



FHLBank
Chicago

Weekly Market Update

James Hotchkiss | September 16, 2021



DISCUSSION TOPICS

- Weekly Interest Rate Comparisons
- Economic Data Releases
- CPI
- Beige Book
- Preview of the Coming Week
- Q and A

Weekly Interest Rate Comparisons

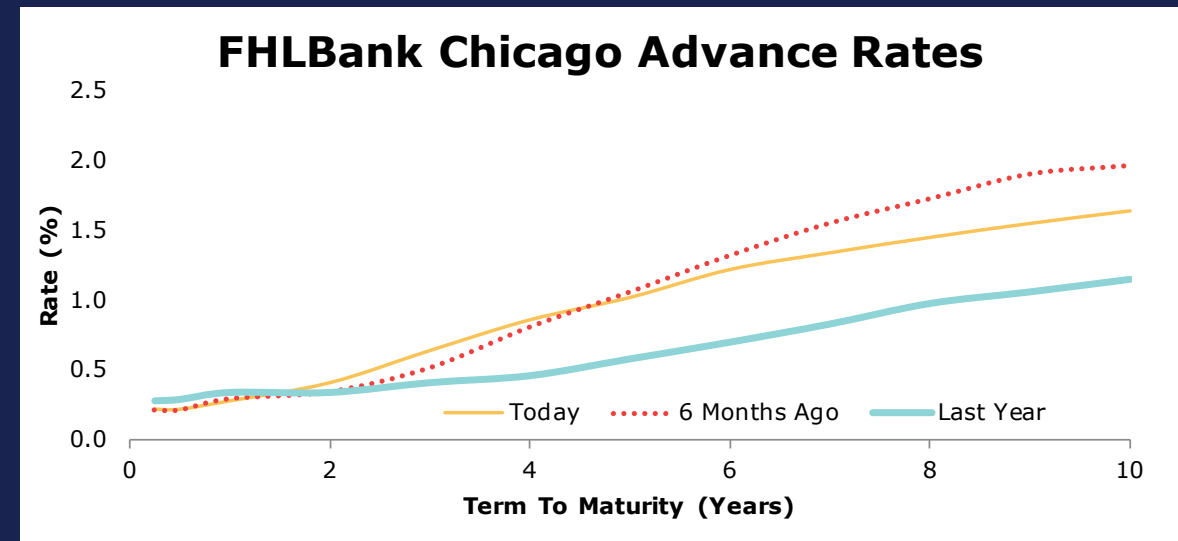
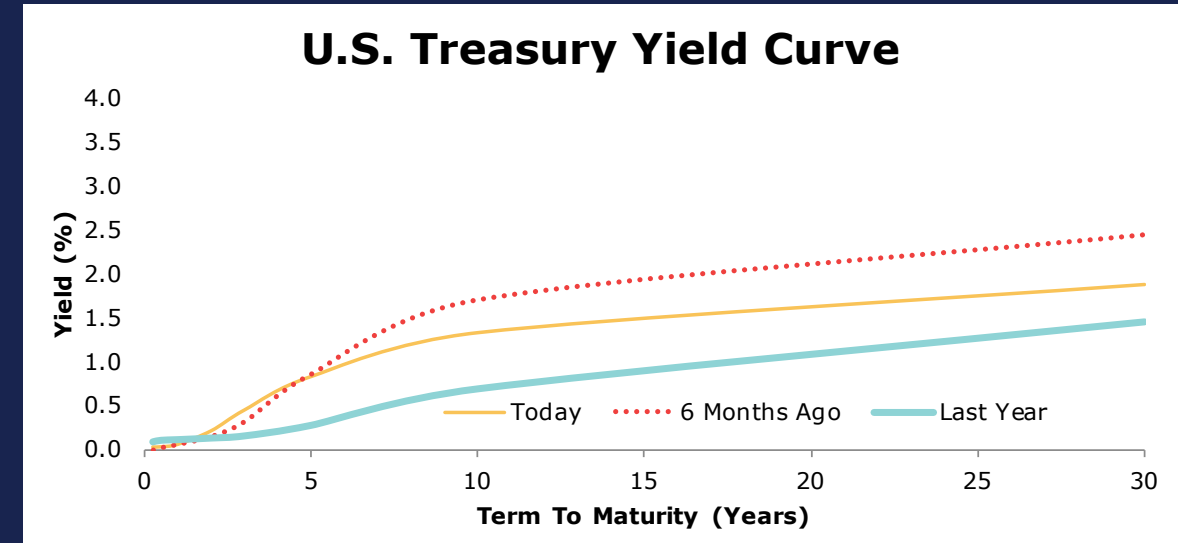
U.S. Treasury Yields

	9/16/21	9/9/21
3 mo	0.04%	0.04%
2 yr	0.22%	0.22%
5 yr	0.84%	0.80%
10 yr	1.34%	1.33%

FHLBank Chicago Advance Rates

	9/16/21	9/9/21
3 mo	0.22%	0.22%
2 yr	0.41%	0.40%
5 yr	1.02%	0.98%
10 yr	1.64%	1.63%

