



# Weekly Market Update

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**Hosted by:**

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October 15, 2020

FHLB  Chicago  
Federal Home Loan Bank of Chicago

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# Discussion Topics

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- Weekly Interest Rate Comparisons
- Economic Data Releases
- COVID-19 Outbreak Updates
- Survey of Consumer Expectations
- Preview of the Coming Week
- Q and A

# Weekly Interest Rate Movements

## For the Week Ending 10/15/2020

### U.S. Treasury Yields

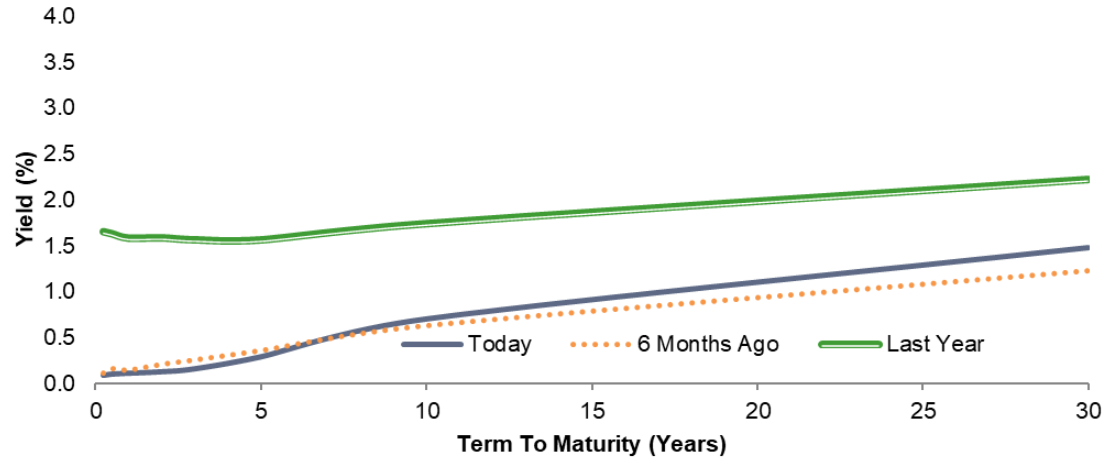
	10/15/20	10/08/20
<b>3mo</b>	0.10%	0.09%
<b>2yr</b>	0.14%	0.15%
<b>5yr</b>	0.30%	0.33%
<b>10yr</b>	0.71%	0.77%

### FHLBank Chicago Advance Rates

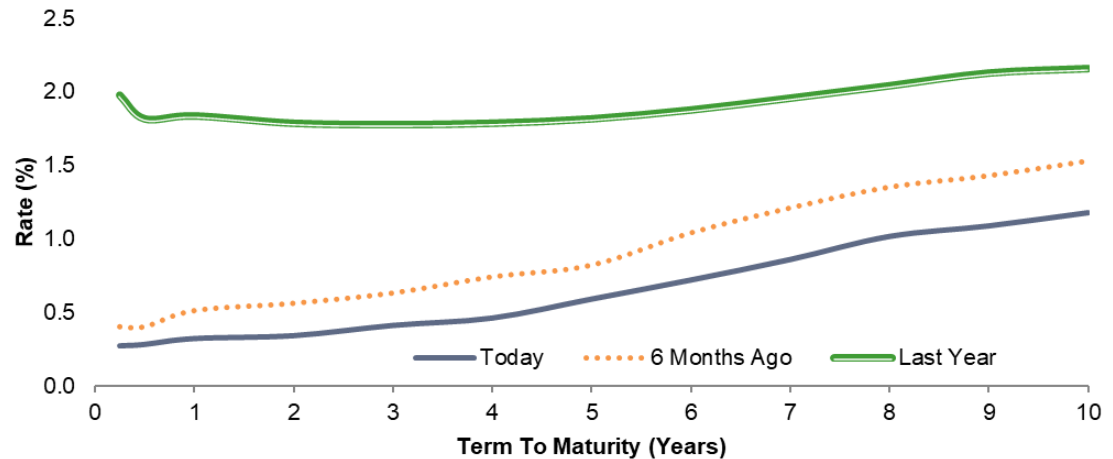
	10/15/20	10/08/20
<b>3mo</b>	0.27%	0.26%
<b>2yr</b>	0.34%	0.35%
<b>5yr</b>	0.59%	0.63%
<b>10yr</b>	1.18%	1.26%

Source: U.S. Treasury, FHLBank Chicago

### U.S. Treasury Yield Curve



### FHLBank Chicago Advance Rates



# U.S. Economic Data Releases

## For the Week Ending 10/15/2020

### Producer Price Index (PPI) Final Demand

September: 0.4% vs. August: 0.3%

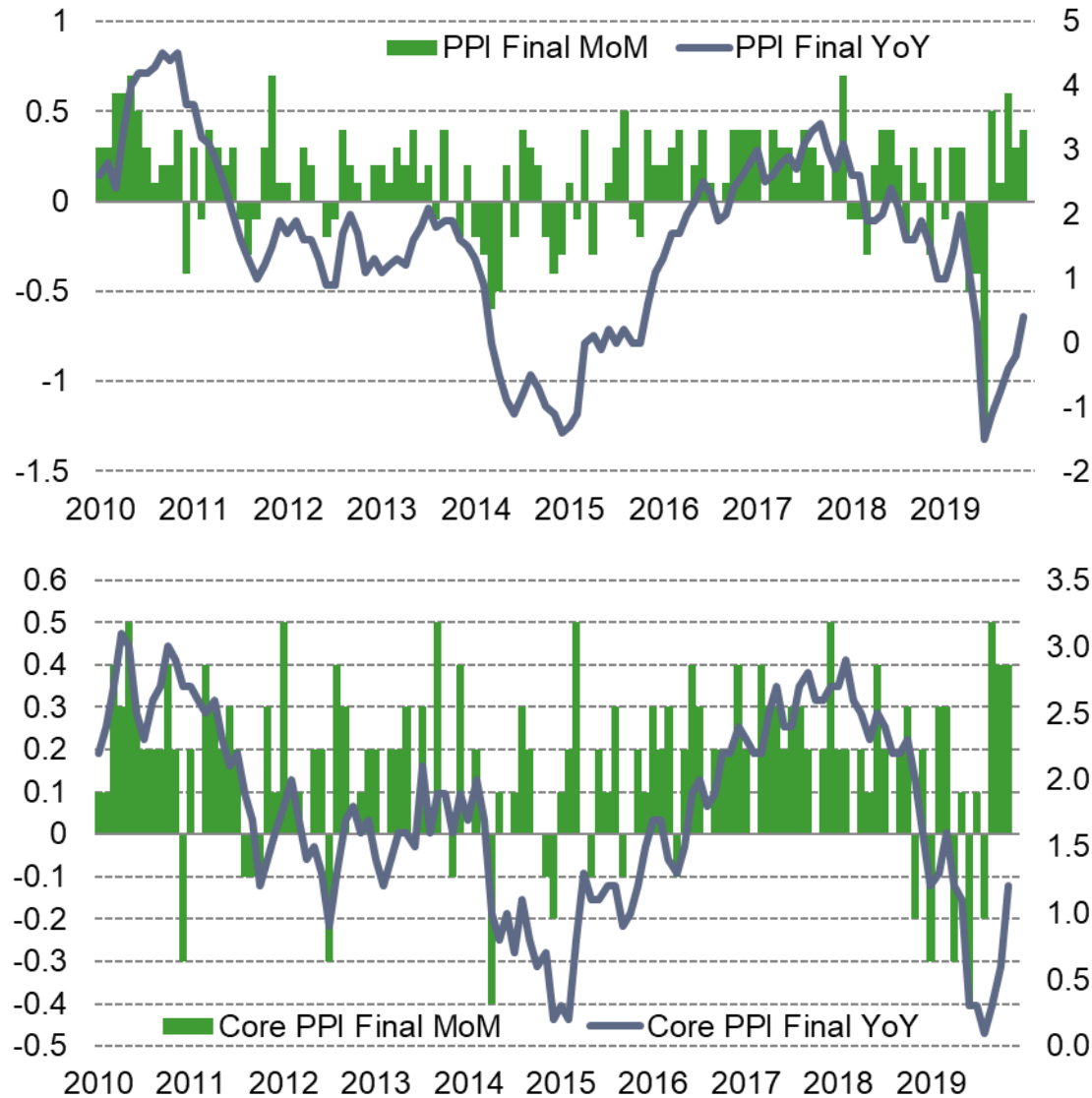
- Rose 0.4% in September, beating expectations of a 0.2% increase. The increase is primarily attributable to a 0.4% rise in the index for final demand services, although the prices for final demand goods also increased 0.4%. Overall, the final demand index has increased 0.4% over the last 12 months, the first advance since March 2020.

### Core PPI Final Demand

September: 0.4% vs. August: 0.4%

- Excluding food and energy, prices rose 0.4% in September. The core index edged higher at 1.2% over the last 12 months.

