



Weekly Market Update

Hosted by:

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Date:

January 21, 2021

FHLB  Chicago
Federal Home Loan Bank of Chicago

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Discussion Topics

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

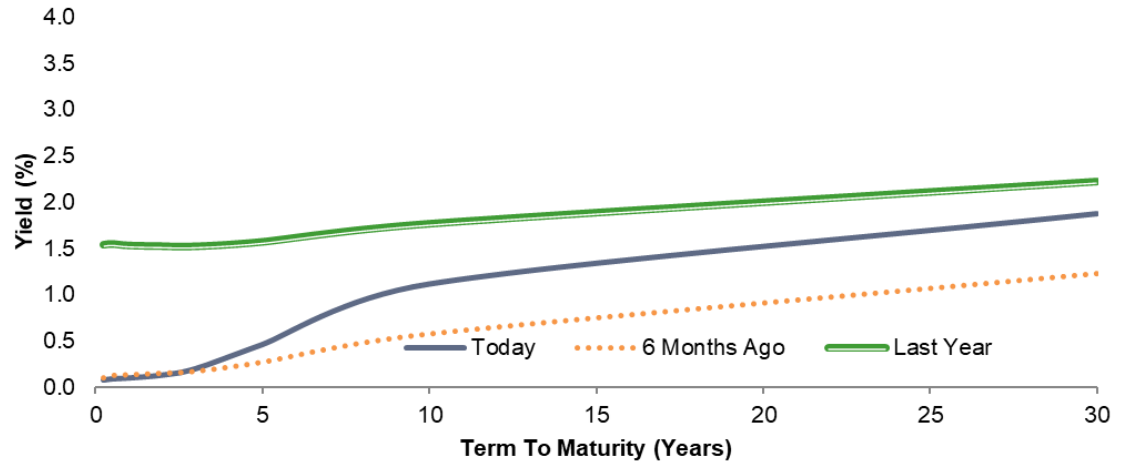
Weekly Interest Rate Movements

For the Week Ending 1/21/2021

U.S. Treasury Yields

| | 1/21/21 | 1/14/21 |
|-------------|---------|---------|
| 3mo | 0.07% | 0.09% |
| 2yr | 0.13% | 0.16% |
| 5yr | 0.46% | 0.49% |
| 10yr | 1.11% | 1.15% |

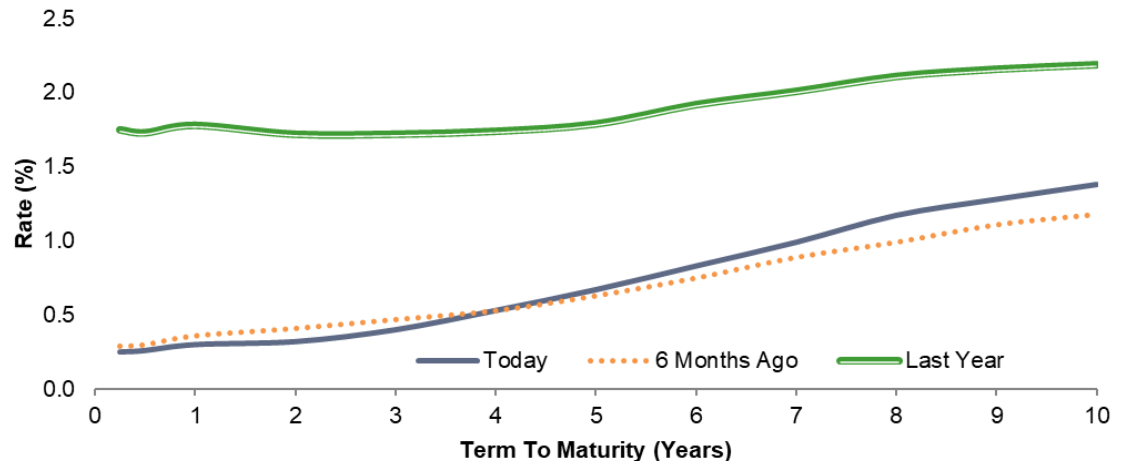
U.S. Treasury Yield Curve



FHLBank Chicago Advance Rates

| | 1/21/21 | 1/14/21 |
|-------------|---------|---------|
| 3mo | 0.25% | 0.25% |
| 2yr | 0.32% | 0.34% |
| 5yr | 0.67% | 0.69% |
| 10yr | 1.38% | 1.39% |

FHLBank Chicago Advance Rates



Source: U.S. Treasury, FHLBank Chicago

U.S. Economic Data Releases

Producer Price Index (PPI) Final Demand

December: 0.3% vs. November: 0.1%

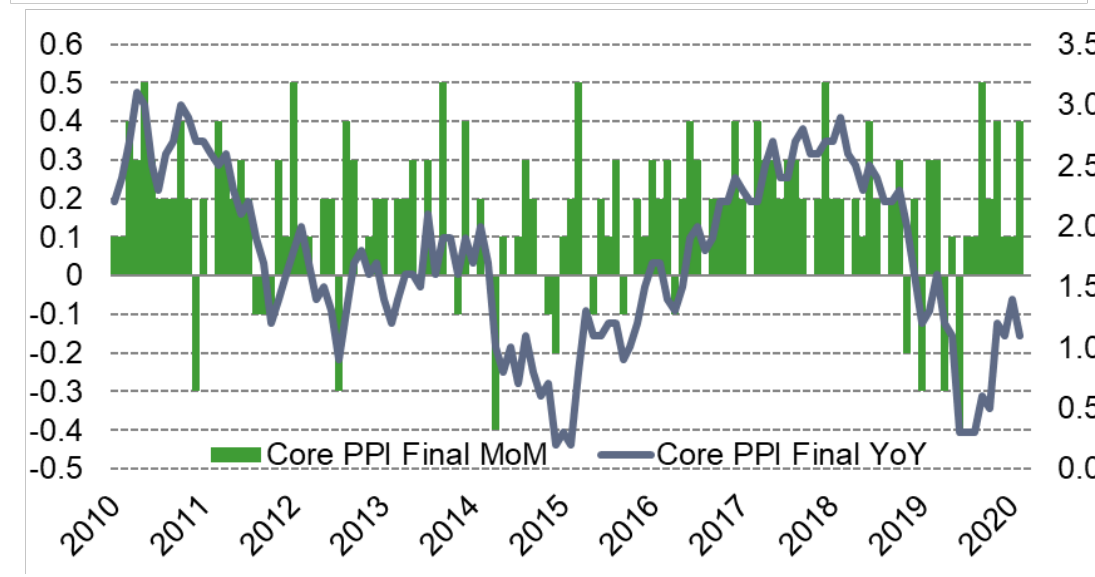
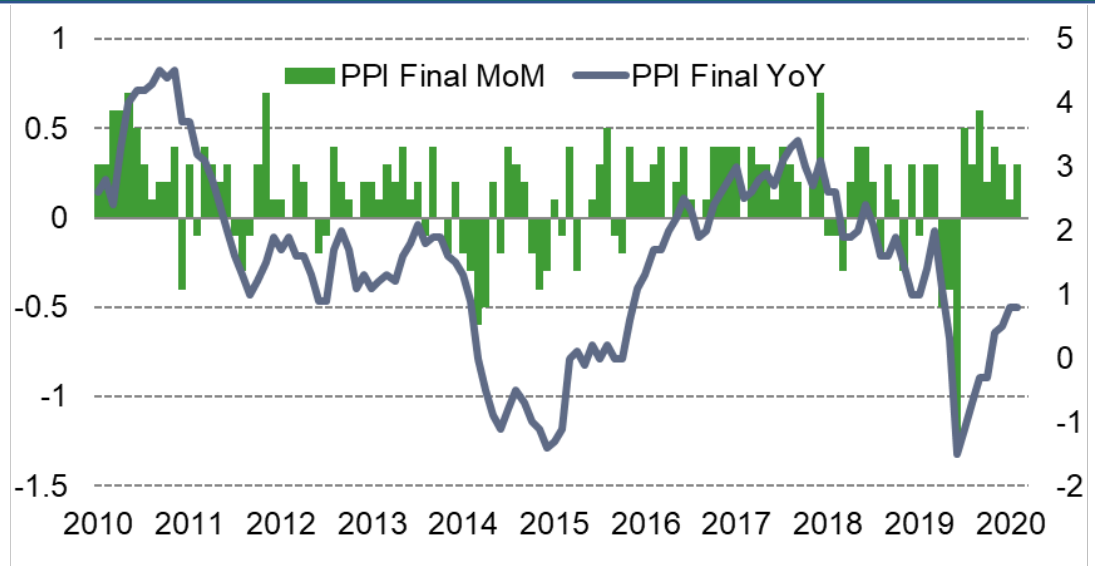
- Rose 0.3% in December, slightly missing expectations of a 0.4% increase. The increase is primarily attributable to a 1.1% rise in the index for final demand goods, while the index for final demand services declined 0.1%. The 1.1% increase in the index for final demand goods was the largest advance since May 2020.