Source: U.S. Treasury, FHLBank Chicago



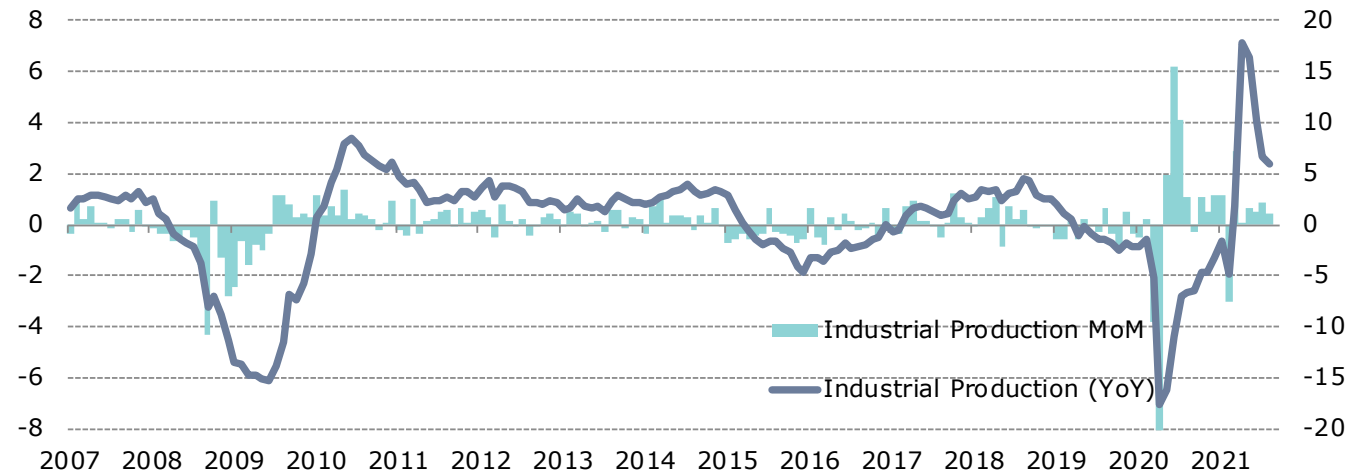


Economic Data Releases

Industrial Production

August: 0.4% vs. July: 0.8%

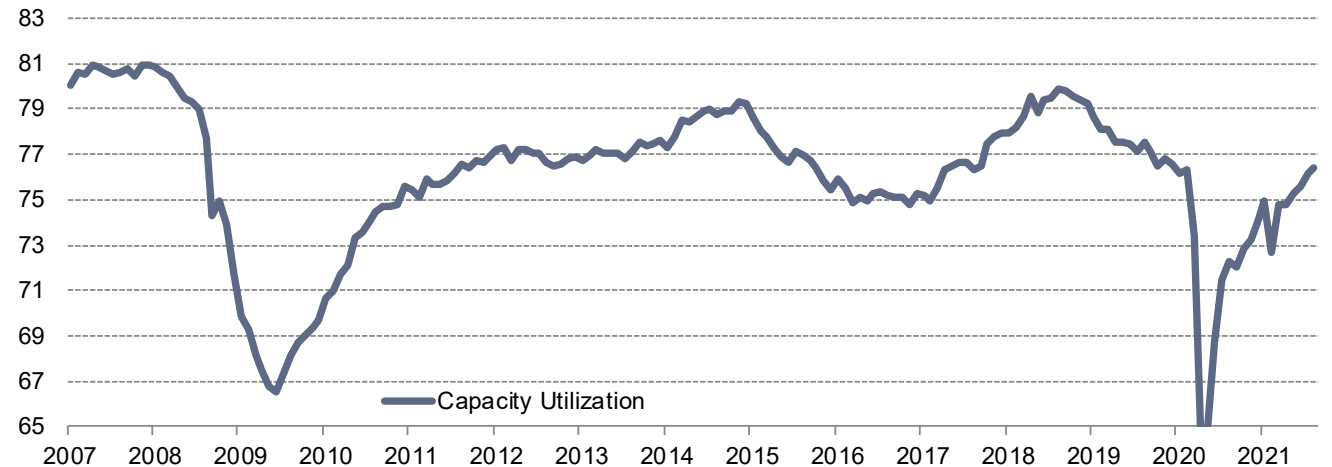
Rose 0.4% in August, slightly below expectations of a 0.5% increase. The Fed is citing Hurricane Ida as a negative factor that held down production by 0.3%, resulting in mining falling 0.6% and utilities output rising 3.3%. Nonetheless, overall manufacturing output rose 0.2%.



Capacity Utilization

August: 76.4% vs. July: 76.1%

Increased 0.2 percentage point to 76.4% in August, meeting expectations. Capacity utilization is currently 3.2 percentage points below its long-run (1972–2020) average.

