Reviewing a Flood of Stale Data

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Admittedly, events in Ukraine continue to direct the financial markets. Economic releases (especially the stale ones) come with an asterisk attached as war has abruptly reconfigured the global outlook. That being said, recent economic data continues to raise eyebrows.

This morning, the February Job Openings and Labor Turnover Survey (JOLTS) showed 11.3 million job openings, the third straight month over the 11 million mark. This is still extraordinary; a year ago, the survey had indicated 7.86 million openings. *There are now 1.8 jobs for every American actively seeking work. By comparison, in July 2009, when the country was emerging from "the Great Recession," there were six unemployed workers for each open position.*

Within JOLTS, the "quits rate" actually slipped from 2.8% to 2.3% last month, and has now declined considerably from a record 3.5% rate six months ago. This probably reflects the retreat of new COVID cases and a corresponding rise in confidence among service workers. Last week, initial jobless claims totaled just 187k for the week ending March 19th, the lowest level in 57 years. *Employers can't afford to lay off workers.*

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The U.S. trade gap declined slightly from a record high of $107.6 to $106.6 billion in February. Two years ago, before the pandemic set in, the deficit was $62.5 billion. In the simplest of terms, American demand for goods has skyrocketed, and since most products aren't manufactured here, they have to be imported. In February, imports actually rose by just +0.3%, the smallest increase in seven months due in large part to reduced inbound auto shipments. According to Bloomberg, some of this may be related to protesting Canadian truckers. Exports climbed +1.2% in February and are now back within a percentage point of the record high from last October.

The S&P CoreLogic Case-Shiller 20-City home price index rose by +19.1% year-over-year in January, an unwelcomed increase which disrupted a very gradual decline from a record +20% last July. Phoenix (+32.5%), Tampa (+30.8%), Miami (+28.1%) and Dallas (+27.3%) showed the largest increases. On a related note, new, existing and pending home sales all slipped in February. With home prices elevated and mortgage rates climbing, affordability has become a bigger issue. There's little near-term relief expected on this front.

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Wholesale inventories climbed by +2.1% during the month, while retail inventories rose +1.1%. This is good news as inventories continue to build early in the first quarter, although the conflict in Ukraine and virus-related lockdowns in China present challenges going forward.

Please see disclosure starting on page 2.

The data on the whole appears strong enough to support more aggressive Fed rate hikes, although most of the releases don't reflect the war in Ukrainian. *Not yet anyway*. This will likely change as the conflict stretches out. It's critical that the Fed tightens policy while slack exists. If and when growth turns negative, tightening will be significantly more painful.

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Market Indications as of 12:47 P.M. Central Time

DOW	Up 148 to 35,104 (HIGH: 36,800)
NASDAQ	Up 199 to 14,554 (HIGH: 16,057)
S&P 500	Up 22 to 4,598 (HIGH: 4,797)
1-Yr T-bill	current yield 1.66%; opening yield 1.63%
2-Yr T-note	current yield 2.39%; opening yield 2.35%
3-Yr T-note	current yield 2.55%; opening yield 2.55%
5-Yr T-note	current yield 2.50%; opening yield 2.53%
10-Yr T-note	current yield 2.40%; opening yield 2.44%
30-Yr T-bond	current yield 2.50%; opening yield 2.52%