Core PPI Final Demand

December: 0.4% vs. November: 0.1%

- Excluding food and energy, prices rose 0.4% in December. The core index edged higher by 1.1% over the last 12 months.

Source: Bureau of Labor Statistics



U.S. Economic Data Releases

Consumer Price Index (CPI)

December: 0.4% vs. November: 0.2%

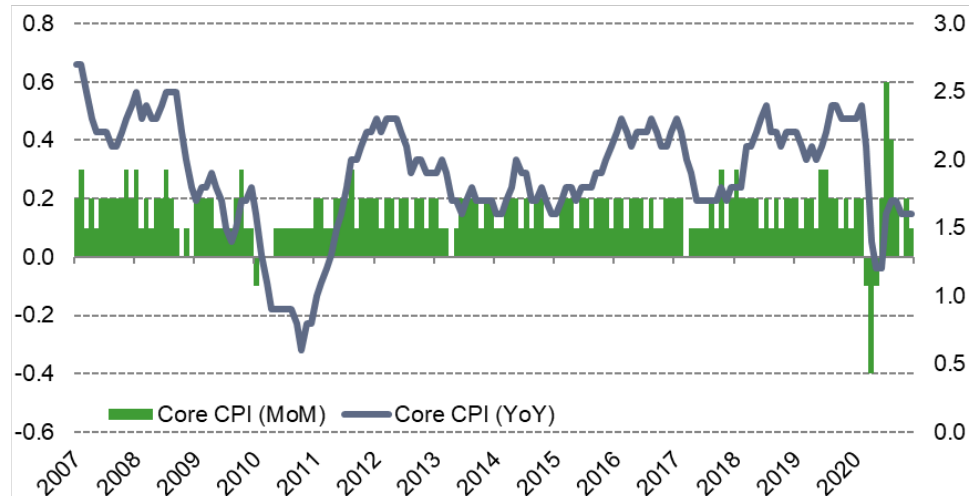
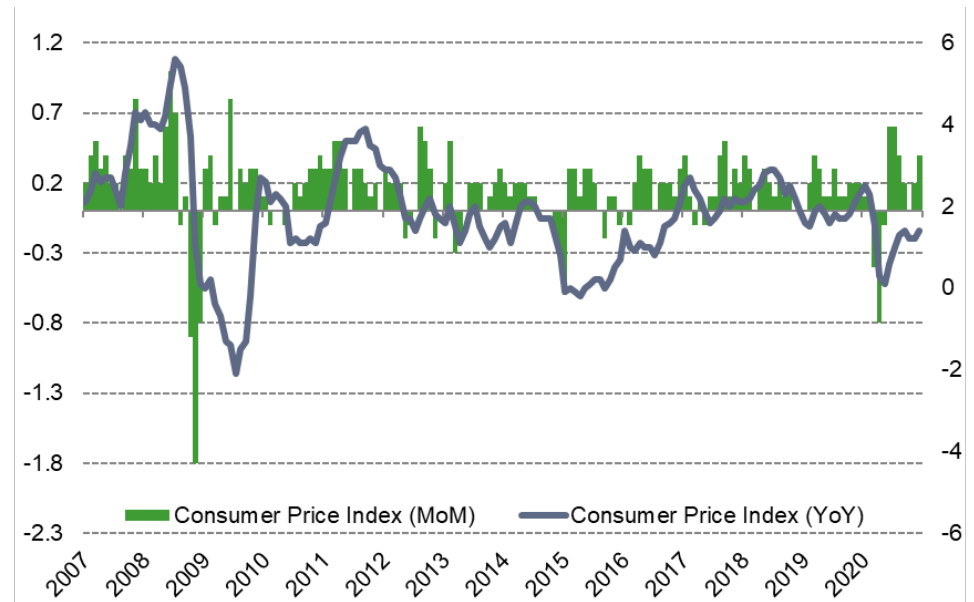
- Rose 0.4% in December, meeting expectations. The increase this month was driven by an 8.4% increase in the gasoline index. The food index similarly rose, although much more moderately, with both the food at home and the food away from home indices rising 0.4%. The all items index has risen 1.4% over the last 12 months.

Core CPI

December: 0.1% vs. November: 0.2%

- Excluding food and energy, the index rose 0.1% in December, again meeting expectations. This increase was driven by increases in apparel, personal care, and household furnishings, but partially offset by declines in used cars, recreation and medical care. This index has risen 1.6% over the last 12 months.