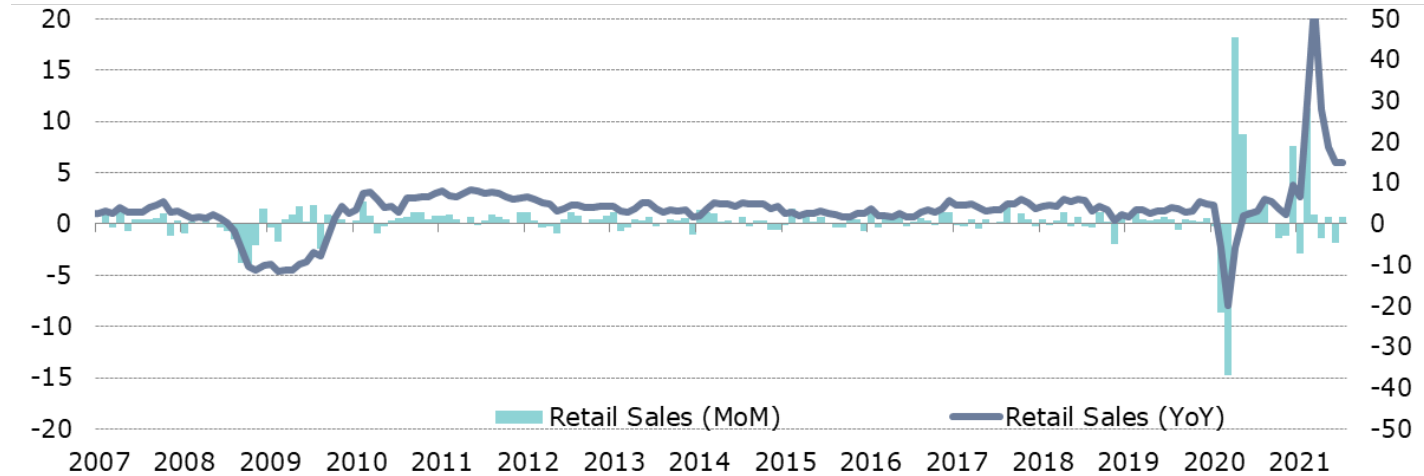


Retail Sales

August: 0.7% vs. July: -1.8%

Retail sales increased 0.7% in August, compared to a 1.8% decrease in the previous month. As a result, the year-over-year growth increased to 15.1% in August.

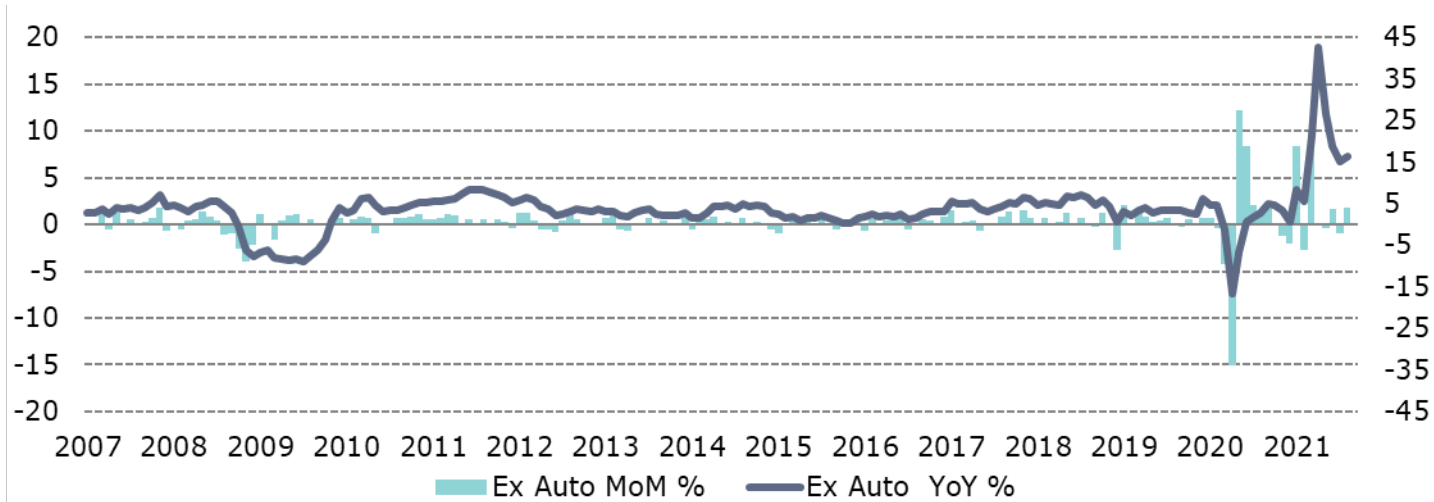
Total sales for the June 2021 through August 2021 period were up 16.3% from the same period a year ago.



Core Retail Sales

August: 1.8% vs. July: -0.4%

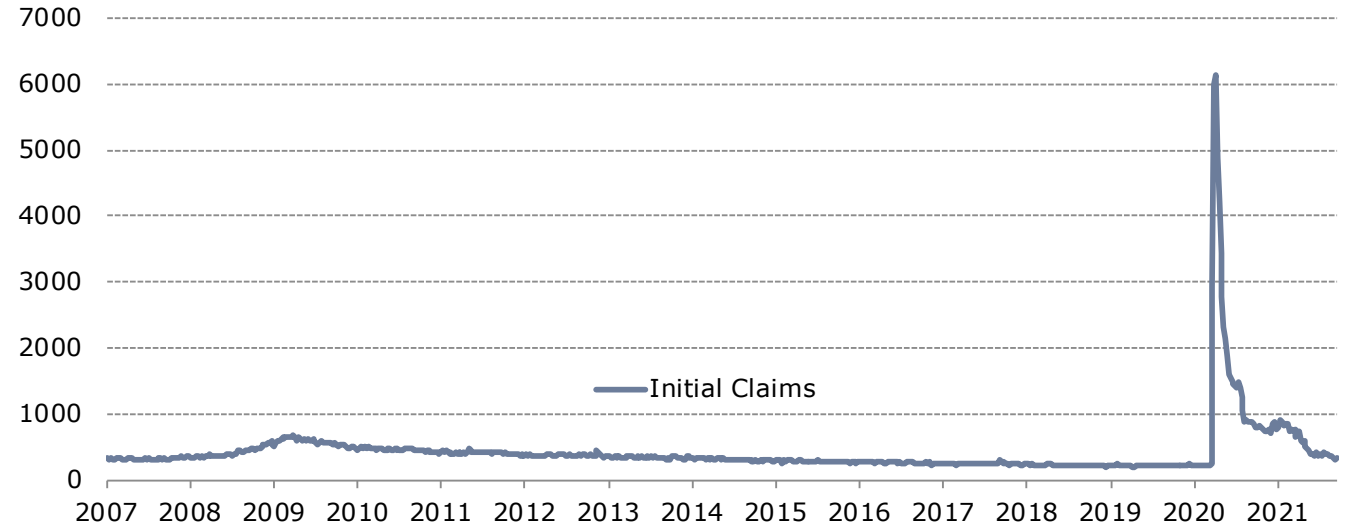
Excluding autos, retail sales rose 1.8% in August. Year-over-year, retail sales excluding autos increased 16.2%.