Source: Bureau of Labor Statistics



# U.S. Economic Data Releases

## For the Week Ending 10/15/2020

### Consumer Price Index (CPI)

September: 0.2% vs. August: 0.4%

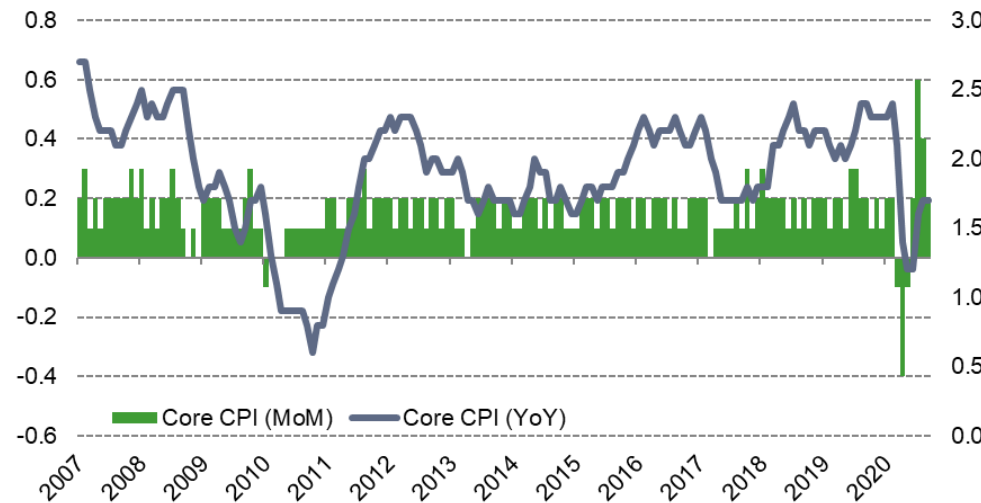
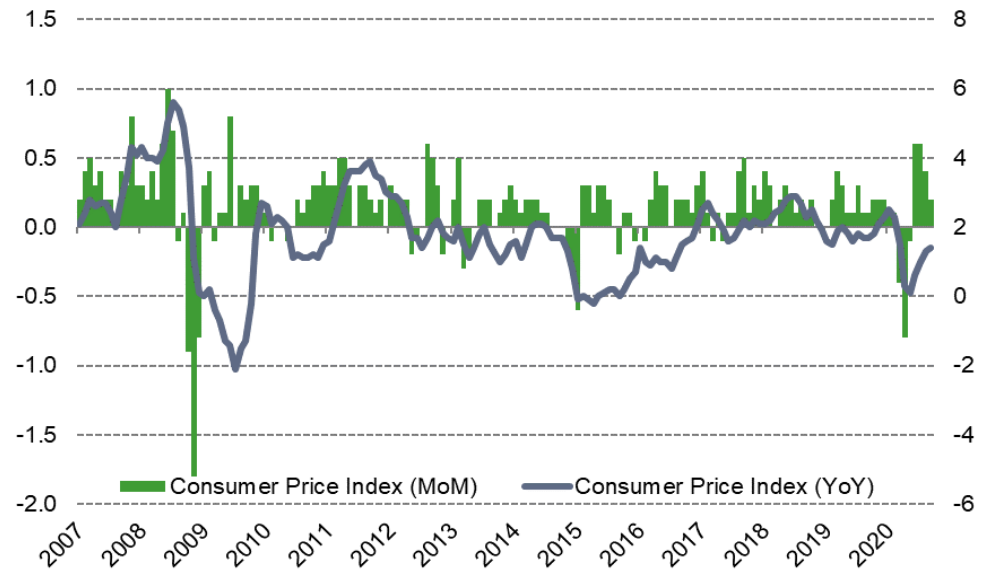
- Rose 0.2% in September, on par with expectations. The energy index rose 0.8%, largely driven by a 4.2% increase in the natural gas index. The food index remained unchanged this month, although the food away from home index increased 0.6% this month. On a year-over-year basis, CPI is up 1.4%.

### Core CPI

September: 0.2% vs. August: 0.4%

- Excluding food and energy, the index rose 0.2% in September, similarly on par with expectations. The index for used cars continued to rise sharply and accounted for most of the increase, rising 6.7% in September. The index for new cars similarly contributed an additional 0.3%, while other components remained mostly flat. On a year-over-year basis, core CPI increased 1.7%.

Source: Bureau of Labor Statistics



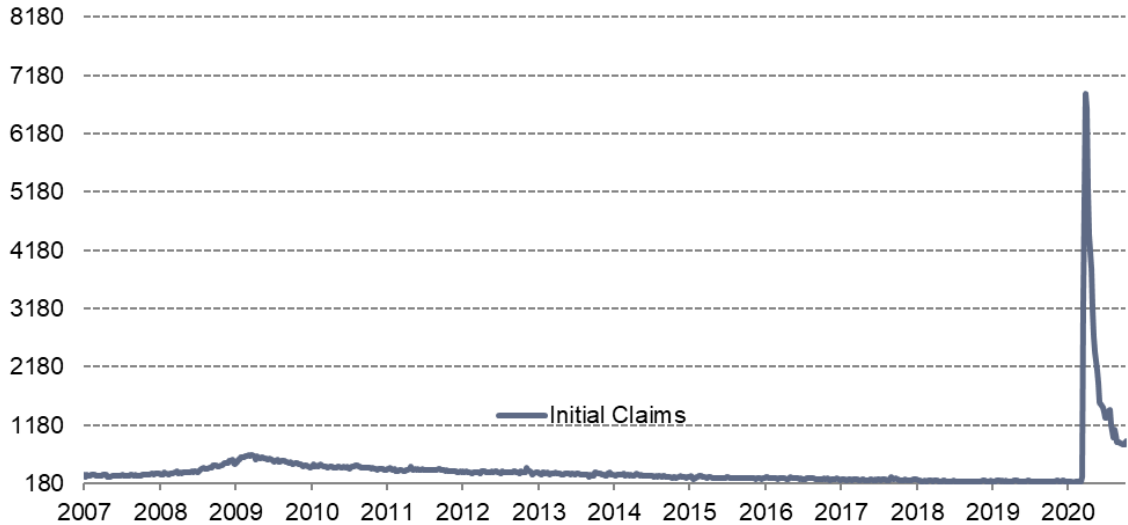
# U.S. Economic Data Releases

## For the Week Ending 10/15/2020

### Initial Jobless Claims

**October 10: 898K vs October 3: 845K**

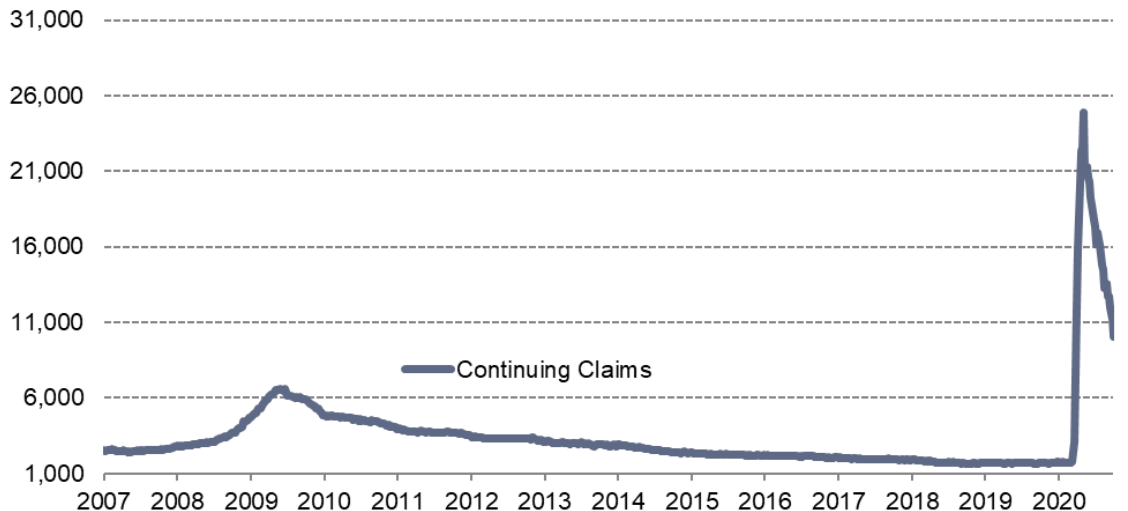
- Increased by 53K to 898K in the week ending October 10. The previous week was upwardly revised by 5K to 845K. As a result, the 4-week moving average increased by 8K to 866,250K.



### Continuing Claims

**October 3: 10,018K vs Sept 26: 11,183K**

- Decreased by 1,165K to 10,018K in the week ending October 3. The prior week was upwardly revised by 207K to 11,183K. As a result, the 4-week moving average decreased by 682K to 11,481K. The insured unemployment rate decreased by 0.9% to 6.8%.