Source: Bureau of Labor Statistics



U.S. Economic Data Releases

Industrial Production

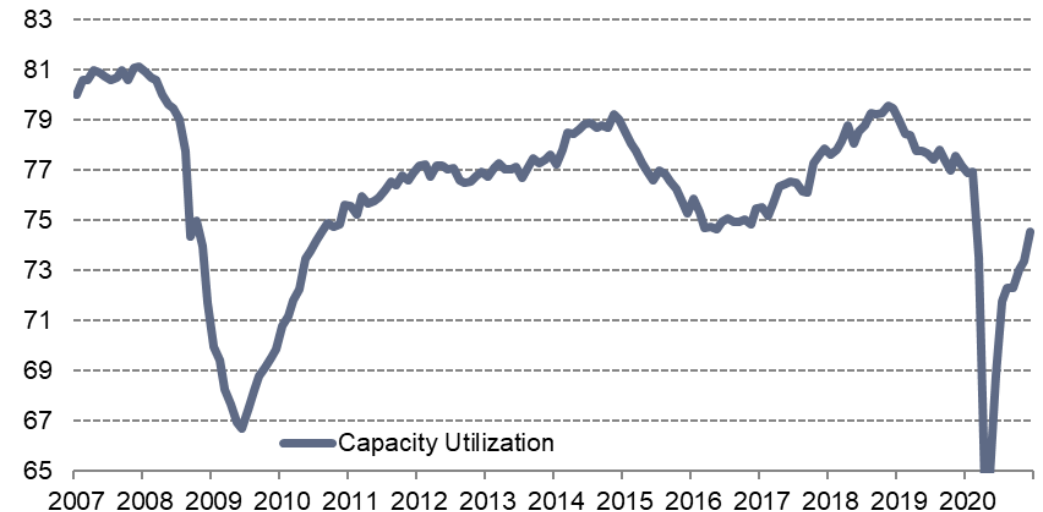
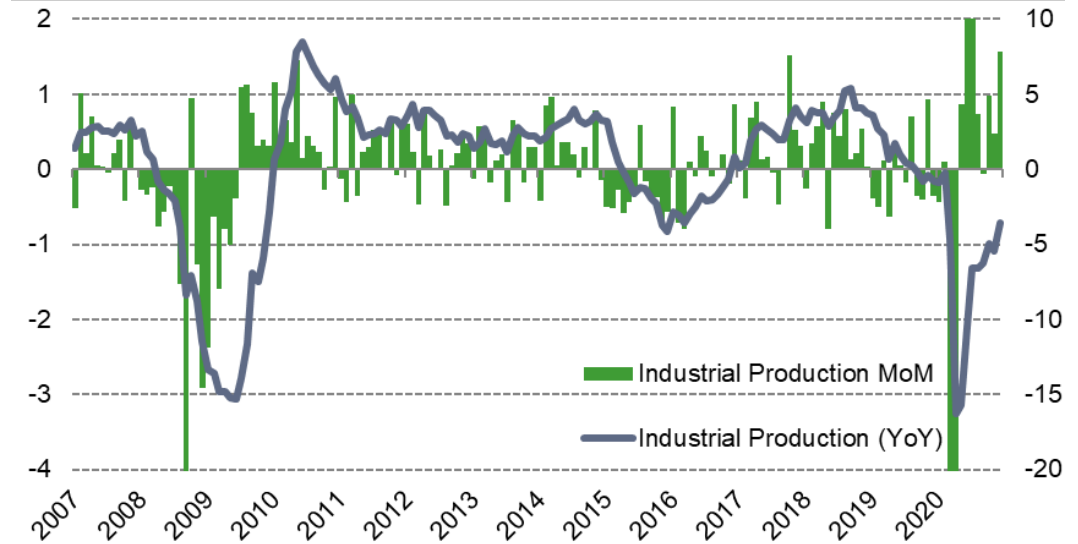
December: 1.6% vs. November: 0.5%

- Rose 1.6% in December, beating expectations of 0.5% increase. This month's reading was primarily boosted by consumer energy products increasing 6.3%. Manufacturing output increased by 0.9% in December.

Capacity Utilization

December: 74.5% vs. November: 73.4%

- Rose 1.1% to 74.5% this month, beating expectations of a reading of 73.6%. Capacity utilization is currently 5.3% below its long-run (1972–2019) average, but 10.3% above its low in April 2020.



Source: Federal Reserve

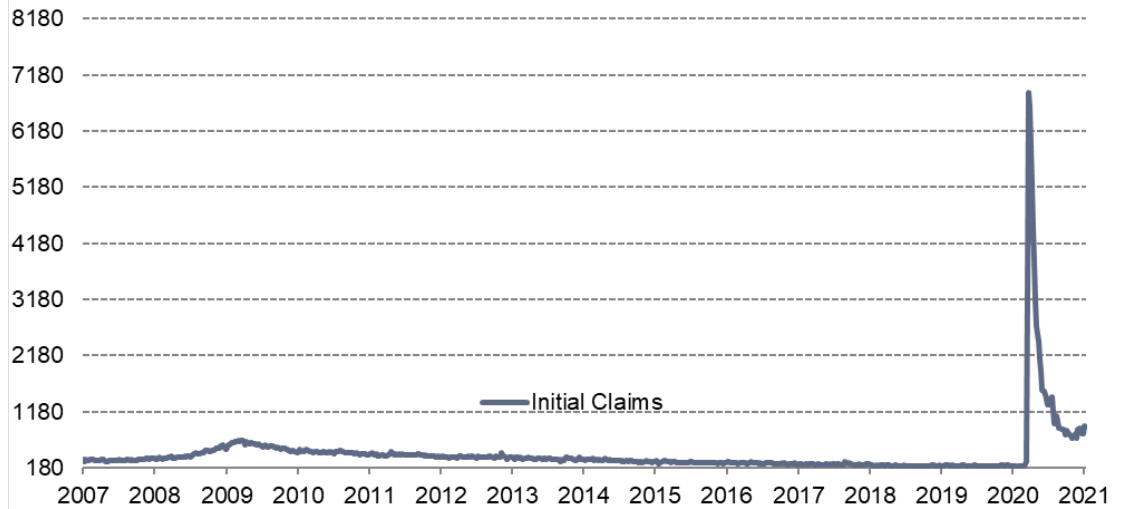
U.S. Economic Data Releases

For the Week Ending 1/16/2021

Initial Jobless Claims

January 16: 900K vs. January 9: 926K

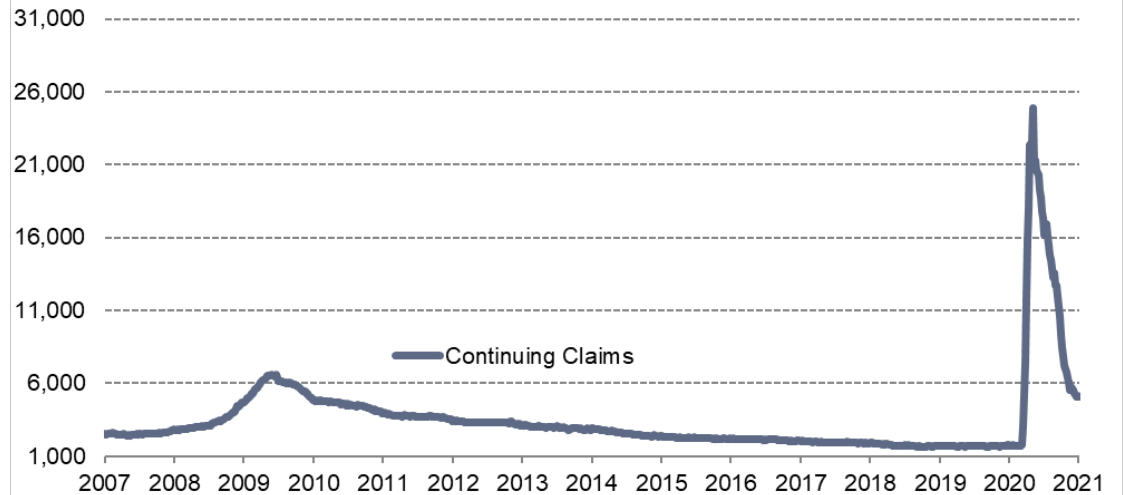
- Met expectations and decreased by 26K to 900K in the week ending January 16. The previous week was downwardly revised 39K to 926K. The 4-week moving average increased 23.5K to 848K.