Initial Jobless Claims

September 11: 332K vs. September 4: 310K

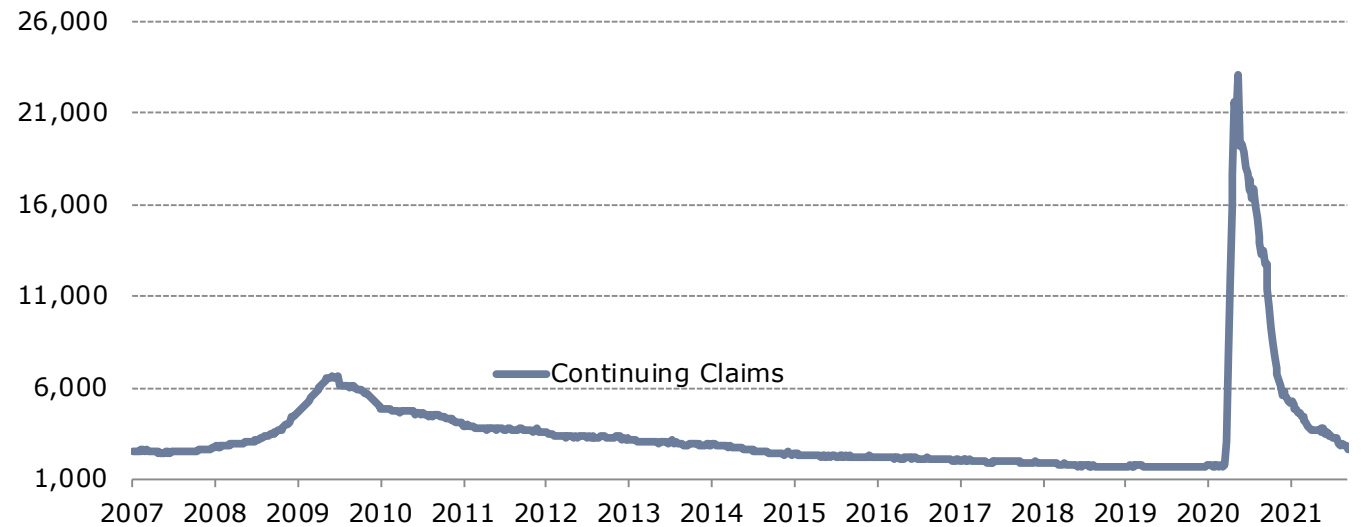
Increased by 20K to 332K in the week ending September 11. The previous week was upwardly revised by 2K from 310K to 312K. As a result, the 4-week moving average decreased by 4.25K to 335.75K from the previous week's revised level of 340K. This is the lowest level for this average since March 14, 2020.



Continuing Claims

September 4: 2,665K vs. August 28: 2,783K

Decreased by 187K to 2,665K in the week ending September 4, the lowest level for insured unemployment since March 14, 2020. The prior week's level was upwardly revised by 69K to 2,852K. As a result of this week's reading, the 4-week moving average decreased by 50K to 2,807.5K. The insured unemployment rate fell by 0.2% to 1.9%.