Source: Department of Labor

# COVID-19 Update

## Global Cases and Deaths

**Coronavirus  
Outbreak  
(COVID-19)**

*Created by Jessica Nick*



**214**  
Countries  
Affected

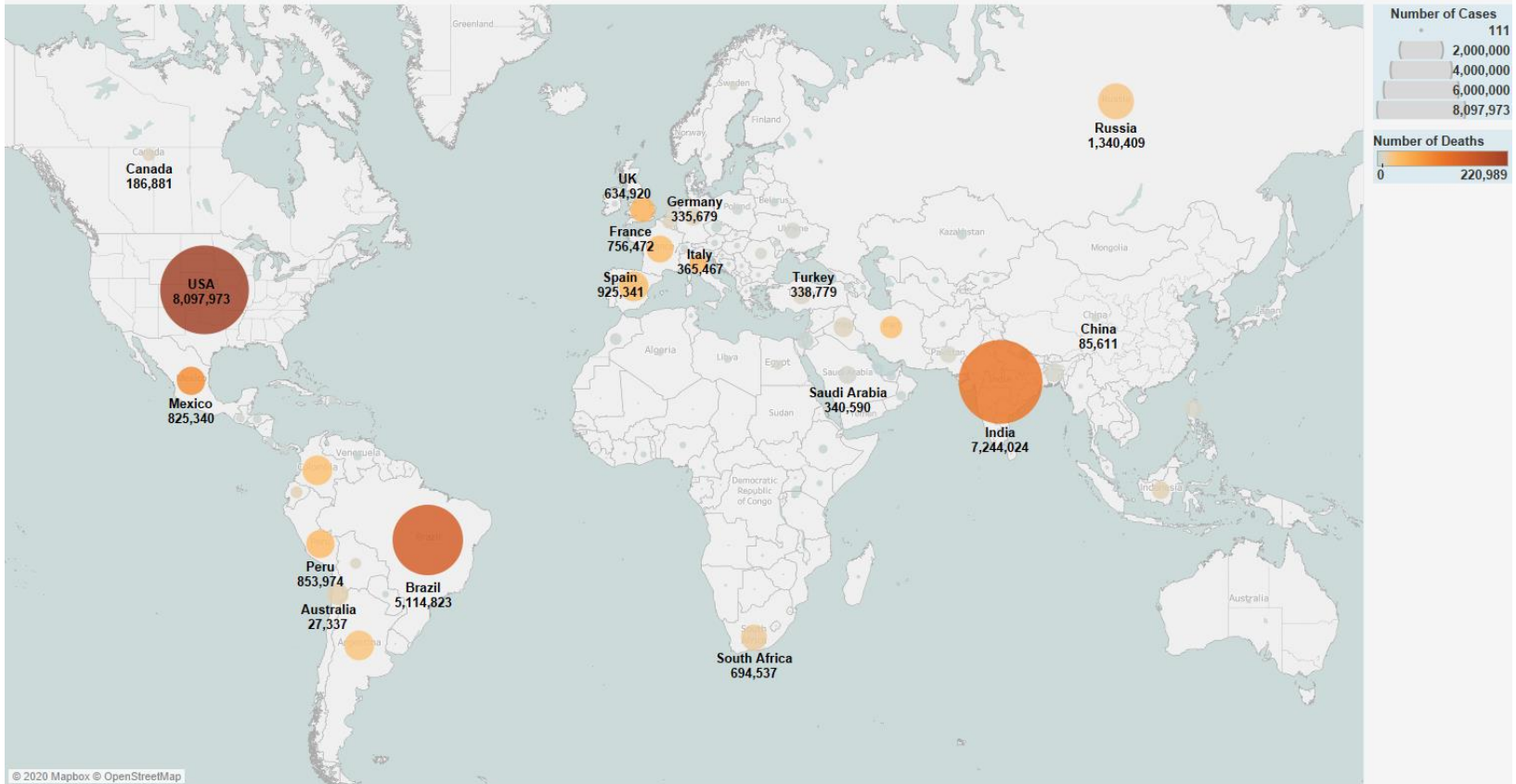


**38,453,986**  
Confirmed  
Cases



**1,092,314**  
Deaths

OUTBREAK BY COUNTRY



Map based on Longitude (generated) and Latitude (generated). Color shows sum of Deaths. Size shows sum of Cases. The view is filtered on sum of Cases, which includes values greater than or equal to 100.

Source: WHO; CDC as of October 14, 2020



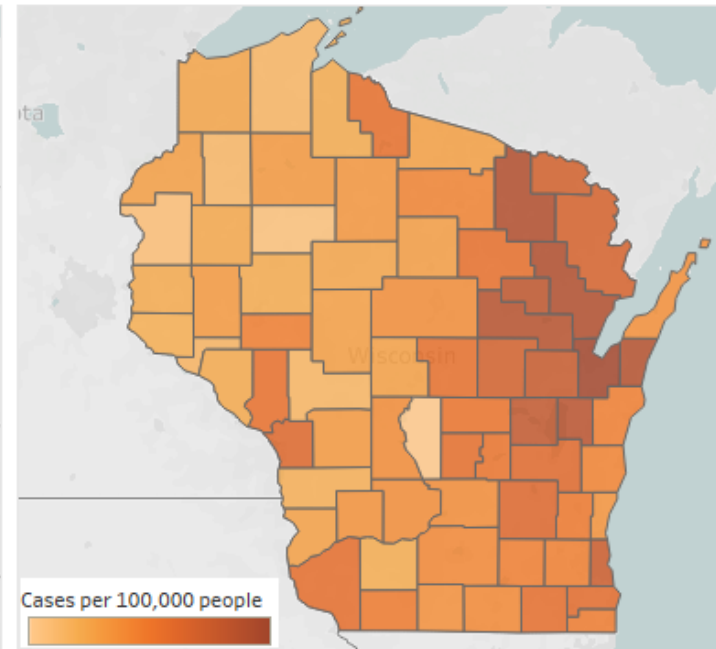
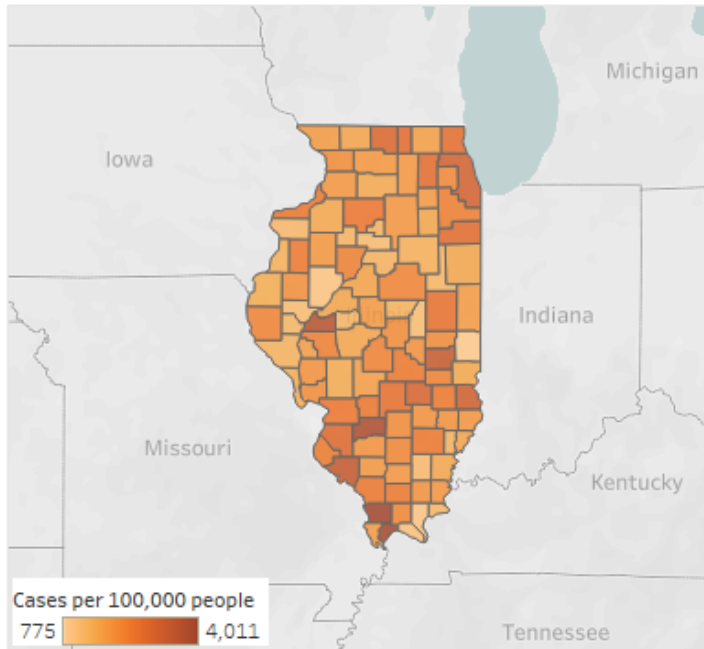
# COVID-19 Update

## Illinois and Wisconsin

### COVID-19 Confirmed Cases By County

		Positive Cases	Cases/100k pop.
<b>Illinois</b>	Cook	156,726	3,043
	Winnebago	8,063	2,853
	St. Clair	7,294	2,809
	Kane	14,436	2,711
	Lake	18,521	2,659
	Champaign	5,434	2,591
	Madison	6,426	2,444
	Will	15,766	2,282
	DuPage	19,640	2,128
	McHenry	5,202	1,690
<b>324,699</b>	<b>Cases</b>		
<b>9,026</b>	<b>Deaths</b>		

		Positive Cases	Cases/100k pop.	
<b>Wisconsin</b>	Brown	12,045	4,553	
	Oconto	1,584	4,176	
	Forest	375	4,165	
	Kewaunee	838	4,101	
	Shawano	1,649	4,032	
	Calumet	1,992	3,977	
	Menominee	174	3,819	
	Winnebago	6,494	3,778	
	Outagamie	6,810	3,625	
	Milwaukee	33,048	3,494	
	<b>155,471</b>	<b>Cases</b>		
	<b>1,508</b>	<b>Deaths</b>		



Source: Illinois DPH; Wisconsin DHS as of October 14, 2020

# Survey of Consumer Expectations

- The Federal Reserve Bank of New York recently released its Survey of Consumer Expectations (SCE) for September 2020.
- What is the SCE?
  - The SCE is an internet-based survey of a rotating panel of approximately 1,300 households.
  - Respondents participate in the panel for up to 12 months, with a roughly equal number rotating in and out of the panel each month.
  - Respondents are surveyed on expectations for various topics, including: inflation, wage growth, house prices, job search, access to credit, and other similar topics.
- The survey consists of two separate components.
  - Monthly data: expectations about macroeconomic and household-level data
  - Quarterly data: special topics covering different aspects of household economic behavior

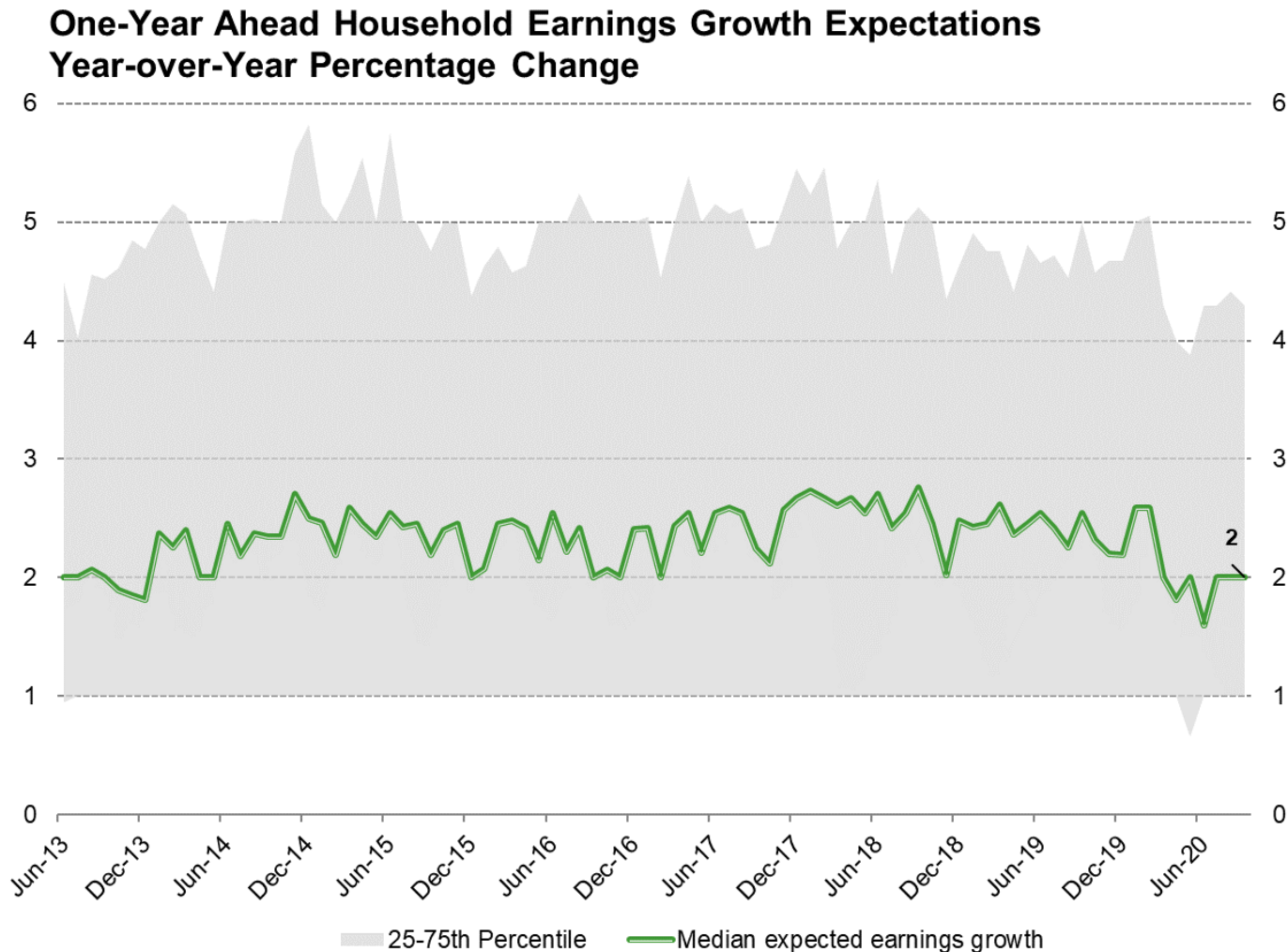
Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

## Earnings Expectations

The first set of questions concern expectations for changes in the respondents' household income.