Continuing Claims

January 9: 5,054K vs. January 2: 5,181K

- Decreased by 127K to 5,054K in the week ending January 9. The prior week was downwardly revised by 90K to 5,181K. The 4-week moving average fell by 67K to 5,126.25K. The insured unemployment rate remained unchanged at 3.6%.



Source: Department of Labor

Federal Reserve Beige Book

The Federal Reserve released its Beige Book reporting on activity that occurred from October to early November. Economic activity continued to increase at a modest pace, however some Districts have described little or no growth.

Since the last Beige Book:

- Philadelphia and three of the four Midwestern Districts observed activity beginning to slow in early November as COVID-19 cases surged.
- Reports indicated higher-than-average growth of manufacturing, distribution and logistics, homebuilding and existing home sales, although not without disruptions.
- Banking contacts in some Districts reported some deterioration of loan portfolios, particularly for commercial lending into the retail and leisure and hospitality sectors. An increase in delinquencies in 2021 is widely anticipated.
- Employment increased in almost all Districts, though growth remained slow. Firms that were hiring continued to report difficulties in attracting and retaining new workers, however firms in most Districts reported that wages grew at a slight or moderate pace overall.
- Prices rose modestly across Districts since the previous report. Input costs generally increased faster than consumer prices; however, increased transportation costs caused by ongoing disruptions and delays due to short-staffed shippers and producers are passed along to consumers.

Source: Federal Reserve Board of Governors

Federal Reserve Beige Book

The Federal Reserve released its Beige Book reporting on activity that occurred from late November through year-end. Economic activity across the districts were mixed with some Districts reporting little or no growth and others noting a decline.

Since the last Beige Book:

- Reports on consumer spending were mixed. Some Districts had declines in retail sales and demand for leisure and hospitality services resulting from surges in COVID-19 cases and stricter containment measures.
- Most Districts reported an intensification of the ongoing shift from in-person shopping to online sales during the holiday season. Auto sales weakened since the previous report, while activity in the energy sector expanded for the first time since the onset of the pandemic.
- Banking contacts saw little or no change in loan volumes, with some anticipating stronger demand from borrowers in the future for government-backed lending programs.
- Employment increased in the majority of Districts, though growth remained slow. However, a growing number of Districts reported a drop in employment levels relative to previous reporting period. Some employers noted staffing shortages and difficulty attracting qualified workers. These difficulties were exacerbated by the recent resurgence in COVID-19 cases and workplace disruptions.
- Prices rose modestly across Districts since the previous report. Input costs generally increased faster than consumer prices. Contacts in several Districts noted an improved ability to transfer increased prices to customers.

Source: Federal Reserve Board of Governors

Federal Reserve Beige Book

Chicago District:

- Economic activity increased moderately in late November and December, but activity remained well below its pre-pandemic level.
- Employment increased slightly, though contacts are finding elevated absenteeism and unfilled positions. Many noting difficulty hiring workers, especially at entry level.
- Prices rose slightly and contacts expected a moderate increase over the next 12 months.
- Consumer spending increased slightly though overall spending remained well below pre-pandemic levels.

Minneapolis District:

- Economic activity grew modestly overall since the last report.
- Employment rose modestly, with hiring demand seeing continued growth.
- The District showed growth in consumer spending, residential construction, and real estate, while activity fell for tourism and commercial construction and real estate.

St. Louis District:

- Reports from contacts suggest economic activity has remained unchanged since previous reporting period.
- Employment reports on hiring have been mixed.

Source: Federal Reserve Board of Governors

December Non-Farm Payroll Report

- The Bureau of Labor Statistics released December's Non-Farm Payroll Report. Payrolls decreased by 140K, significantly below consensus expectations of an increase of 50K. The decline in payroll employment reflects the recent increase in coronavirus (COVID-19) cases and efforts to contain the pandemic.
- The unemployment rate was unchanged at 6.7% in December.
 - Employment declined sharply in the leisure and hospitality sector, which declined by 498K jobs. Notable job losses also occurred in private education, government employment, and other services. These losses were partially offset by gains in professional and business services, retail trade, construction, and transportation and warehousing.
 - Average hourly wages rose 0.8% month-over-month and are 5.2% higher from one year ago.
 - The labor force participation was unchanged at 61.5%.
- Payrolls in October were upwardly revised by 44K to 610K. Payrolls in November were also upwardly revised by 91K to 336K. As a result, employment gains in October and November were 135K higher than previously reported.