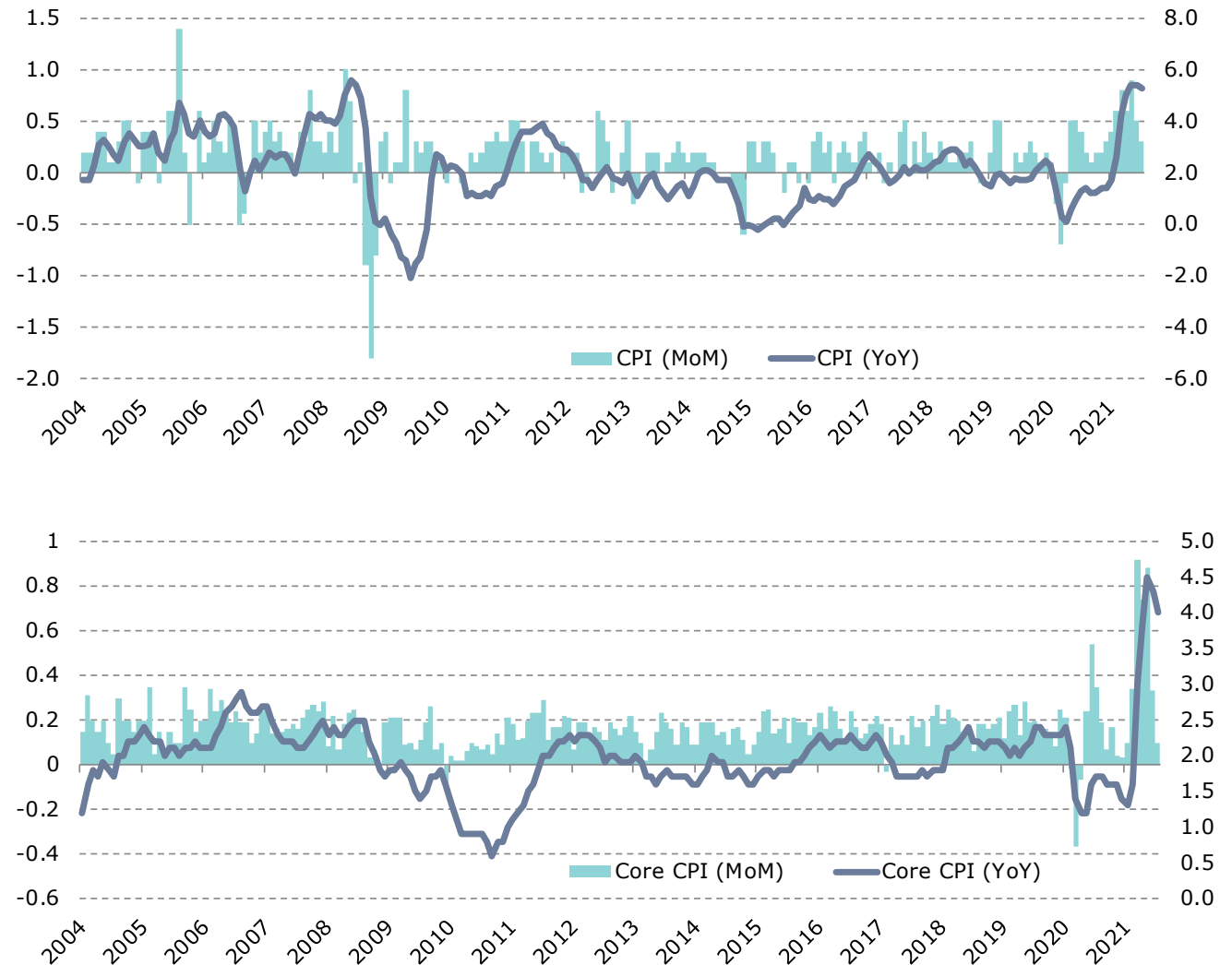
Inflation

CPI Growth Slows

The Consumer Price Index (CPI) increased 0.3% in August, following July's 0.5% increase. Headline CPI is up 5.3% from one year ago.

Within the index, new vehicles saw the largest month-over-month increases, rising 1.2% in August. Airline fares saw the largest decrease of -9.1% from July.

Excluding food and energy, the core index increased 0.1% month-over-month, its smallest increase since February 2021, and remains 4.0% higher than one year ago.



Source: Bureau of Labor Statistics

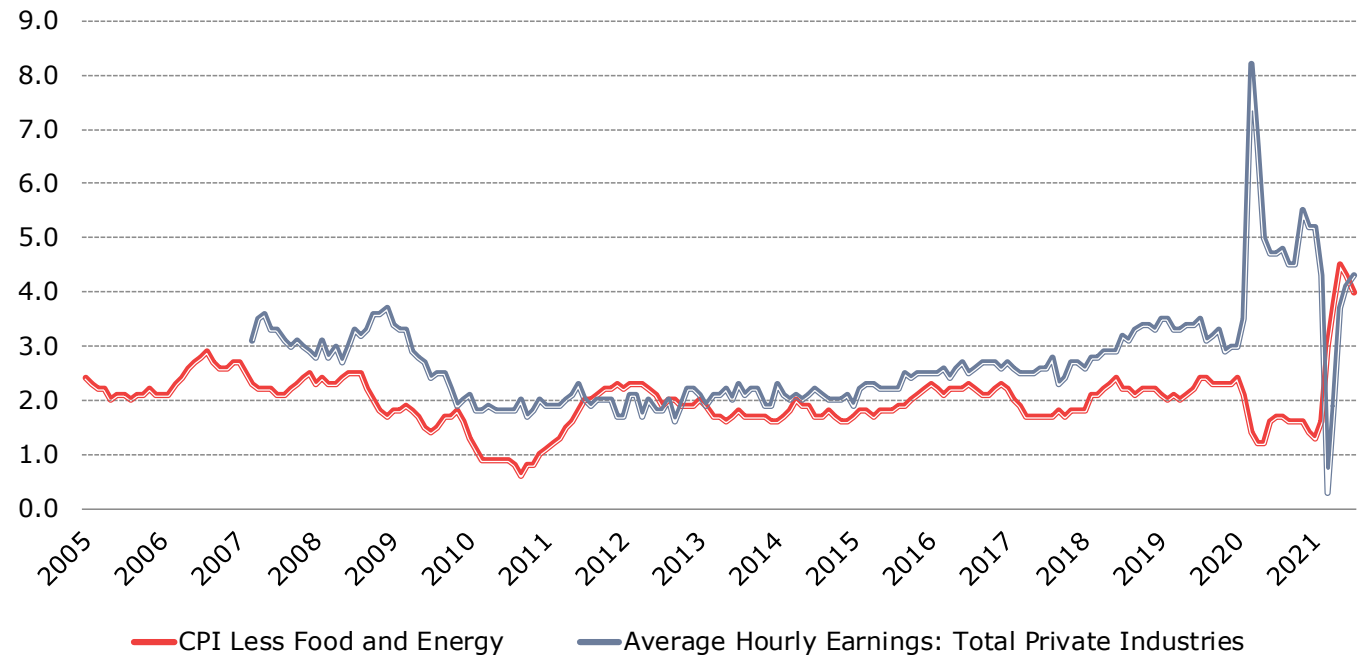
Wage Growth and Inflation Slows in June

Wage growth in August was 4.3%, up from the 4.0% annual increase in July.