Expected income growth in the next 12 months remained unchanged for the third consecutive month at 2%.



Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

## Earnings Expectations by Age Group

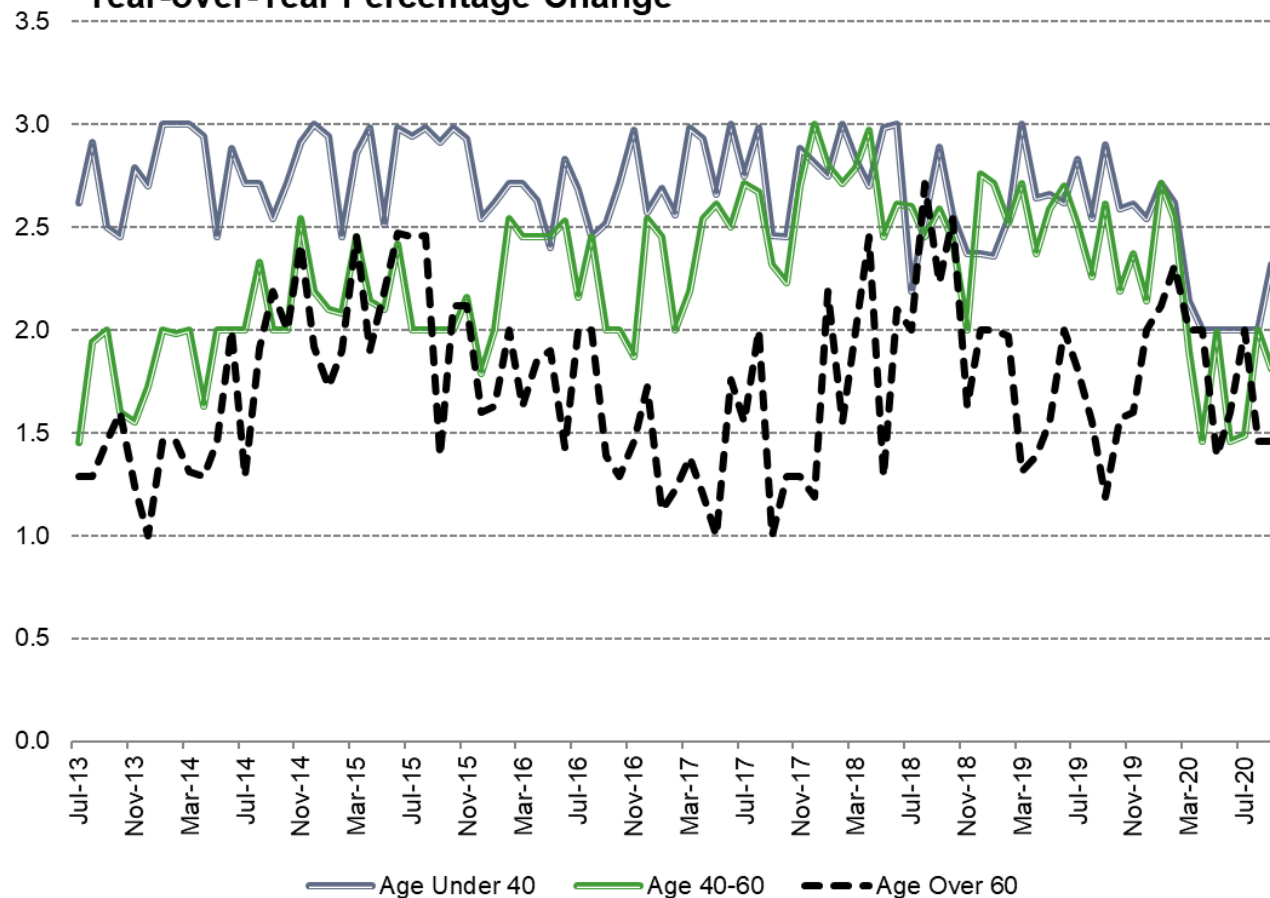
Expectations for earnings growth was mixed across various age groups.

Consumers over 60 remain most pessimistic about earnings growth prospects. Expectations remained unchanged from last month at a growth rate of only 1.46%.

Consumers between 40 and 60 expect earnings to grow 1.81%, down from 2.00% in August.

Expectations for consumers under the age of 40 improved this month to 2.32% from 2.00% in August.

**Median Expected Earnings Growth By Age Group**  
Year-over-Year Percentage Change



Source: Federal Reserve Bank of New York

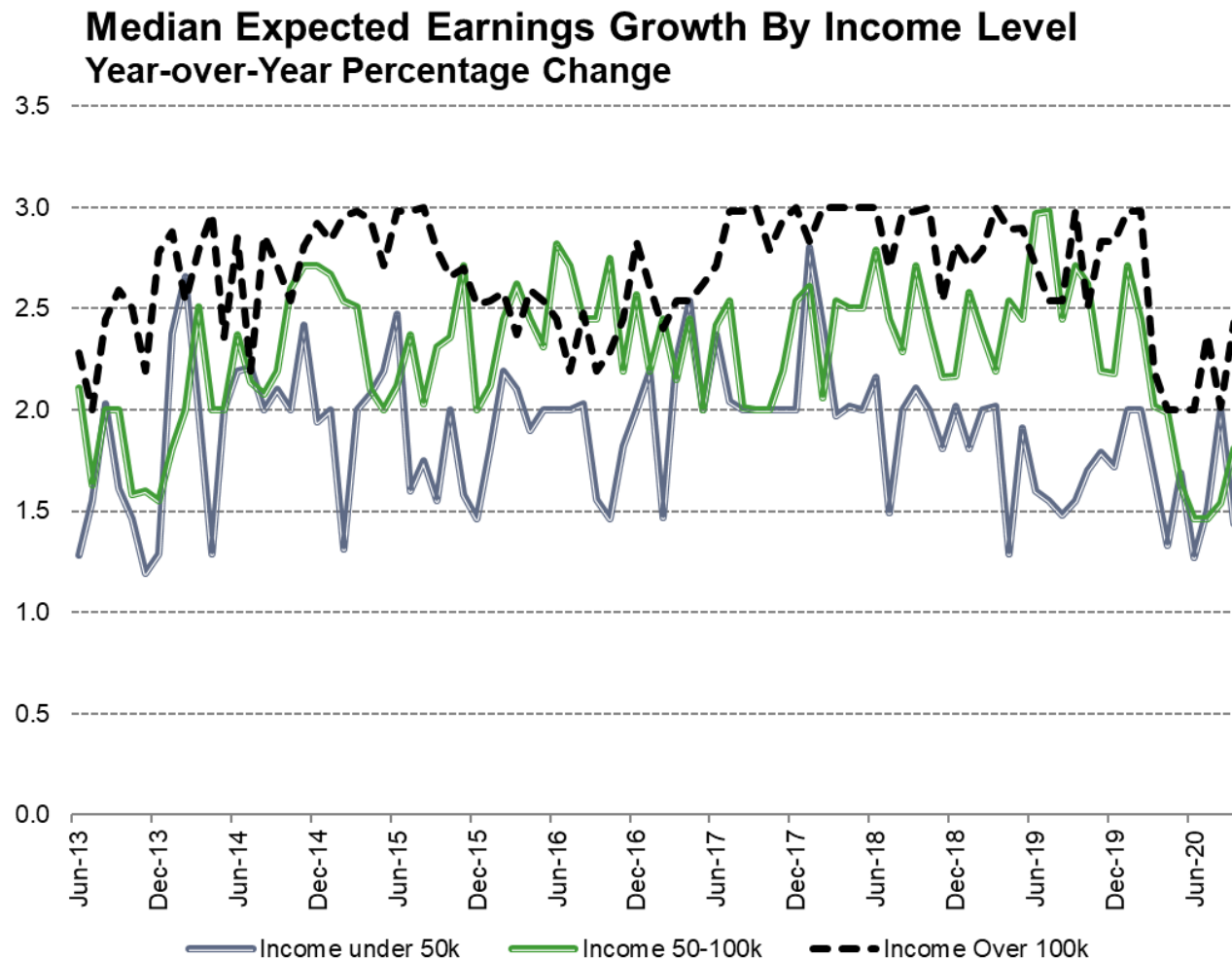
# Survey of Consumer Expectations

## Earnings Expectations by Income Level

Earnings expectations across income groups were similarly mixed.

Expectations for consumers with incomes under \$50K plummeted by 0.56% to expectations of a 1.44% growth.

Meanwhile, expectations for consumers with incomes between \$50-\$100K and incomes over \$100K reported increasing optimism, with expected growth rates rising to 1.81% (+0.27%) and 2.43% (+0.42%), respectively.



