



Summary

U.S. stocks tumbled on Friday as disappointing quarterly earnings reports from technology and oil companies weighed on investor sentiment. For the week, the Dow Jones Industrial Average and the S&P 500 edged down 0.2% and the NASDAQ slipped 0.3%. Economic reports continued to paint a dismal picture of the damage caused by the coronavirus outbreak. After increasing 2.1% in the 4th quarter of 2019,

real GDP declined at a 4.8% annual pace in the 1st quarter of 2020; consumer spending dropped at a 7.6% annualized rate in the 1st quarter and non-residential investment spending tumbled 8.6% while residential investment spending advanced 21.0%. Personal income decreased 2.0% in March and personal spending plunged 7.5%; the personal savings rate jumped 5.1 percentage points to 13.1%. The Fed's

preferred gauge of inflation, the core Personal Consumption Expenditures (PCE) price index, edged down 0.1% in March but was up 1.7% from a year earlier. The ISM Manufacturing index declined 7.6 points to 41.5, an eleven-year low, in April. In housing news, the Case-Shiller 20-City Index advanced 3.5% from February 2019 and pending home sales plunged 20.8% in March.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
S&P Case-Shiller 20-City Index (Feb – Tu 9:00)	+3.5%	+3.7%	Phoenix, Seattle, Tampa, & Charlotte saw biggest gains
Consumer Confidence (Apr – Tu 10:00)	86.9	86.5	Lowest reading since June 2014
Real Gross Domestic Product (Qtr 1 – We 8:30)	-4.8%	-4.3%	Largest decline since the 4 th quarter of 2008
Chain Deflator (Qtr 1 – We 8:30)	+1.3%	+1.1%	
Pending Home Sales (Mar – We 10:00)	-20.8%	NA	-16.3% from March 2019
FOMC Rate Decision (Apr – We 2:00)	0.0% - 0.25%	0.0% - 0.25%	Policy rate likely to stay near zero for extended period
Initial Unemployment Claims (4/25 – Th 8:30)	3,839 Mil.	3,050 Mil.	4-week moving average declined 757,000 to 5,033,250
Continuing Claims (4/18 – Th 8:30)	17,992 Mil.	NA	Record high
Personal Income (Mar – Th 8:30)	-2.0%	-1.5%	Wages and salaries dropped 3.1%
Personal Spending (Mar – Th 8:30)	-7.5%	-3.6%	Savings rate jumped 5.1 points to 13.1%
PCE Prices - Core (Mar – Th 8:30)	-0.1%	+0.1%	+1.7% from March 2019
ISM Manufacturing Index (Apr – Fr 10:00)	41.5	39.0	New orders index fell 15.1 points to 27.1%
Construction Spending (Mar – Fr 10:00)	+0.9%	-3.5%	Residential spending advanced 2.3%
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
ISM Services (Apr – Mo 10:00)	NA	52.5	Not available
Factory Orders (Mar – Mo 10:00)	-9.1%	+0.0%	
Trade Balance (Mar – Tu 8:30)	-\$44.2 Bil.	-\$39.9 Bil.	
Initial Unemployment Claims (5/2 – Th 8:30)	2,900 Mil.	3,839 Mil.	
Continuing Claims (4/25 – Th 8:30)	NA	17,992 Mil.	Not available
Consumer Credit (Mar – Th 3:00)	+\$7.5 Bil.	+\$22.3 Bil.	
Nonfarm Payrolls (Apr – Fr 8:30)	-21.0 Mil.	-701 K	
Nonfarm Private Payrolls (Apr – Fr 8:30)	-21.3 Mil.	-713 K	
Unemployment Rate (Apr – Fr 8:30)	16.2%	4.4%	
Average Hourly Earnings (Apr – Fr 8:30)	+0.4%	+0.4%	
Average Workweek (Apr – Fr 8:30)	33.8	34.2	
Wholesale Inventories (Mar – Fr 10:00)	-1.0%	-0.7%	

*Sources: www.briefing.com and www.federalreserve.gov.