Wage growth had previously remained elevated after the spike in April 2020, but the lower readings in April and May might be attributable to base effects. August wage growth has returned to previous levels.

Core CPI was 4.0% in August, down from 4.3% in July.

**Inflation vs. Wage Growth
Year-Over-Year Percentage Change**

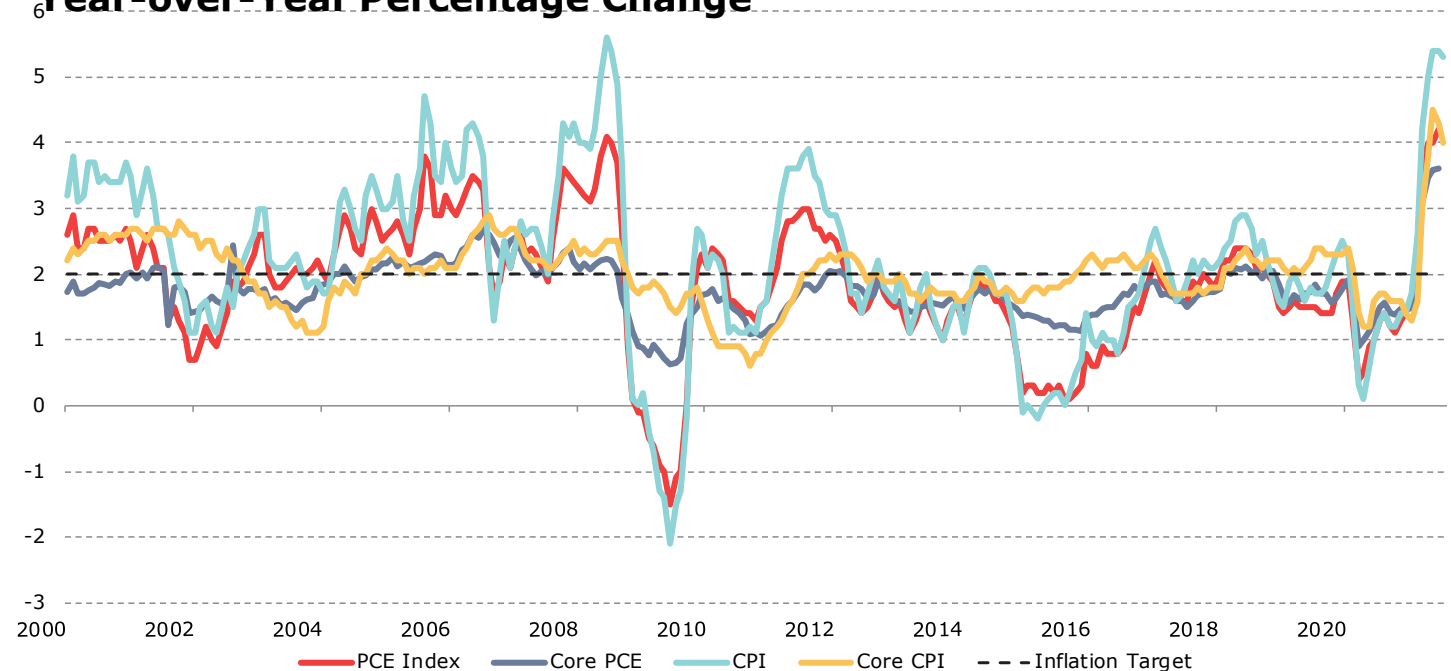


Inflation Remains Well Above Fed Target

Inflation measures sharply increased year-over-year. Currently, all the measures are well above the Fed's target inflation of 2.0%.

CPI fell to 5.3% in August from 5.4% in July while the PCE index increased 0.2% to 4.2% in July. Core CPI fell in August to 4.0% from 4.3% in July.

