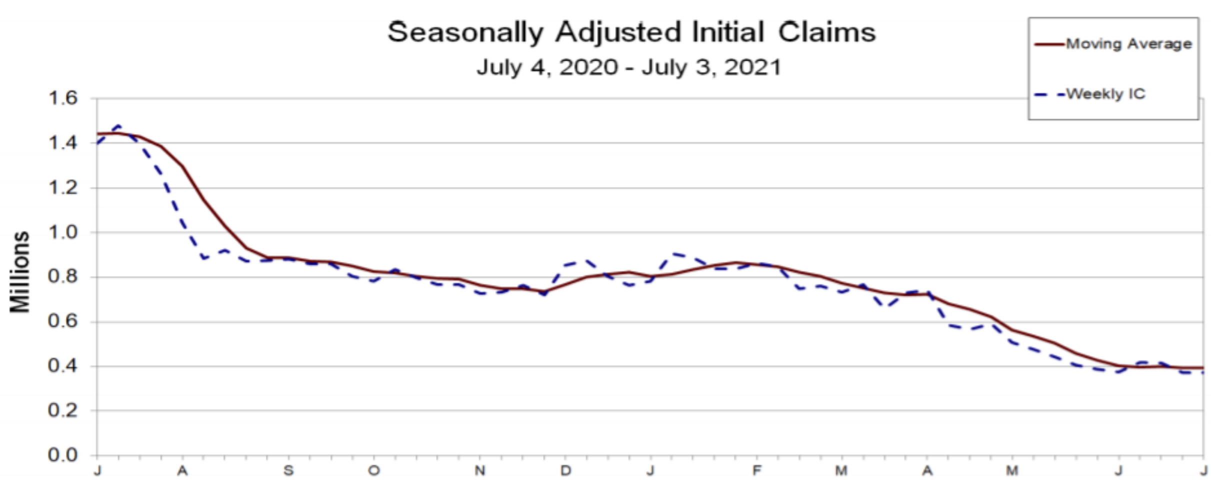
Economic Update, July 9, 2021
Submitted by Kevin Vanzant

Summary: In a light week for new economic data, the biggest financial news of the week was the brief dip in the 10-year treasury yield to its lowest levels since February, a possible warning sign for some that the pace of the economic recovery could be slowing or even at risk of regressing. In line with some of these concerns, the Federal Reserve's Open Market Committee released the minutes from their June meeting, where they noted the growth in the US economy, which some individual members admitted had been faster than expected, but maintained that the Fed's "substantial further progress" benchmark to tighten monetary policy had not yet been met and that there were still many uncertainties for the economy going forward. In labor market news, first time jobless claims increased slightly last week to 373,000 nationally. Job openings for the month of May were little changed at 9.2 million; however, the vacancies-to-jobless ratio has now recovered to pre-pandemic levels when the unemployment rate was at a 50-year low. Inventories at US wholesalers were also up in May by 1.3 percent, a sharp increase as businesses rushed to meet a rise in consumer demand. The housing market showed some signs of stress last week, as mortgage applications decreased by 1.8 percent, falling to the lowest level since the beginning of 2020.

Federal Government Indicators and Reports

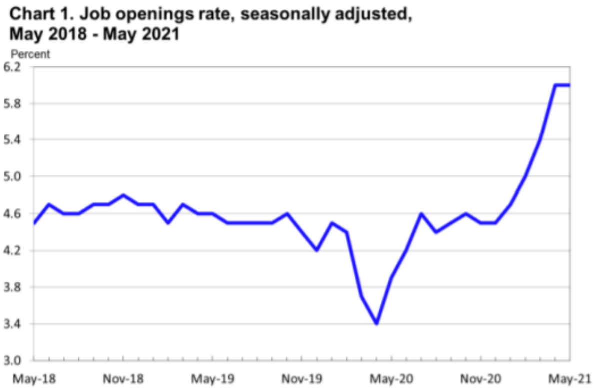
Department of Labor

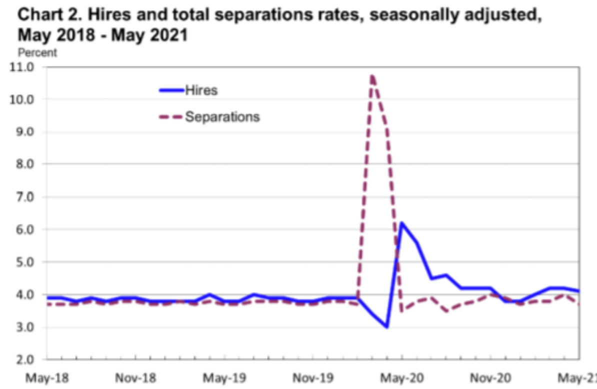
Thursday, Unemployment Insurance Weekly Claims: "In the week ending July 3, the advance figure for seasonally adjusted initial claims was 373,000, an increase of 2,000 from the previous week's revised level. . . . The 4-week moving average was 394,500, a decrease of 250 from the previous week's revised average. This is the lowest level for this average since March 14, 2020 when it was 225,500." There were 6,497 initial claims in Tennessee for the week ending July 3, an increase of 1,311 from the week prior.



Bureau of Labor Statistics

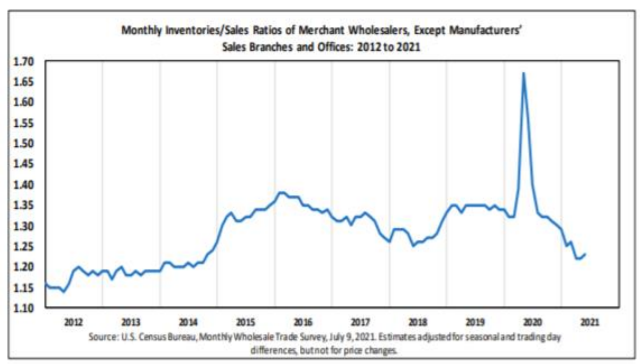
Wednesday, Job Openings and Labor Turnover (JOLTs): "The number of job openings was little changed at 9.2 million on the last business day of May. . . . Hires were little changed at 5.9 million. Total separations decreased to 5.3 million. Within separations, the quits rate decreased to 2.5 percent. The layoffs and discharges rate, while little changed over the month, hit a series low of 0.9 percent."