Economic Review

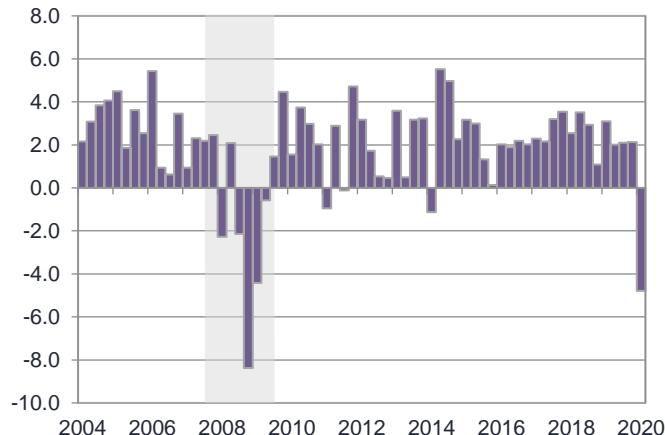
The U.S. economy shrank more than expected in the 1st quarter as the coronavirus outbreak shut down businesses. According to the Commerce Department's advance estimate, real GROSS DOMESTIC PRODUCT (GDP) fell 4.8% at an annualized pace in the 1st quarter after increasing 2.1% in the 4th quarter. Subtracting 5.26 percentage points from growth, consumer expenditures declined at a 7.6% annual rate in the 1st quarter compared with a 1.8% increase in the 4th quarter. Gross private domestic investment decreased 5.6% in the 1st quarter. Nonresidential investment spending declined at an 8.6% annual rate while residential investment spending increased 21.0% in the 1st quarter after rising 6.5% in the 4th quarter. Government spending rose at a 0.7% annual rate as federal government spending climbed 1.7% and state and local government spending inched forward 0.1%. Net exports of goods and services added 1.30 percentage points to growth in the 1st quarter while change in private inventories subtracted 0.53 percentage points from growth. Real final sales fell 4.3% after increasing 3.1% in the 4th quarter. The GDP PRICE INDEX advanced 1.3% in the 1st quarter after also rising 1.3% in the 4th quarter.

Both personal spending and personal income declined more than expected in March. After increasing 0.6% in February, PERSONAL INCOME fell 2.0% in March. Disposable personal income was also down 2.0% in March after rising 0.5% in

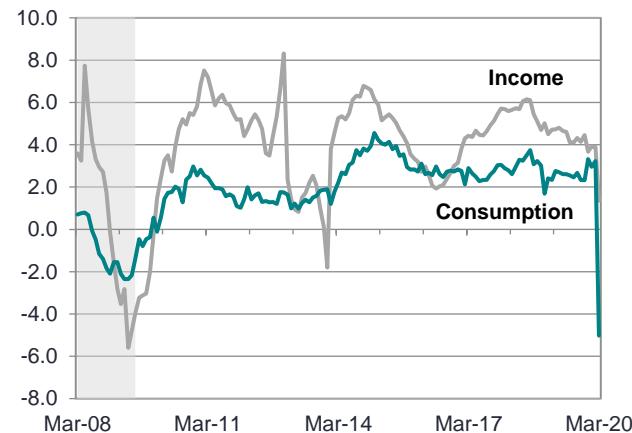
February; real disposable personal income decreased 1.7%. PERSONAL CONSUMPTION dropped 7.5% after increasing 0.2% in February. When adjusted for inflation, personal spending was down 7.3%. The savings rate jumped 5.1 percentage points to 13.1% in March. The PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX decreased 0.3% in March after inching forward 0.1% in February. The PCE price index excluding food and energy edged down 0.1% after increasing 0.2% in February. From a year earlier, the price index for PCE advanced 1.3% and the core PCE price index was 1.7% higher.

First-time jobless claims declined less than expected last week and remain very elevated as over 30 million workers have filed initial claims for unemployment benefits over the last six weeks. INITIAL UNEMPLOYMENT CLAIMS decreased to 3,839,000 for the week ending April 25 from 4,442,000. The four-week moving average fell 757,000 to 5,033,250. CONTINUED BENEFITS jumped 2,174,000 to 17,992,000 for the week ending April 18. The four-week moving average, a better measure of underlying trends, climbed 3,733,250 to 13,292,500.