Inflation Rate Measures vs. Fed Target of 2.0%
Year-over-Year Percentage Change



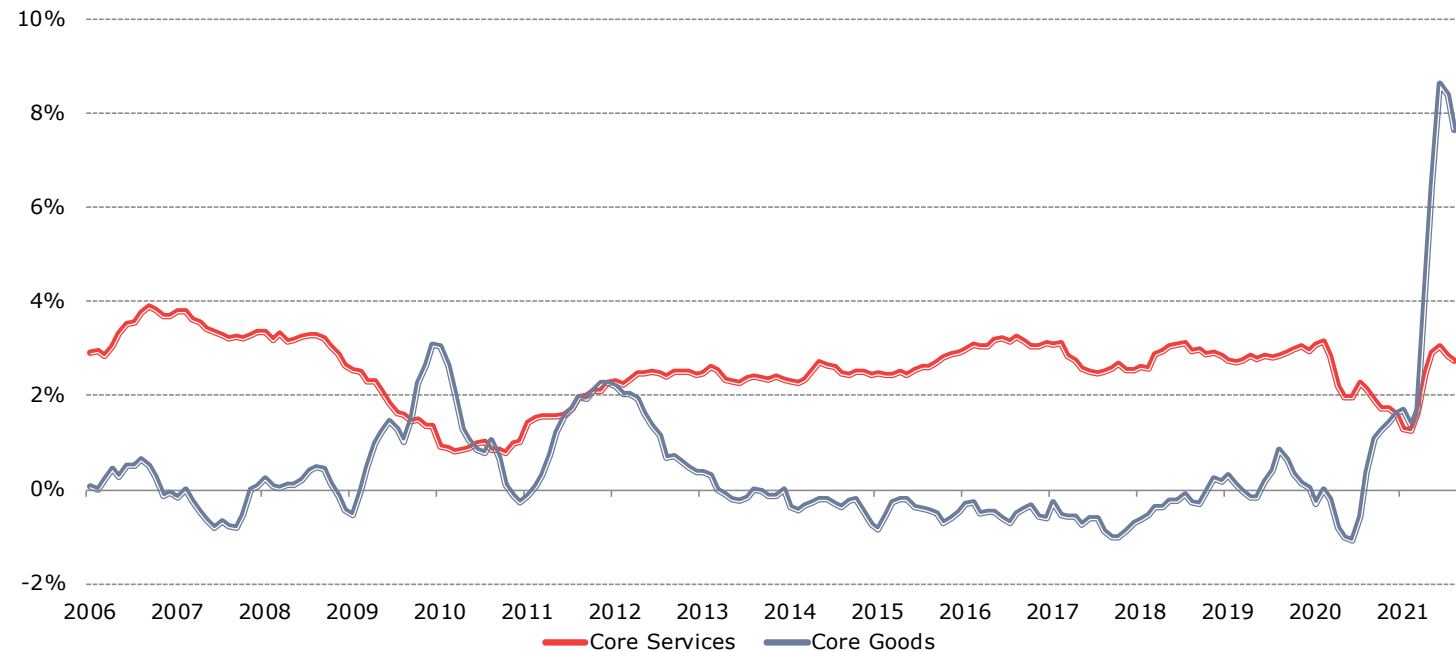
Goods and Services Fall

Services account for two-thirds of core inflation while goods account for the remaining one-third of the index.

The annual percentage change of core services fell from 2.83% in July to 2.73% in August.

The annual percentage change for goods also fell from 8.4% to 7.6%.

**Consumer Price Index (CPI) By Sector
Year-over-Year Percentage Change**



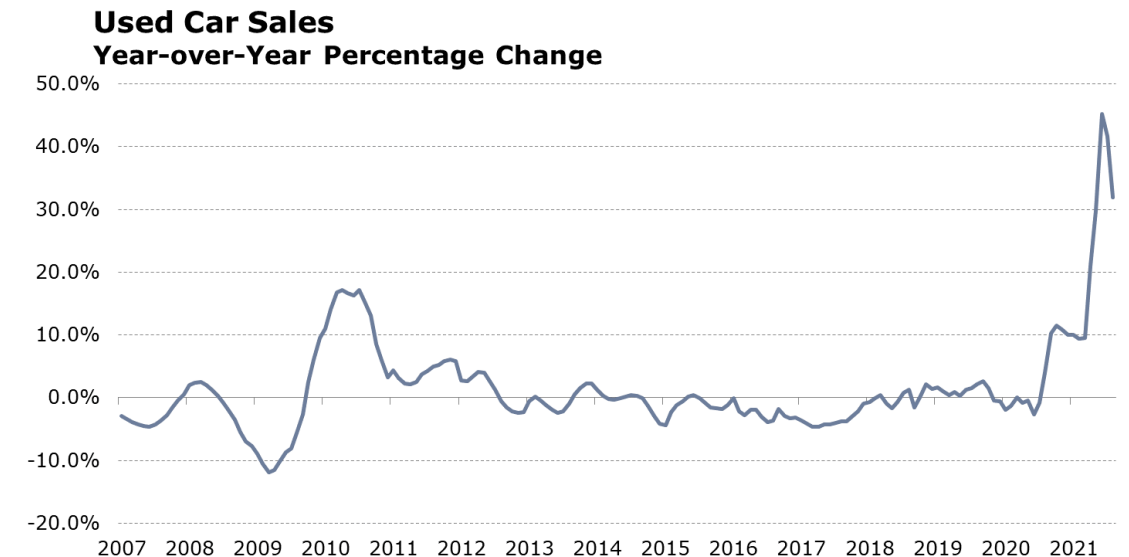
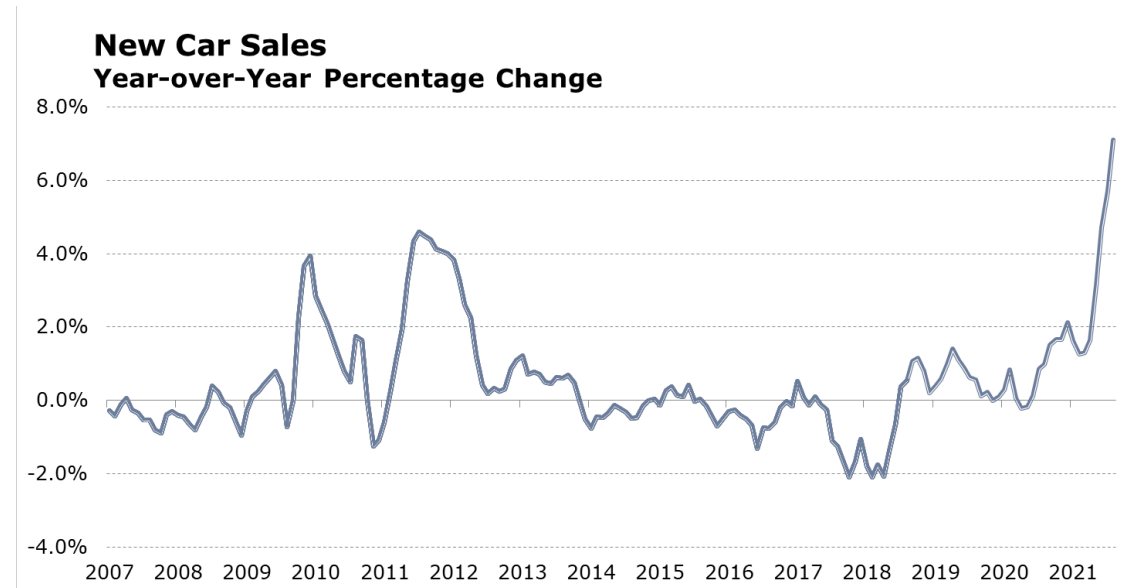
New Car Prices Continue to Rise, Used Cars Prices Ease

