a house meet the limits of housing affordability. The cost of financing, construction and the land continues to escalate, amid challenges with supply bottlenecks and high inflation. The index of builder sentiment fell to 55 in July from 67 last month, the seventh straight decline.
- The Commerce Department reported that **housing starts** continued to decline in June, falling to its lowest level since September. The drop was driven by a decline in single-family homebuilding. A sharp rise in mortgage rates has pushed home affordability out of reach of many and slowed demand. Housing starts fell 2.0% in June to a 1,559,000 annualized rate following April's 1,591,000 pace. Single-family starts retreated 8.1% in June with multi-family starts increasing 10.3%. **Building permits**, a gauge of future construction, fell 0.6% in June to a 1,685,000 pace.
- The National Association of Realtors reported that **existing home sales** fell in June for the fifth straight month to its slowest pace since June of 2020. The combination of sharply higher mortgage rates and higher home prices in such a short time period is turning back potential homebuyers. Contract closing, which usually occur a month or two after a contract is signed decreased 5.4% in June to a 5.12 million pace after dropping 3.4% in May. The median selling price increased to \$416,000 from \$408,400 in May.
- The Conference Board reported the **index of leading economic indicators** declined 0.8% in June, the fourth straight drop. The loss was led by a decline in consumer expectations, a drop in the average workweek, jobless claims, stock prices falling and a drop in ISM New Orders. The index of U.S. leading indicators is a gauge of the economic outlook for the next three to six months. The **coincident index**, a gauge of current economic activity, climbed 0.2% in June after gaining 0.2% in May.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell last week for the third consecutive week and to its lowest level since February of 2020. The index decreased 6.3% for the week ending July 15th, after dropping 1.7% the previous week. **Refinancing applications** decreased 4.3% to 655.7 from 685.3 the prior week. **Home purchase mortgage applications** decreased 7.3% to 208.0. Refinancing made up 31.4% of applications with an average loan size of \$276,500, while purchases average loan size was \$406,600. The **average contract rate** on a 30-year fixed-rate mortgage climbed to 5.82% from 5.74% last week.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities were 2.97%, 2.84%, 2.75% and 2.95%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at -13, -9, 20, and -2 basis points respectively.

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Economic/Events Calendar

Monday	July 25	Jun Chicago Fed Nat Activity Index (0.0)	7:30 Central
Tuesday	July 26	May FHFA House Price index (1.5%)	8:00 Central
		May S&P CoreLogic CS 20-City Index (1.50%)	8:00 Central
		Jul Conf Board Consumer Confidence (96.5)	9:00 Central
		Jun New Home Sales (664k)	9:00 Central
Wednesday	July 27	Jul 22 nd MBA Mortgage Applications	6:00 Central
		Jun Advance Goods Trade Balance (-\$103.2b)	7:30 Central
		Jun Durable Goods Orders (-0.4%)	7:30 Central
		Jun Durables Ex Transportation (0.2%)	7:30 Central
		Jun Cap Goods Orders Nondef Ex Air (0.2%)	7:30 Central
		Jun Wholesale Inventories (1.5%)	7:30 Central
		Jun Retail Inventories (1.2%)	7:30 Central
		Jun Pending Home Sales (-1.0%)	9:00 Central
		FOMC Rate Decision (2.25% - 2.50%)	13:00 Central
		Interest on Reserve Balances (2.40%)	13:00 Central
Thursday	July 28	Jul 23 rd Initial Jobless Claims (255k)	7:30 Central
		2 nd Qtr Gross Domestic Product (0.4%)	7:30 Central
		2 nd Qtr GDP Price Index (7.7%)	7:30 Central
		2 nd Qtr Personal Consumption (1.2%)	7:30 Central
Friday	July 29	2 nd Qtr Employment Cost Index (1.2%)	7:30 Central
		Jun Personal Income (0.5%)	7:30 Central
		Jun Personal Spending (0.9%)	7:30 Central
		Jun PCE Deflator-YOY (6.7%)	7:30 Central
		Jul University of Michigan Sentiment (51.1)	9:00 Central

Source: Bloomberg Finance L.P.

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