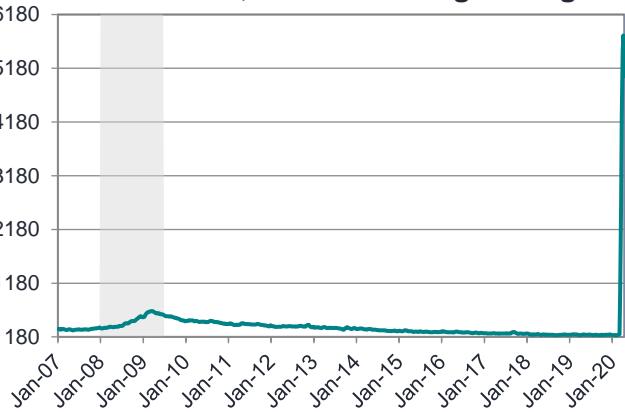
Real Gross Domestic Product Quarterly Annualized Percent Change



Personal Income and Consumption Percent Change, Year-Over-Year



Initial Unemployment Claims Thousands, 4-Week Moving Average





Fed Speeches

The Federal Open Market Committee (FOMC) met last week and, as expected, left the target range for the federal funds rate unchanged at 0.0% to 0.25%. The FOMC statement noted that the COVID-19 pandemic has inflicted severe damage on the U.S. economy.

The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The virus and the measures taken to protect public health are inducing sharp declines in economic activity and a surge in job losses. Weaker demand and significantly lower oil prices are holding down consumer price inflation. The disruptions to economic activity here and abroad have significantly affected financial conditions and have impaired

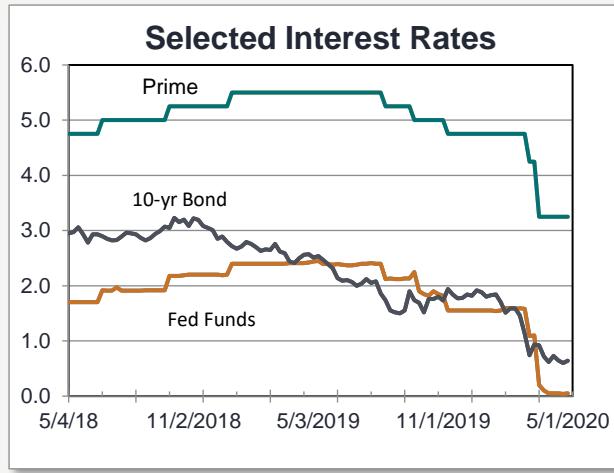
the flow of credit to U.S. households and businesses.

The Committee said it will maintain the target range for the federal funds rate near zero until the U.S. economy has “weathered” the crisis.

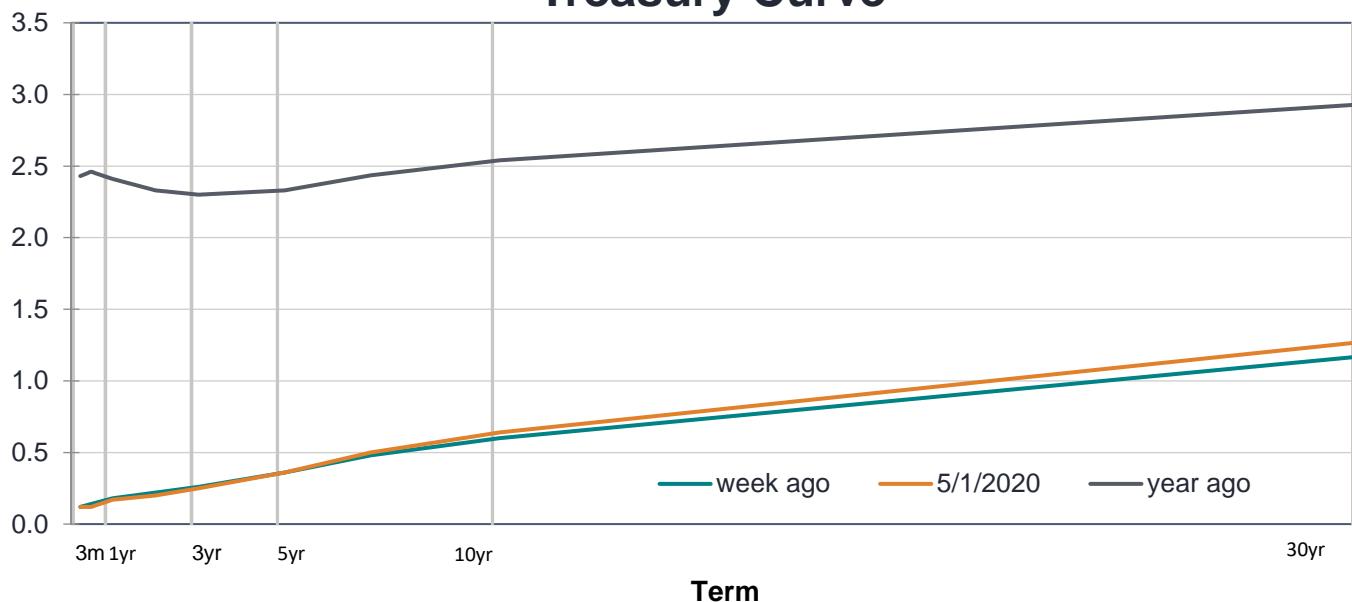
The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 percent. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.