Census Bureau

Friday, Wholesale Inventories: "May 2021 sales of merchant wholesalers . . . were $576.5 billion, up 0.8 percent from the revised April level and were up 36.8 percent from the revised May 2020 level. . . . Total inventories of merchant wholesalers . . . were $709.8 billion at the end of May, up 1.3 percent from the revised April level. Total inventories were up 8.2 percent from the revised May 2020 level."



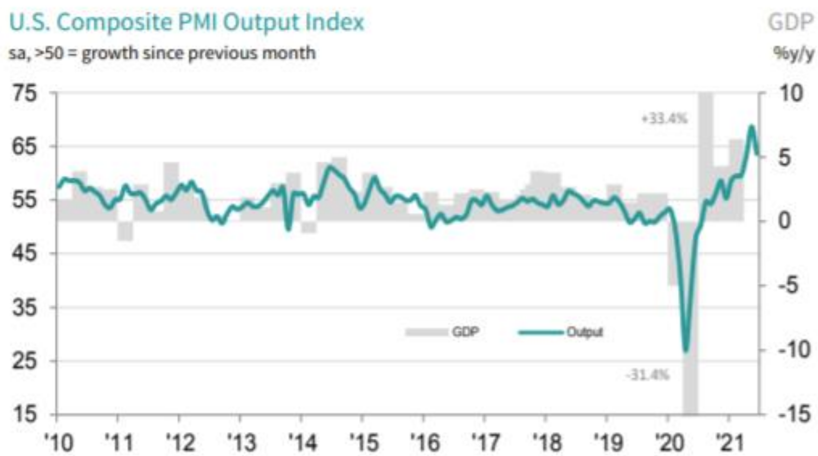
Federal Reserve Board and Federal Open Market Committee

Wednesday, Minutes of Committee Meeting held June 15-16, 2021: "Participants generally agreed that the economic recovery was incomplete and that risks to the economic outlook remained. Although inflation had risen more than anticipated, the increase was seen as largely reflecting temporary factors, and participants expected inflation to decline toward the Committee's 2 percent longer-run objective. Participants judged that the current stance of monetary policy and policy guidance remained appropriate to promote maximum employment as well as to achieve inflation that averages 2 percent over time and longer-term inflation expectations that are well anchored at 2 percent."

Economic Indicators and Confidence

IHS Markit

Tuesday, [US Composite PMI](): The index was at "63.7 in June, down from May's recent high of 68.7. The overall upturn eased following slower output expansions across both the manufacturing and service sectors. Nonetheless, the rate of growth in activity was substantial and the second-fastest on record."

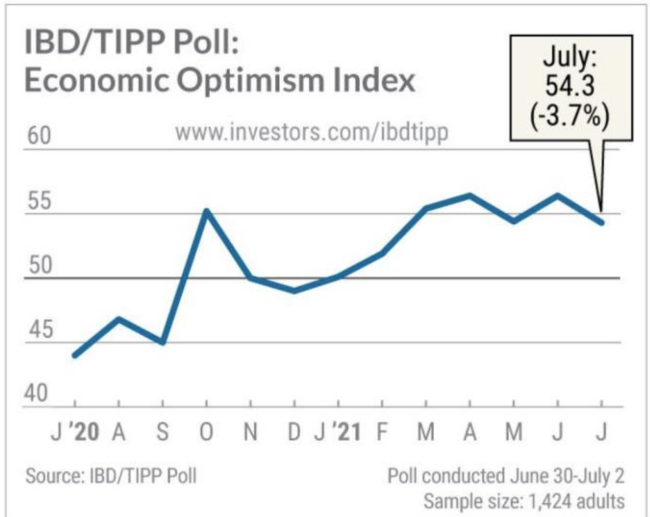


Institute of Supply Management (ISM)

Tuesday, [Services PMI](): "The Services PMI registered 60.1 percent, which is 3.9 percentage points lower than May's all-time high reading of 64 percent. The June reading indicates the 13th straight month of growth for the services sector, which has expanded for all but two of the last 137 months."

Investor's Business Daily

Wednesday, [IBD/Tipp Economic Optimism Index](): "The IBD/TIPP Economic Optimism Index, an early monthly read on consumer confidence, slipped 2.1 points to 54.3 in July, the lowest since February. Readings above the neutral 50 level reflect optimism. . . . The IBD/TIPP Economic Optimism Index is a composite of three major subindexes. . . . The six-month outlook for the US economy fell 4.8 points to a five-month-low 50.8. . . . The personal finances subindex rose 2.4 points to 59.7, highest of the COVID era. . . . The federal policies subindex fell 4 points to 52.4."



<u>Mortgages and Housing Markets</u>

Mortgage Bankers Association

Wednesday, [Mortgage Applications](): "Mortgage applications decreased 1.8 percent from one week earlier . . . for the week ending July 2, 2021. . . . 'Mortgage application activity fell for the second week in a row, reaching the lowest level since the beginning of 2020. Even as mortgage rates declined, with the 30-year fixed rate dropping 5 basis points to 3.15 percent, both purchase and refinance applications decreased,' said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. . . . 'Swift home-price growth across much of the country, driven by insufficient housing supply, is weighing on the purchase market and is pushing average loan amounts higher.'"