

## Economic News Scraps from a Light Week

Wednesday's consumer price index (CPI) report was probably the highpoint of an otherwise lame week for economic data...and even that was a nonevent as prices remained well behaved. Initial jobless claims continued to show improvement, with filings for first-time state unemployment benefits dropping from 812k to 793k in the first week of February. This level is still considerably higher than pre-pandemic...but heading in the right direction. On a related labor note, the Job Openings and Labor Turnover (JOLT) survey showed job openings rose to five-month high in December as employers were encouraged by vaccine progress. The "quits rate," representing voluntary job departures, climbed to the highest level in almost a year. This particular rate reflects labor market confidence, as voluntary quitting indicates an expectation that alternate jobs might be available.

The vaccine rollout is making encouraging progress with the U.S. now above 1.5 million shots per day. The number of daily new virus cases in the U.S. has dropped sharply over the past month, from a January high of 295k to 103k yesterday. Hospitalizations are slowing day-by-day, with yesterday's total (Covid Tracking Project data) at 74k, well below the pandemic high point of 132k from a month ago. However, the CDC has warned that the more contagious U.K variant (representing less than 4% of cases on Monday) could become the dominant strain in the U.S. as soon as March. The current roster of vaccines appear to be effective against the variant.

The February Bloomberg economic survey was released this morning. The GDP forecasts among the 76 economists surveyed showed a wide range of opinion, but generally stronger overall growth expectations than in the previous survey. A very small number of economists expect negative Q1 2021 (QoQ annualized) growth, but the median Q1 forecast climbed from +2.3% to +3.2%, Q2 from +4.0% to 5.6% and Q3 from +4.6% to +6.2%. These same economists believe the yield curve will steepen and market yields on the intermediate-to-long end of the maturity curve will creep gradually higher over the next eight quarters as day-to-day life normalizes and the economy strengthens. Despite expectations for solid growth and a steepening yield curve, the February survey doesn't point to a Fed rate hike for at least another two years. Fed officials have indicated their top priority is job growth, and are unlikely to consider tightening monetary policy until payrolls return to their pre-pandemic levels.

The inflation question lingers and will probably make headlines in a few months, but the Bloomberg survey indicates most economists (like the Fed) expect price pressures to rise sharply in Q1 and Q2 due to the year-over-year "base effect," before receding later in 2021.

Stocks are up for the week, but mixed on the day, although it's been a surprising strong earnings season so far with an estimated 80% of S&P500 companies beating earnings expectations.

Bonds yields have been mostly unchanged on the week.

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## Market Indications as of 1:30 P.M. Central Time

DOW	Down 63 to 31,367 (HIGH: 31,437)
NASDAQ	Up 2 to 14,027 (NEW HIGH)
S&P 500	Up 1 to 3,917 (NEW HIGH)
1-Yr T-bill	current yield 0.06%; opening yield 0.07%
2-Yr T-note	current yield 0.11%; opening yield 0.12%
5-Yr T-note	current yield 0.48%; opening yield 0.46%
10-Yr T-note	current yield 1.20%; opening yield 1.16%
30-Yr T-bond	current yield 2.00%; opening yield 1.95%

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