Financial Markets

The three major U.S. stock indexes ended last week slightly lower with both the Dow Jones Industrial Average and the S&P 500 decreasing 0.2% and the NASDAQ declining 0.3%. Treasury yields rose across the long-end of the curve with the 10-year yield advancing 4 basis points (bps) to 0.64% and the 30-year yield climbing 10 bps to 1.27%. Oil prices jumped 15.1% and ended the week at \$19.69 per barrel. The U.S. dollar slipped 0.5% against the Japanese yen and the euro was up 1.5% against the greenback last week.



Treasury Curve





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) left the federal funds rate target unchanged at 0.0% to 0.25% at the Fed's April policy meeting. In the statement released following the April meeting, the FOMC said, "The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world." The statement went on to say, "The Committee will continue to monitor the implications of incoming information

for the economic outlook, including information related to public health, as well as global

developments and muted inflation pressures, and will use its

tools and act as appropriate to support the economy."

Avg. for:	Prime	Fed Funds	3-Mo. LIBOR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
2 nd Qtr '20	3.25	0.06	1.01	0.18	0.23	0.65	1.28	3.36
3 rd Qtr	3.25	0.10	0.90	0.15	0.27	0.77	1.40	3.38
4 th Qtr	3.25	0.12	0.85	0.12	0.35	0.92	1.55	3.38
1 st Qtr '21	3.25	0.13	0.80	0.11	0.40	1.07	1.69	3.38
2 nd Qtr	3.25	0.13	0.75	0.11	0.40	1.15	1.77	3.38

*Forecast as of April 27, 2020

FINANCIAL MARKET SUMMARY

	As of 5/1/2020	As of 4/24/2020	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	3.25	3.25	0	0	(150)
LIBOR Index Base Rate (1 Month)	0.40	0.62	(22)	(59)	(125)
Fed Funds (Wed close)	0.05	0.04	1	0	(155)
TREASURIES (BE) (Changes in BPs)					
3 Months	0.12	0.12	0	2	(143)
6 Months	0.12	0.14	(2)	(3)	(142)
1 Year	0.17	0.18	(1)	2	(128)
2 Years	0.20	0.22	(2)	(3)	(113)
5 Years	0.36	0.36	0	(3)	(96)
10 Years	0.64	0.60	4	2	(87)
30 Years	1.27	1.17	10	3	(72)
MUNICIPALS – AAA G.O. & MORTGAGE (Changes in BP)					
2-Year Muni	0.85	0.88	(3)	(33)	3
5-Year Muni	1.03	1.01	2	(26)	18
10-Year Muni	1.36	1.30	6	7	18
30-Year Muni	2.27	2.20	7	(22)	43
30-Year Conventional Mortgage	3.23	3.33	(10)	(10)	(28)
MARKET INDICATORS (Changes in %)					
DJIA	23,723.69	23,775.27	(0.2)	12.7	(16.0)
S&P 500	2,830.71	2,836.74	(0.2)	13.7	(12.2)
NASDAQ	8,604.95	8,634.52	(0.3)	16.7	(6.0)
CRB Futures	124.89	119.71	4.3	(8.1)	(30.8)
Oil (WTI Crude)	19.69	17.10	15.1	(31.4)	(61.8)
Gold	1,710.20	1,741.30	(1.8)	3.8	7.4
Yen / Dollar	106.91	107.47	(0.5)	(1.5)	(1.3)
Dollar / Euro	1.0981	1.0817	1.5	1.6	(1.0)



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