Source: Federal Reserve Bank of New York

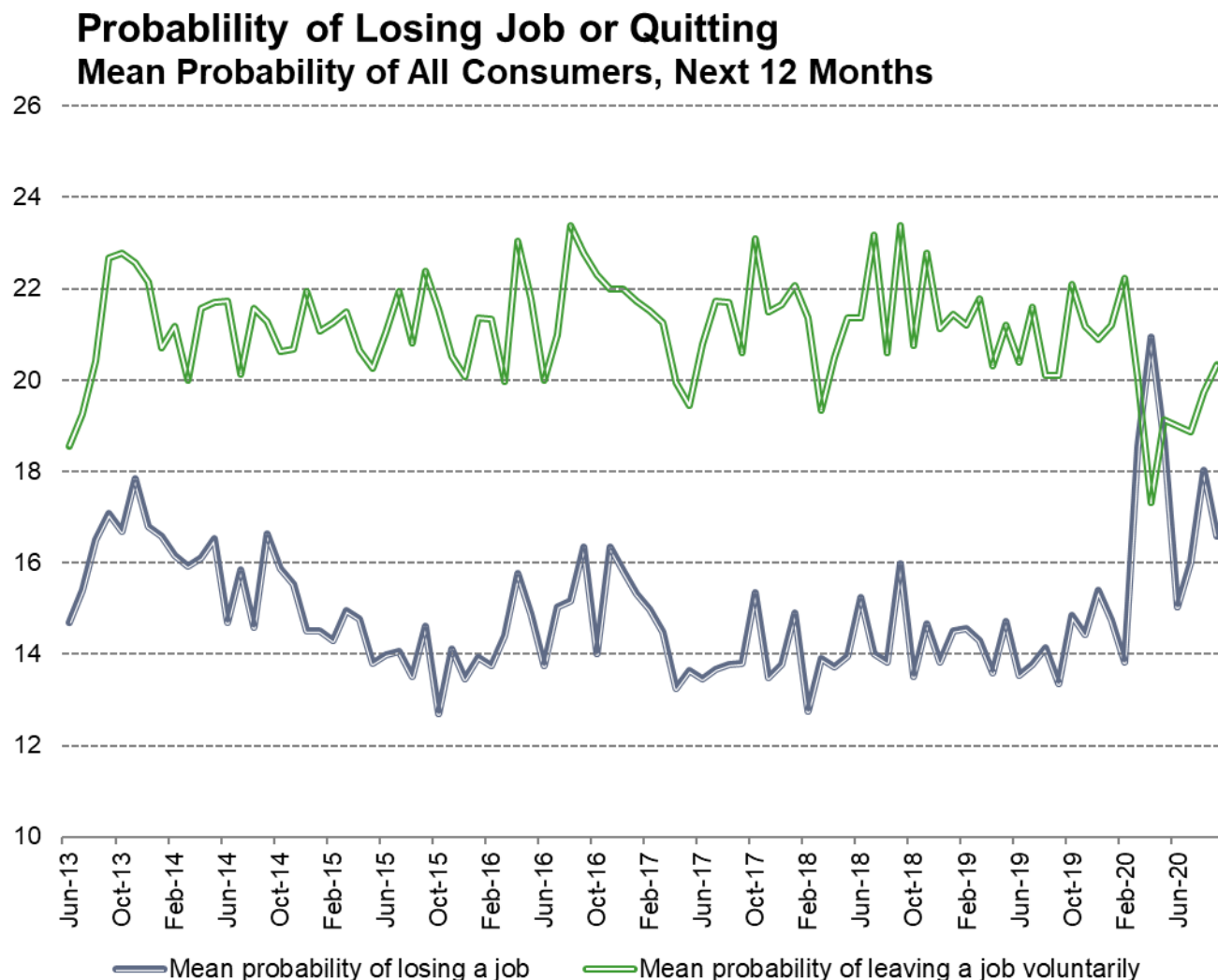
# Survey of Consumer Expectations

## Probability of Losing a Job and Quitting Diverging

The September report signaled expectations of improving stability in the labor market.

The probability of losing one's job in the next year remains elevated at 16.59%, but decreased 1.43% month-over-month.

The probability of leaving a job voluntarily in the next year rose 0.61% to 20.33% in September after rising 0.86% in August.



Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

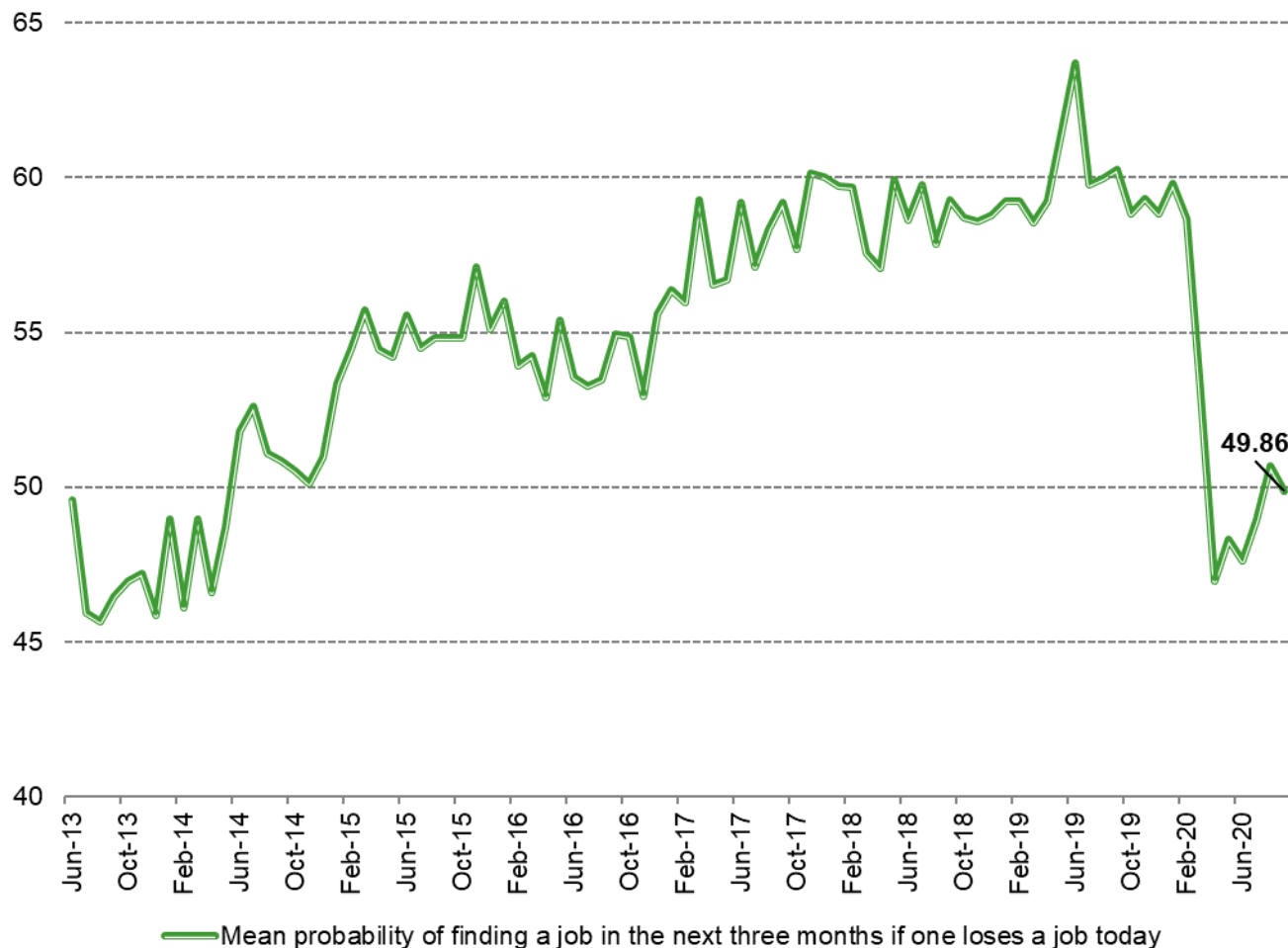
## Probability of Finding a Job

The mean expected probability of finding a job in the next three months if a consumer lost their job today inched lower this month, suggesting expectations may remain uncertain in at least the near-term.

The probability fell to 49.86% in September from 50.68% in August.

### Job Finding Expectations

#### Mean Probability of All Consumers, Next Three Months



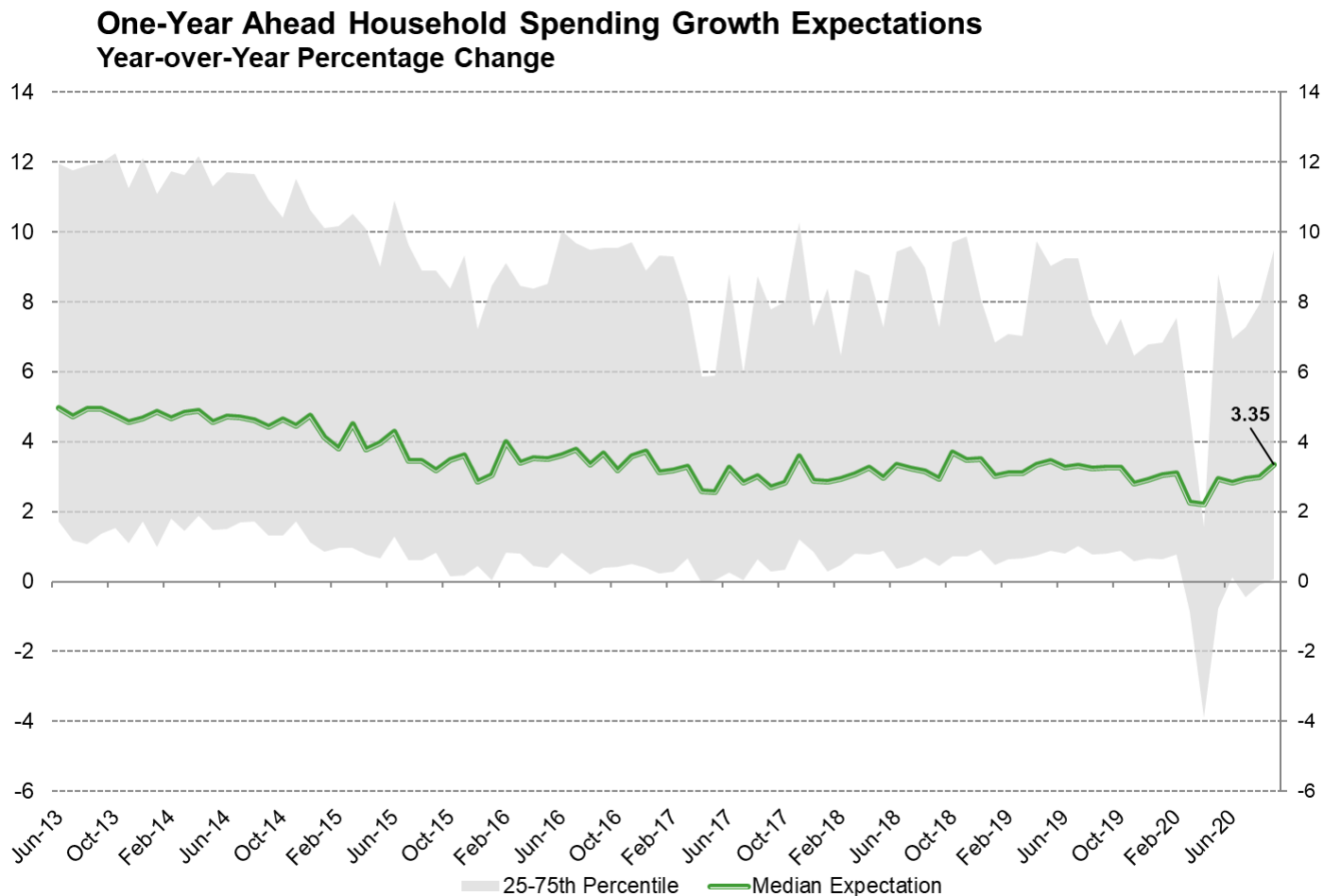
Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