Source: Bureau of Labor Statistics

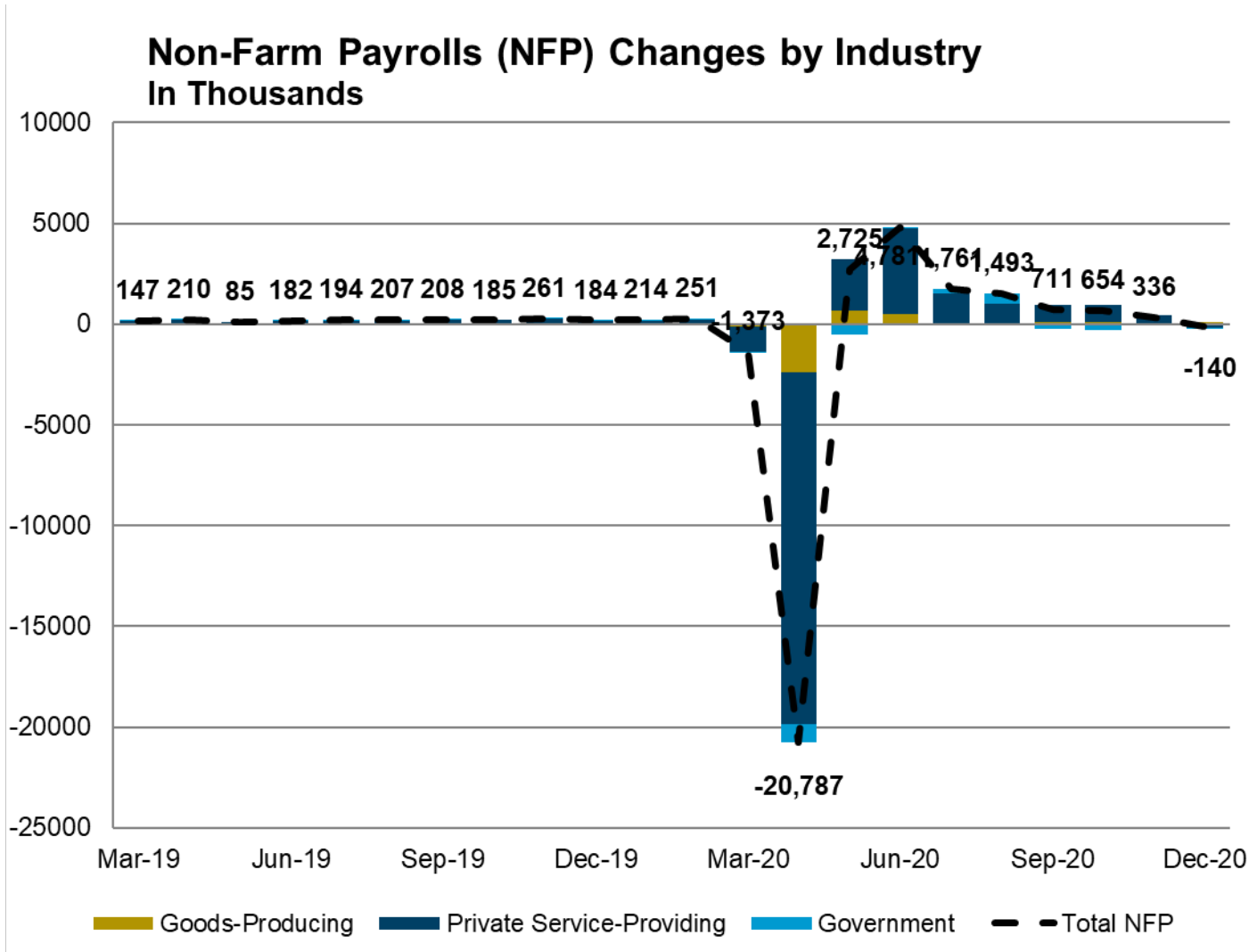
December Non-Farm Payroll Report

Goods-Producing Payrolls Rise as Service-Providing Dips

The private service-providing sector decreased in December by 187.2K compared to an increase of 349K jobs in November.

The goods-producing sector increased month-over-month, rising by 93K this month after rising 67K in November.

Employment in the government sector dipped by 45K, marking the fourth consecutive monthly decrease.



Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Payrolls by Sector

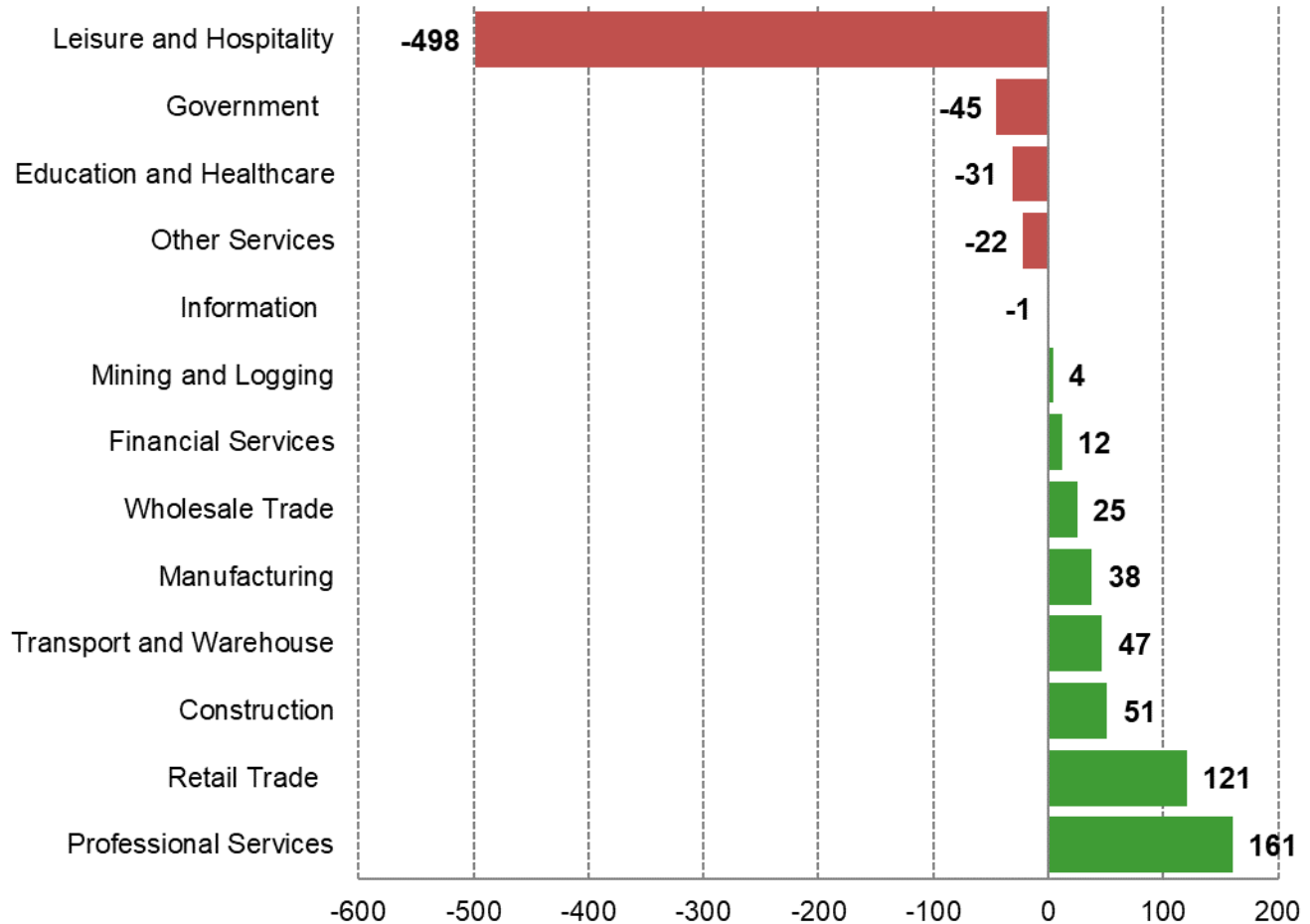
Payroll sectors were mixed in December. Leisure and Hospitality decreased the most, losing 498K jobs.

The Government sector declined, falling 45K, while Education and Healthcare, and Other Services fell 31K and 22K, respectively.

Retail Trade, Professional Services, and Construction all increased by 121K, 161K, and 51K, respectively.