The index for new vehicles rose 1.2% in August after rising 1.7% in July. This is the seventh consecutive month of increase in the index.

The index for new vehicles is up 7.6% from one year ago, its largest 12-month increase since June 1981.

Although short supplies of new vehicles are keeping prices elevated, used car and truck prices are easing, falling 1.5% in August, ending a series of five consecutive monthly increases.

Source: Bureau of Labor Statistics





Beige Book

Federal Reserve Beige Book

The Federal Reserve released its Beige Book reporting on activity that occurred from early July through August. Across the districts, economic growth slowed to a more moderate pace during the reporting period.

Since the last Beige Book:

- Demand for dining out, travel, and tourism declined as the COVID-19 Delta variant becomes more prevalent and international travel restrictions weigh on consumers.
- While economic activity slowed in many sectors as a result of labor shortages and supply chain constraints, the manufacturing, transportation, nonfinancial services, and residential real estate sectors continued to maintain strong economic growth.
- Loan volume trends were mixed as some Districts reported modest declines while others experienced strong increases. Both residential and non-residential construction rose modestly.
- Employment growth improved during the reporting period but to varying degrees across Districts. Labor constraints continue as increased turnover, early retirement, childcare needs, challenges negotiating job offers persist.
- Prices rose moderately to robustly across Districts. Input costs rose across the board but more robust price increases occurred in the metal prices and the transportation and construction sectors. Businesses expect to raise their selling prices in the short term as some companies are finding it easier to pass price increases to their customers.

Federal Reserve Beige Book

Chicago District:

- Economic activity increased moderately in July and early August, despite continued supply constraints and increases in COVID-19 cases.
- The strong employment growth over the reporting period is expected to continue over the next 12 months. Wages and benefit costs also increased during the reporting period.
- Prices showed robust increases for both producers and consumers. Contacts expect a moderate increase over the next twelve months.
- Consumer spending fell slightly, but remains elevated. Leisure and hospitality spending declined as the COVID-19 Delta variant weighs on the minds of consumers.

Minneapolis District:

- Economic activity moderately improved since the last report.
- Employment saw strong growth while consumer demand remained strong driven by increases in services, tourism, and manufacturing.

St. Louis District:

- Economic activity rose moderately, however, the potential impact of the COVID-19 Delta variant is raising concerns across all industries.
- Inflation pressures and labor and material shortages continue to weigh on business activity.

This and That

The U.S. Census Bureau released the Income and Poverty in the United States report for 2020. Median household income fell 2.9% year-over-year to \$67,521 in 2020, the first statistically significant decline since 2011.

The U.S. poverty rate rose one percentage point to 11.4%, rising for the first time and breaking the consecutive annual declines in the previous five years.

However, the Supplemental Poverty Measure (SPM), which takes government aid into account, declined year-over-year. The SPM fell 2.6 percentage points to 9.1% in 2020.

The report attributed stimulus payments and unemployment insurance benefits from preventing 11.7 million and 5.5 million people, respectively, from falling into poverty.

Economic Data Release Calendar

The week ends with economic data published on Consumer Sentiment.

Next week, economic data will be released on released on several housing market indices.

All eyes will be focused on Wednesday's FOMC Announcement.

September 2021				
Monday	Tuesday	Wednesday	Thursday	Friday
30 Dallas Fed Outlook Pending Home Sales	31 FHFA House Price Index S&P Case-Schiller HPI Chicago PMI Consumer Confidence	1 MBA Mortgage Applications ADP Employment Report ISM Manufacturing	2 Jobless Claims Factory Orders	3 Employment ISM Services
6 Labor Day Federal Holiday FHLBC Closed	7	8 MBA Mortgage Applications JOLTS Consumer Credit Beige Book	9 Jobless Claims	10 Producer Price Index Wholesale Inventories
13	14 Small Business Optimism Consumer Price Index	15 MBA Mortgage Applications Import and Export Prices Industrial Production	16 Jobless Claims Philadelphia Fed Outlook Business Inventories	17 Consumer Sentiment
20 U.S. Housing Market Index	21 Housing Starts	22 MBA Mortgage Applications Existing Home Sales FOMC Announcement	23 Jobless Claims Chicago Fed Outlook Kansas City Fed Outlook	24 New Home Sales
27 Dallas Fed Outlook Durable Goods	28 S&P Case-Schiller HPI FHFA House Price Index Consumer Confidence Richmond Fed Outlook	29 MBA Mortgage Applications Pending Home Sales	30 Jobless Claims GDP Chicago PMI	Notes:

Questions?

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