## Spending Expectations

Median household spending growth expectations for the year ahead increased to 3.35% in September, up from 2.99% in August.

This is the first measurement where expectations of spending growth have exceeded 3.00% growth since February 2020.



Source: Federal Reserve Bank of New York



# Survey of Consumer Expectations

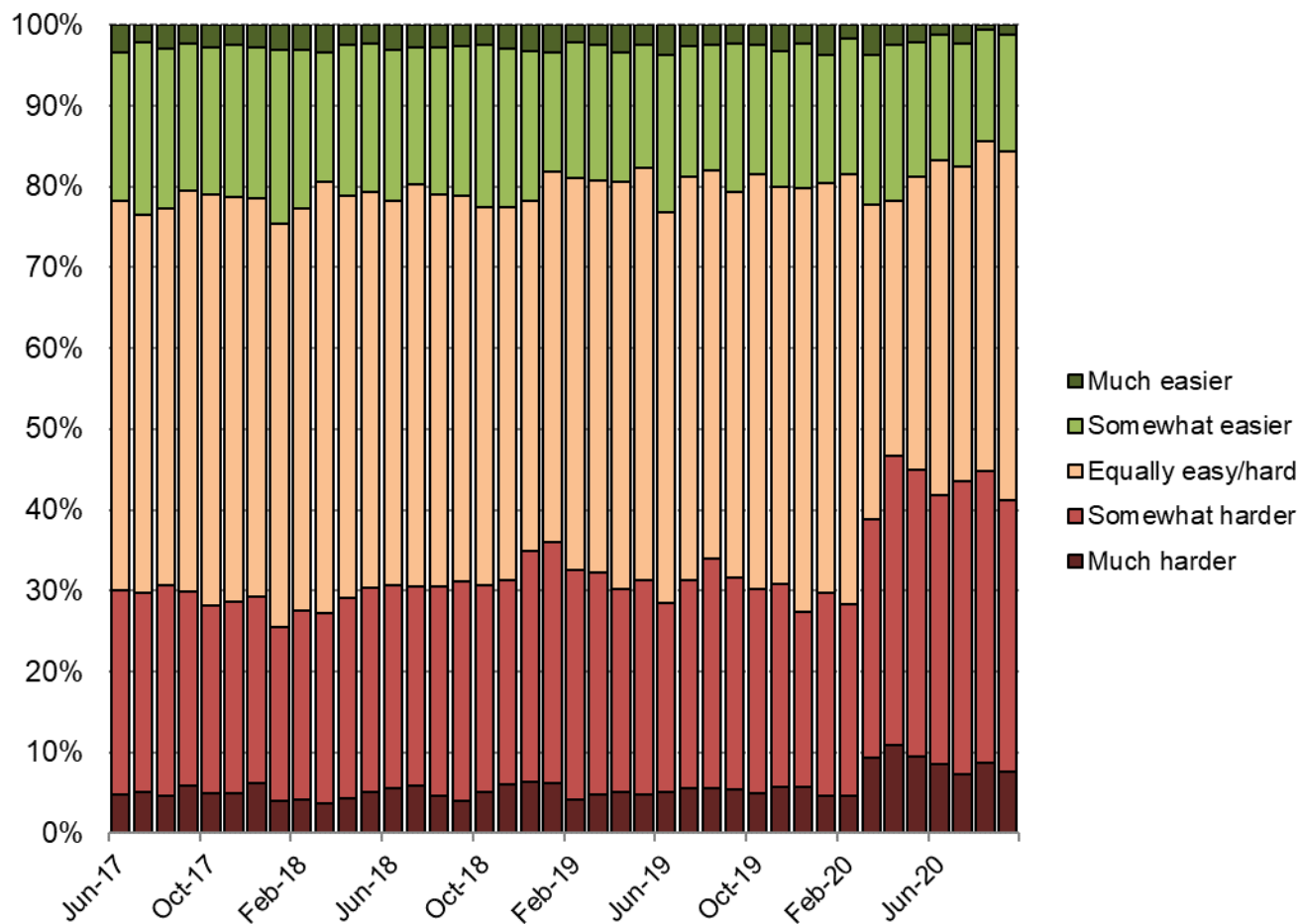
## Expected Changes in Credit Availability in the Next 12 Months

Perceptions regarding expected credit access 12 months from now show that consumers are expecting a similar or slightly more favorable credit environment in 12 months.

About 41.20% expect “much harder” or “somewhat harder” access to credit, down 3.65% month-over-month.

Consumers who anticipate access to credit to be “somewhat easier” or “much easier” increased from 14.33% in August to 15.59% in September.

### Expected Change In Credit Availability Harder or Easier to Obtain Credit One Year from Now



Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

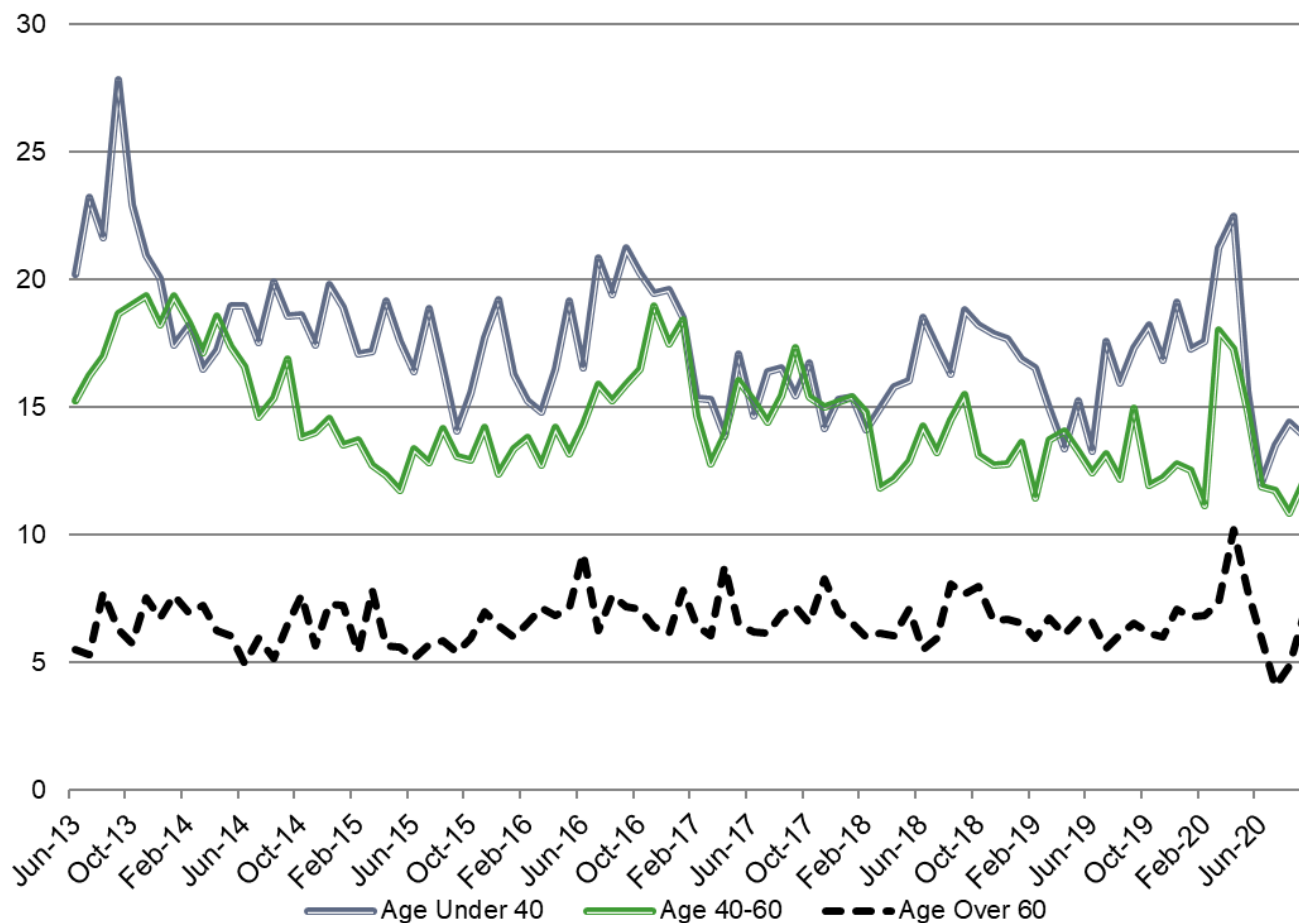
## Expected Changes in Debt Delinquencies

Expectations for debt delinquencies increased 1.06% to 10.73% overall.

Survey responses by age group indicate that despite remaining at higher levels than other respondents, expectations from consumers under age 40 decreased 0.55% to 13.85%.