Non-Farm Payroll Change By Sector: December 2020

Thousands of Jobs



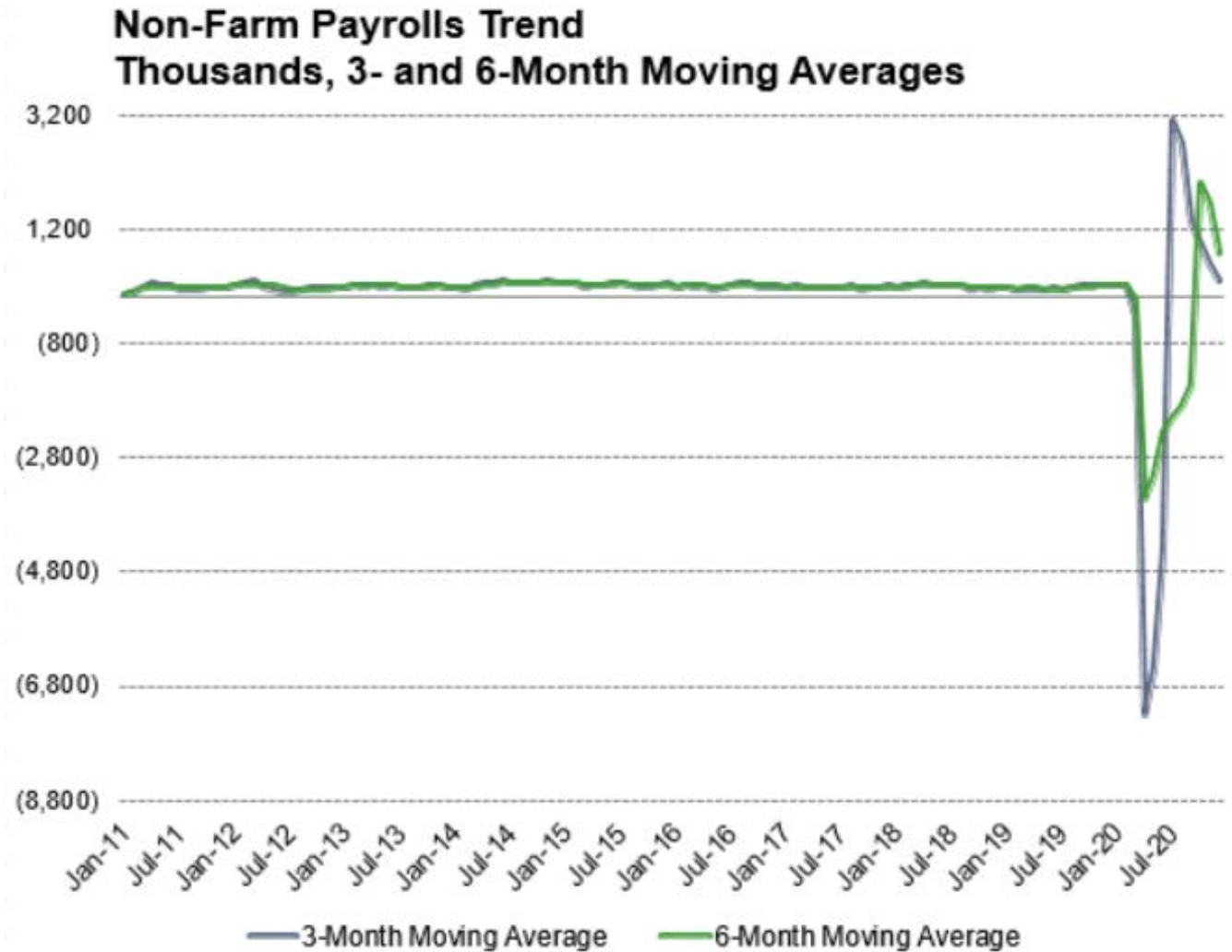
Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

3-Month and 6-Month Moving Averages Decrease

The 3-month moving average and 6-month moving average decreased by nearly half this month.

The 3-month moving average fell by 284K to 283K, while the 6-month moving average decreased by 820K to 803K.



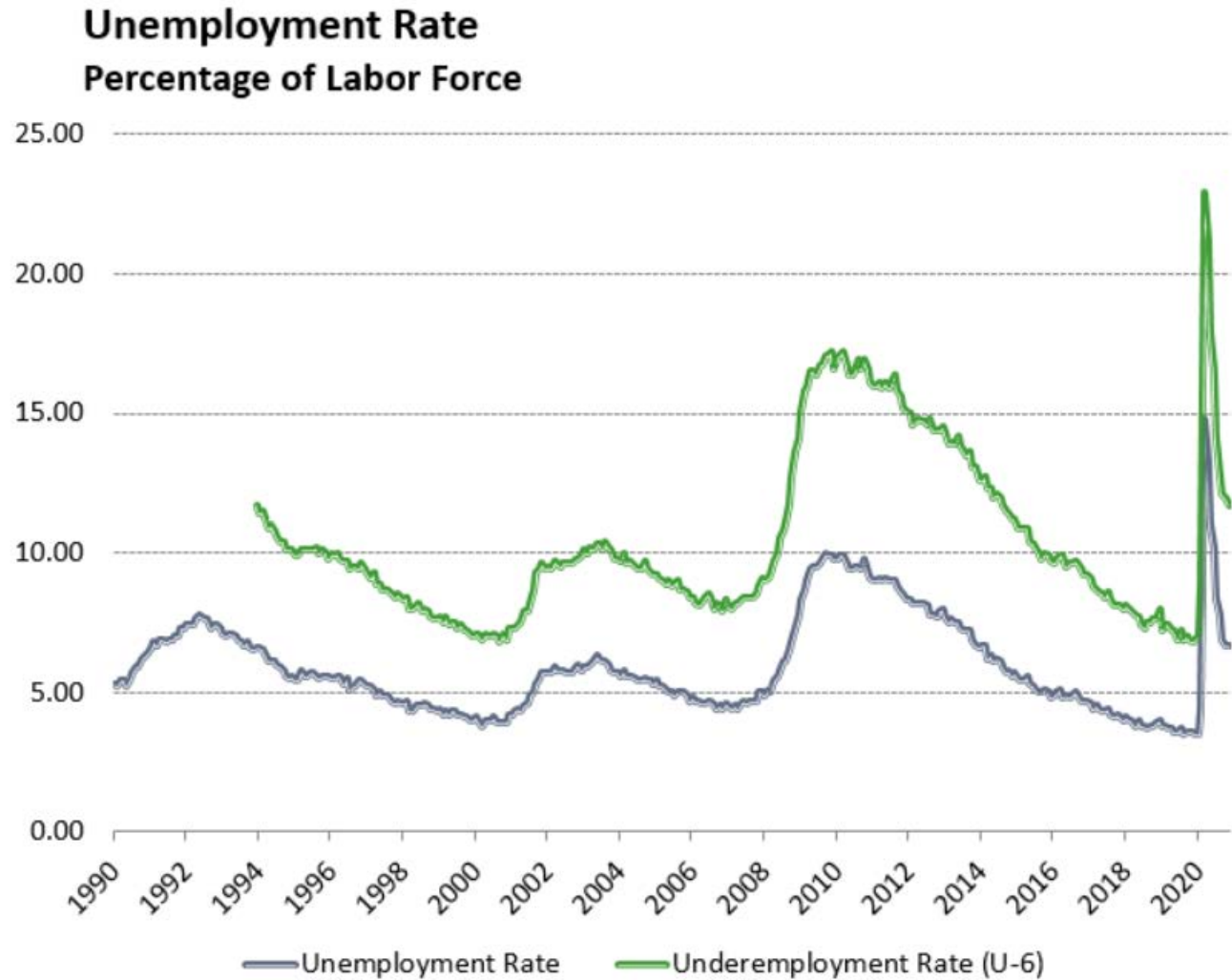
Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Unemployment Rate and Labor Force Participation Rate

The unemployment rate remained unchanged at 6.7%.

The labor force participation rate, which includes underemployed and discouraged workers, similarly remained unchanged at 61.5% in December.