Consumers between ages 40 and 60 and over age 60 reported worsening expectations, with expectations of missing a minimum debt payment increasing 1.29% to 12.15% and 2.08% to 6.95%, respectively.

### Debt Delinquency Expectations by Age Group Year-over-year Percentage Change



Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

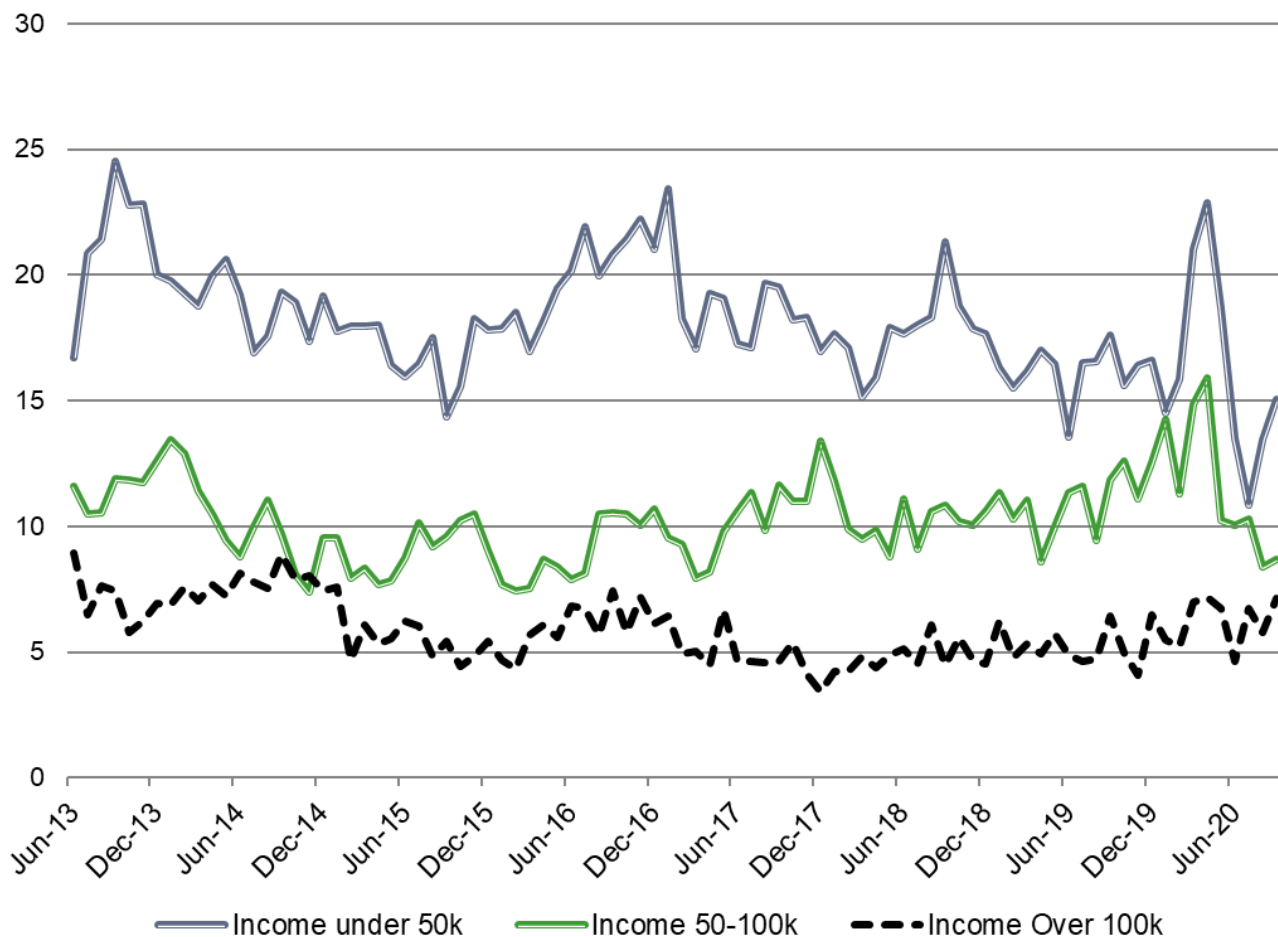
## Expected Changes in Debt Delinquencies

Survey responses by income level also signaled worsening expectations for respondents with incomes under \$50K. Respondents in this category reported their expectations of missing a debt payment increasing by 1.62% to 15.06% in September.

Although remaining at the lowest levels, expectations for those with incomes over \$100K also increased 1.34% to 7.15%. Respondents with incomes between \$50K-\$100K reported an increase of 0.30% to 8.7%.

### Debt Delinquency Expectations by Income Level

#### Year-over-year Percentage Change



Source: Federal Reserve Bank of New York

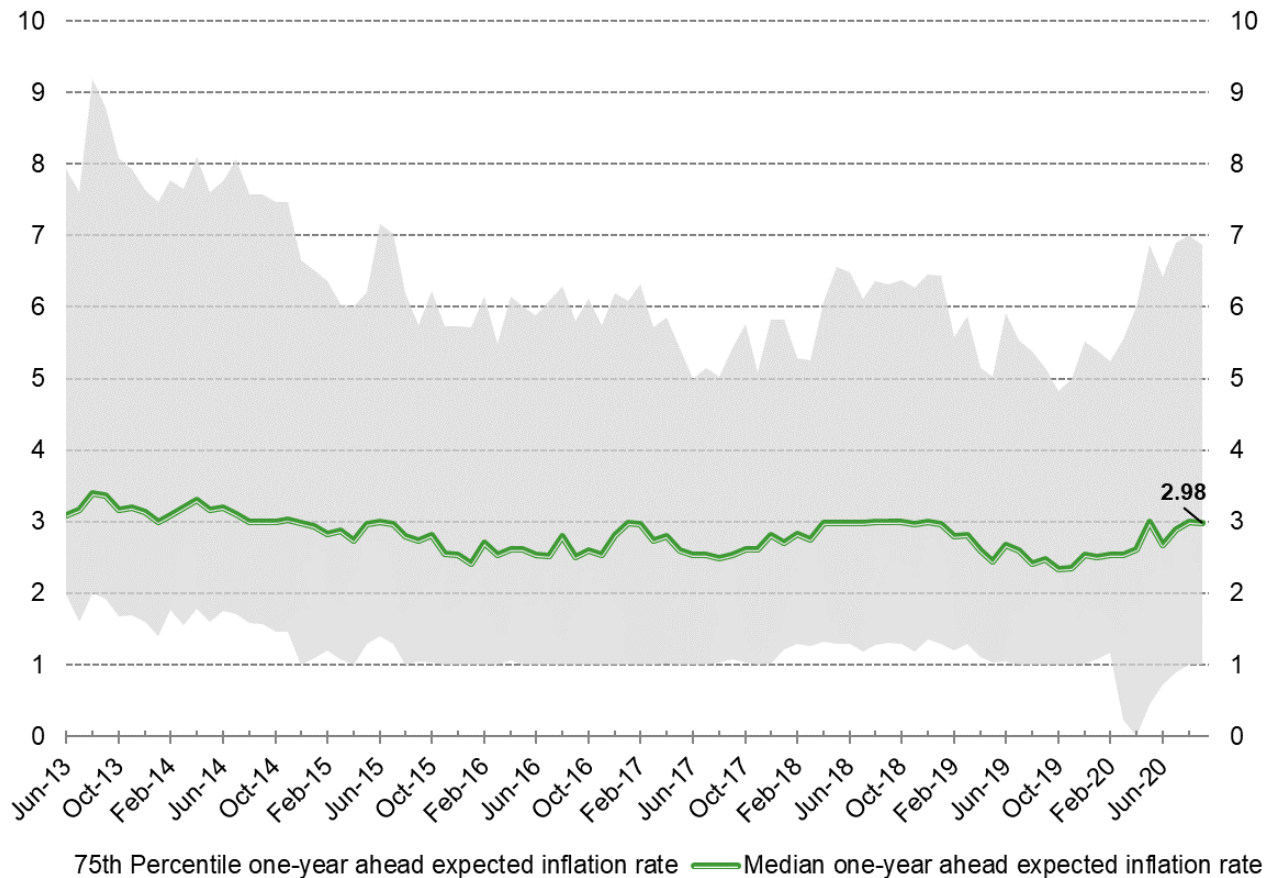
# Survey of Consumer Expectations

## Inflation Expectations

The median one-year ahead expected rate of inflation dipped slightly to 2.98% in September from 3.00% in August.

The expected rate of inflation has been hovering at or below 3.00% for most of the past 5 years.

### One-Year Ahead Inflation Growth Expectations Year-over-Year Percentage Change

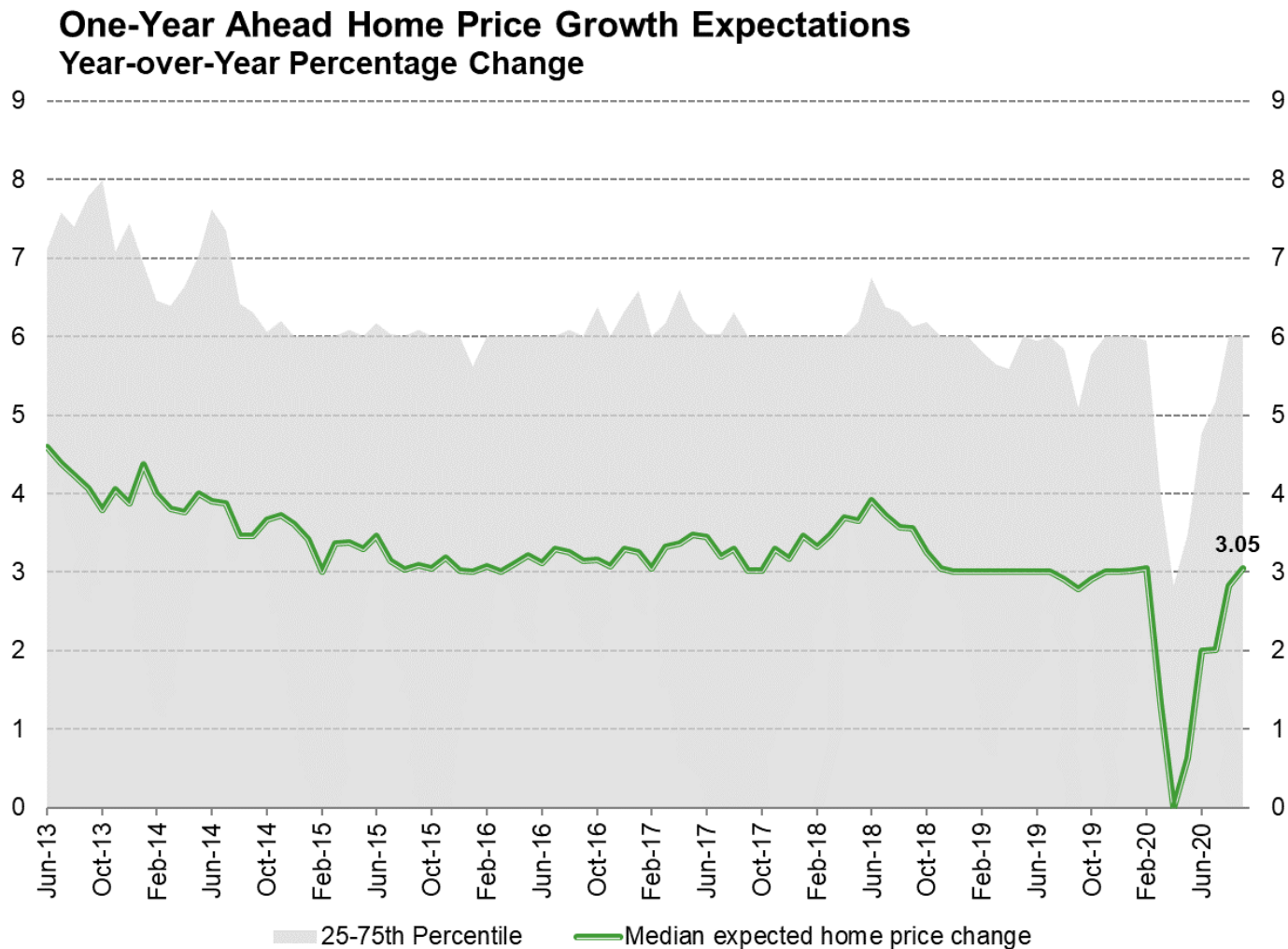


Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

## Home Price Expectations

Home price growth expectations for the year ahead rebounded for the fifth consecutive month, rising from 2.82% in August to 3.05% in September.



Source: Federal Reserve Bank of New York

# Survey of Consumer Expectations

## Home Price Expectations by Region

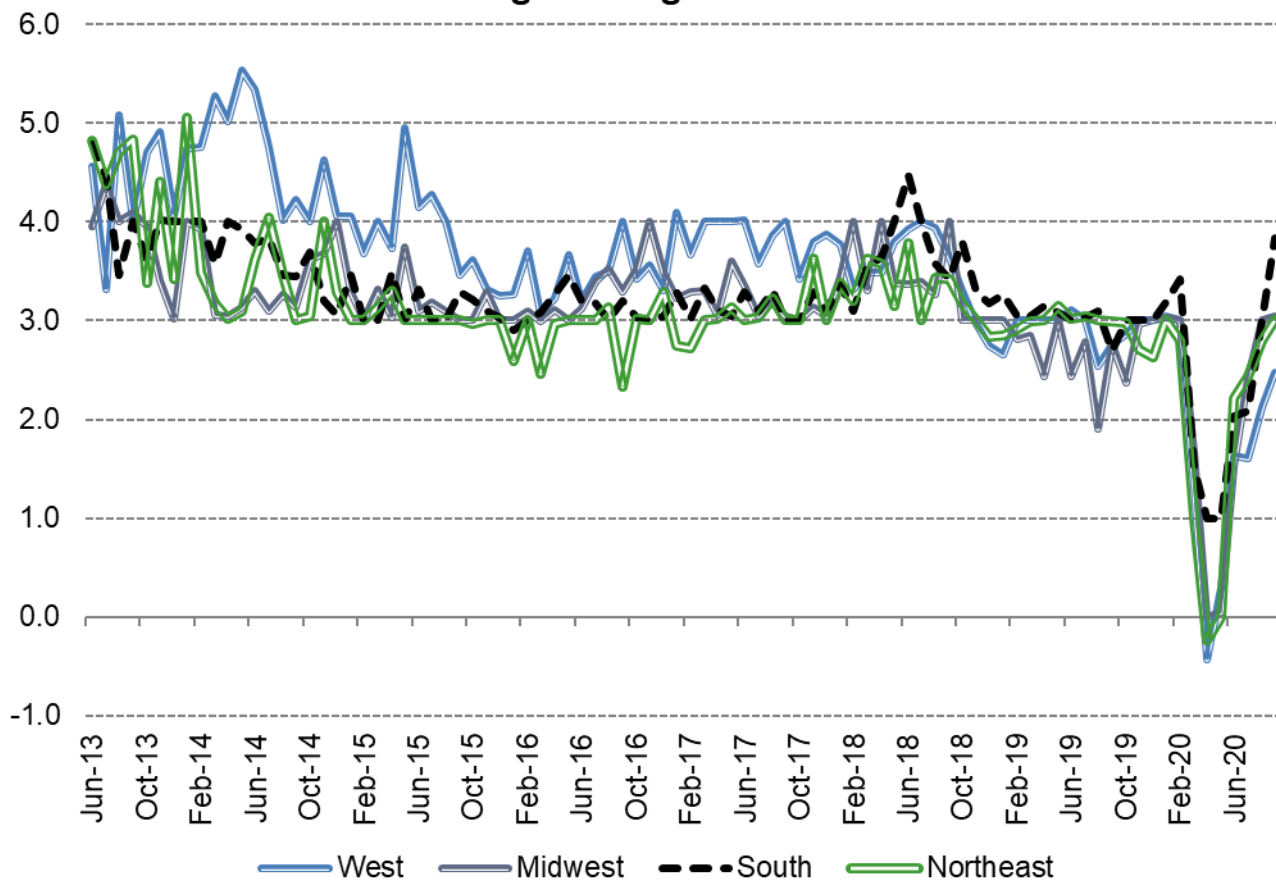
Median expectations for home prices by region rose across the board.

The South remains the most optimistic, increasing 0.84% from August to expectations of a 3.84% growth.

The West and Northeast both rose modestly, increasing 0.35% to 2.47% and 0.20% to 3.00%, respectively.

The Midwest remains elevated at 3.05% growth, but only rose 0.05% in September.

**Median Expected Home Price Growth By Region**  
Year-over-Year Percentage Change



Source: Federal Reserve Bank of New York

# August Survey of Consumer Expectations

## Summary:

- Consumer expectations continue to show general uncertainty about households' financial situation.
- Median one-year ahead earnings growth expectations remained flat month-over-month at 2.0%.
- Expectations for home price growth rose from 2.8% in August to 3.05% in September.
- Respondents are more optimistic about the likelihood of not losing their job and voluntarily leaving their current job in the next 12 months.
- Expectations for debt delinquency increased 1.06% month-over-month and remain most elevated for consumers under the age of 40 and with incomes less than \$50K.
- Other areas of the report not covered in this presentation:
  - The median expectation regarding a year-ahead change in taxes increased from 2.66% in August to 3.02% in September.
  - The mean probability that U.S. stock prices will be higher one year from now dipped 0.75 percentage points to 44.13%.
  - The mean probability that U.S. unemployment will be higher one year from now dipped, falling from 39.1% to 36.42% in September.

Source: Federal Reserve Bank of New York

# This and That

The Federal Reserve Vice Chair of Supervision, Randy Quarles, commented that the Treasury market may not be able to function properly without the Federal Reserve's intervention.

"It may be that there is a simple macro fact that the Treasury market, being so much larger than it was even a few years ago, much larger than it was a decade ago, and now really much larger than it was even a few years ago, that the sheer volume there may have outpaced the ability of the private-market infrastructure to kind of support stress of any sort there."

Quarles noted that it is an "open question" whether the Fed will need to provide support indefinitely to the Treasury market.

Source: Federal Reserve



# Economic Data Release Calendar

## October 2020

All eyes will be focused on Friday's release of the Retail Sales Report.

Next week economic data will be released on the NAHB Housing Market, Housing Starts, and Existing Home Sales.

On Wednesday, the Federal's Reserve's Beige Book will be released.

October 2020				
Monday	Tuesday	Wednesday	Thursday	Friday
			<b>1</b> Jobless Claims Personal Income Construction Spending ISM Manufacturing	<b>2</b> Employment Factory Orders Consumer Sentiment
<b>5</b> ISM Nonmanufacturing	<b>6</b> JOLTS	<b>7</b> MBA Mortgage Applications FOMC Minutes Consumer Credit	<b>8</b> Jobless Claims	<b>9</b> Wholesale Trade
<b>12</b> Columbus Day Federal Holiday FHLBC Closed	<b>13</b> Small Business Optimism Consumer Price Index	<b>14</b> MBA Mortgage Applications Producer Price Index Atlanta Fed Outlook	<b>15</b> Jobless Claims Philadelphia Fed Outlook	<b>16</b> Retail Sales Industrial Production Business Inventories Consumer Sentiment
<b>19</b> NAHB Housing Market	<b>20</b> Housing Starts	<b>21</b> MBA Mortgage Applications Beige Book	<b>22</b> Jobless Claims Existing Home Sales Kansas City Fed Outlook	<b>23</b>
<b>26</b> New-Home Sales Chicago Fed Nat'l Activity Dallas Fed Outlook	<b>27</b> Durable Goods S&P Case-Shiller HPI FHFA House Price Index Richmond Fed Outlook Consumer Confidence	<b>28</b> MBA Mortgage Applications	<b>29</b> Jobless Claims Pending Home Sales GDP	<b>30</b> Personal Income Consumer Sentiment

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