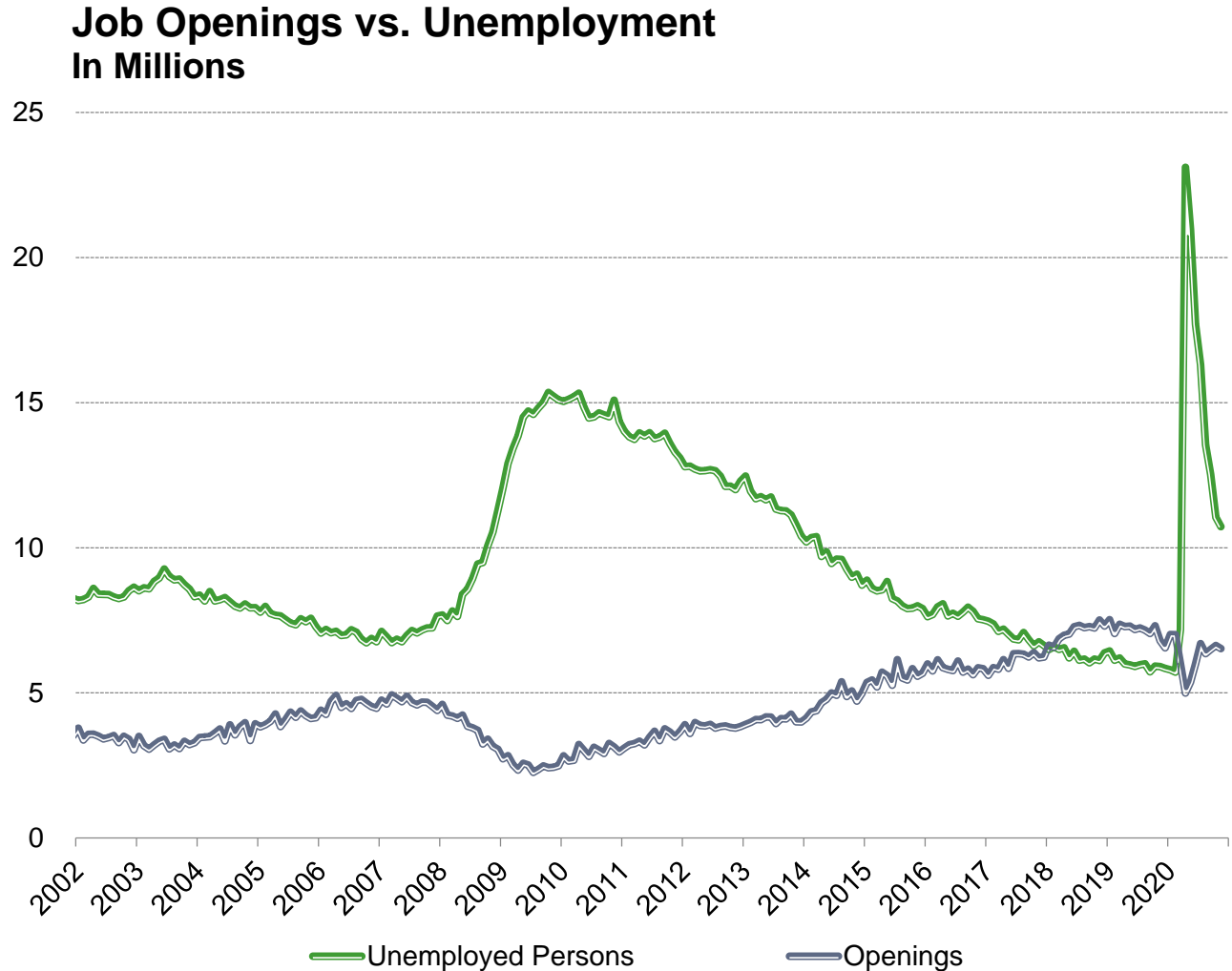
Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Job Openings Decrease in November

Job openings data, which is lagged by an additional month, reflected a slight decrease in the number of job openings in November. Openings fell to 6.5M from 6.6M in October.

Meanwhile, the number of unemployed persons declined, falling to 10.7M.



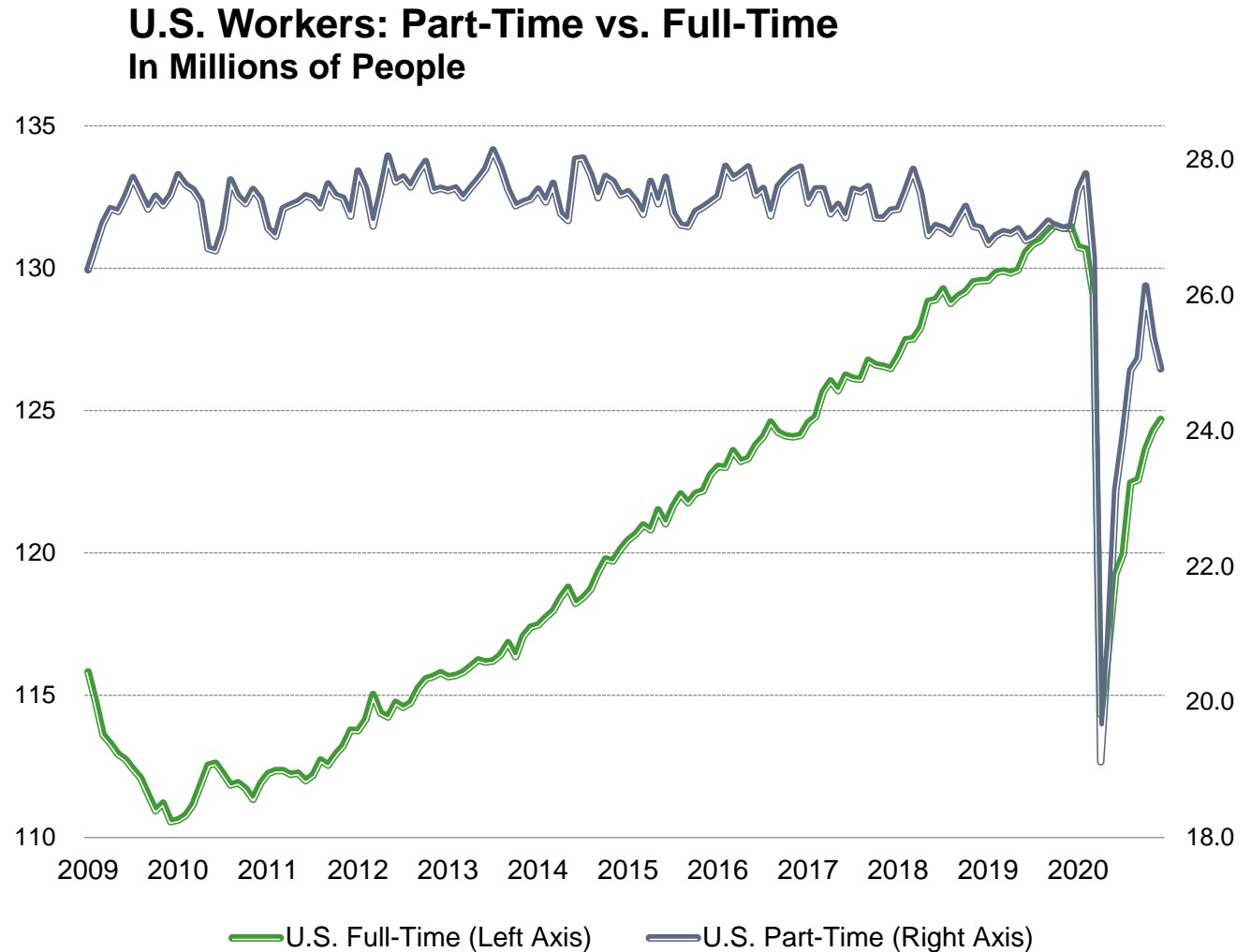
Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Full-Time Workers Rise and Part-Time Workers Decrease

The number of full-time workers increased to 124.7M from 124.3M in November.

Part-time workers fell 456K from 25.4M in November to 24.9M in December.



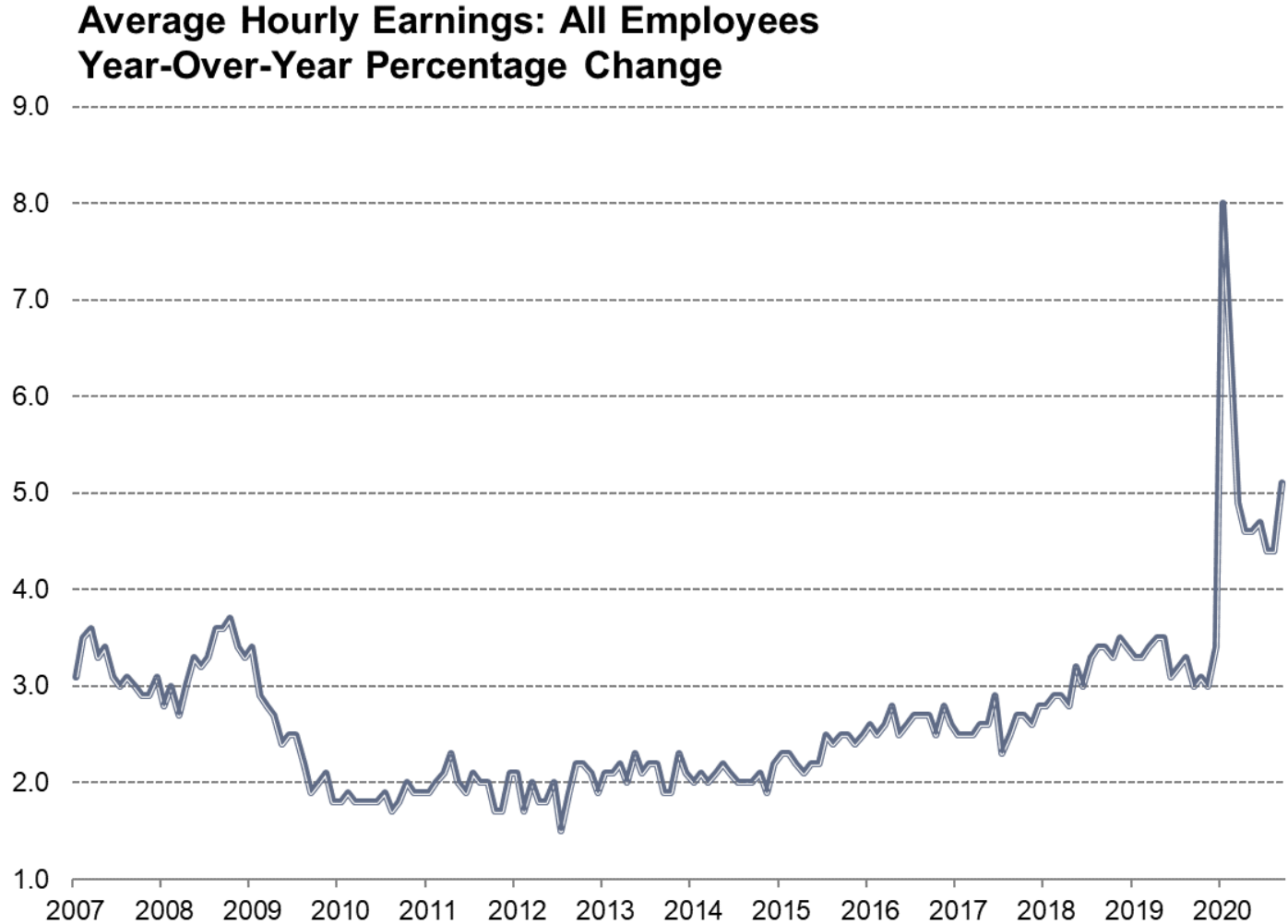
Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Average Hourly Earnings Beat Expectations

Average hourly earnings rose 0.8% month-over-month.

Year-over-year, wages have increased by 5.2%, up 0.7% from last month.



Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Job Openings Components Mixed

Components of the Job Openings and Labor Turnover Survey (JOLTS) were mixed in November.

Job Openings decreased 105K to 6.527M, while Hires increased 67K to 5.979M.

Layoffs rose 295K to 2.0M while Separations increased by 271K to 5.4M.



Source: Bureau of Labor Statistics

December Non-Farm Payroll Report

Summary:

- Payrolls declined by 140K in December, following net revisions to October and November payrolls, resulting in a 135K net increase.
- The 3-month moving average and 6-month moving average decreased by nearly half this month.
- The unemployment rate remained unchanged at 6.7%.
- Hourly wages rose 0.8% month-over-month and are 5.2% higher from one year ago.

Source: Bureau of Labor Statistics

This and That

Stocks had an impressive year of gains in 2020 despite the volatility and uncertainty seen throughout the year. However, according to a new index released by Goldman Sachs, the best performing stocks were those who made no money at all. The new Non-Profitable Technology Index, an index composed of non-profitable U.S. based tech companies, saw gains of over 250% during 2020, well above the overall stock market performance of 15%.

Source: Financial Times

Economic Data Release Calendar

January 2021

Next week economic data will be released on Durable Goods, GDP, and Chicago PMI.

All eyes will be focused on Wednesday's release of the FOMC Rate Decision.

| January 2021 | | | | |
|--|--|--|---|--|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| 28 Dallas Fed Outlook | 29 S&P Case-Shiller HPI Consumer Confidence | 30 MBA Mortgage Applications Pending Home Sales | 31 Jobless Claims | 1 New Years Day Federal Holiday FHLBC Closed |
| 4 PMI Manufacturing Index Construction Spending | 5 ISM Manufacturing Index Motor Vehicle Sales | 6 MBA Mortgage Applications ADP Employment Report Factory Orders FOMC Meeting Minutes | 7 Jobless Claims ISM Services Index | 8 Employment Wholesale Trade |
| 11 | 12 Small Business Optimism JOLTS | 13 MBA Mortgage Applications Consumer Price Index Beige Book | 14 Jobless Claims Import and Export Prices | 15 Retail Sales Producer Price Index Industrial Production Business Inventories Consumer Sentiment |
| 18 MLK Day Federal Holiday FHLBC Closed | 19 | 20 MBA Mortgage Applications | 21 Jobless Claims Housing Starts Philadelphia Fed Outlook | 22 Existing-Home Sales |
| 25 Chicago Fed Natl Activity Dallas Fed Outlook | 26 S&P Case-Shiller HPI FHFA House Price Index Richmond Fed Outlook Consumer Confidence | 27 MBA Mortgage Applications Durable Goods FOMC Rate Decision | 28 Jobless Claims GDP New-Home Sales Kansas City Fed Outlook | 29 Personal Income Chicago PMI Pending Home Sales Consumer Sentiment |

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