Summary

U.S. stocks surged on Friday on a significantly better-than-expected May jobs report and ended the week sharply higher despite ongoing protests across the nation. For the week, the Dow Jones Industrial Average increased 6.8%, the S&P 500 climbed 4.9%, and the NASDAQ was up 3.4%. Economic reports last week continued to paint a grim picture of the damage done to the U.S. economy by the COVID-19 pandemic although the May jobs report suggested a partial recovery may already be in the works. U.S. employers added jobs unexpectedly in May. Nonfarm payrolls advanced 2.509 million last month compared with expectations for a decline of 8.5 million jobs. The unemployment rate fell 1.4 percentage points to 13.3%. Average hourly earnings declined 1.0% as more low-wage workers returned to work but were up 6.8% from May 2019. The U.S. trade deficit expanded less than expected in April as exports decreased faster than imports. The ISM Manufacturing Index increased less than expected in May while the May ISM Services Index advanced slightly more than expected. Both indexes remain in contraction mode. Factory orders fell 13.0% in April and orders of core capital goods—a proxy for business investment—dropped 6.1%. Consumer credit decreased $68.7 billion in April after an upwardly revised decline of $6.9 billion in March. Revolving credit (mainly credit cards) plunged $58.3 billion and non-revolving credit (mainly student and auto loans) was down $10.5 billion in April.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Construction Spending (Apr – Mo 10:00)	-2.9%	-6.0%	Private residential construction spending fell 4.5%
ISM Manufacturing Index (May – Mo 10:00)	43.1	44.0	New Orders Index up 4.7 points to 31.8
Factory Orders (Apr – We 10:00)	-13.0%	-13.0%	Orders for core capital goods declined 6.1%
ISM Services (May – We 10 :00)	45.4	45.0	New Orders Index climbed 9.0 points to 41.9
Initial Unemployment Claims (5/30 – Th 8:30)	1.877 Mil.	1.800 Mil.	4-week moving average down 324,750 to 2.284 million
Continuing Claims (5/23 – Th 8:30)	21.487 Mil.	NA	
Nonfarm Business Productivity (Qtr 1 – Th 8:30)	-0.9%	-2.6%	Output decreased 6.5% and hours work fell 5.6%
Unit Labor Costs (Qtr 1 – Th 8:30)	+5.1%	+4.9%	Hourly compensation increased 4.2%
Trade Balance (Apr – Th 8:30)	-$49.4 Bil.	-$49.8 Bil.	Exports down $38.9 billion and imports fell $31.8 billion
Nonfarm Payrolls (May – Fr 8:30)	+2.509 Mil.	-8.5 Mil.	Leisure/hospitality employment up 1.239 million
Nonfarm Private Payrolls (May – Fr 8:30)	+3.094 Mil.	-8.8 Mil.	Government employment declined 585,000
Unemployment Rate (May – Fr 8:30)	13.3%	19.9%	Labor force participation rate rose 0.6 points to 60.8%
Average Hourly Earnings (May – Fr 8:30)	-1.0%	+2.2%	+6.8% from May 2019
Average Workweek (May – Fr 8:30)	34.7	34.3	
Consumer Credit (Apr – Fr 3 :00)	-$68.7 Bil.	-$42.0 Bil.	Revolving credit plunged $58.3 Bil.
Upcoming Week: Indicator	**Consensus Expectation***	**Last Period**	**Comment**
Wholesale Inventories (Apr – Tu 10:00)	+0.4%	-0.8%	
Consumer Price Index (May – We 8:30)	+0.0%	-0.8%	
Core Consumer Price Index (May – We 8:30)	+0.0%	-0.4%	
FOMC Rate Decision (Jun – We 2:00)	0.0% - 0.25%	0.0% - 0.25%	
Initial Unemployment Claims (6/6 – Th 8:30)	1.525 Mil.	1.877 Mil.	
Continuing Claims (5/30 – Th 8:30)	NA	21.487 Mil.	Not available
Producer Price Index (May – Th 8:30)	+0.1%	-1.3%	
Core Producer Price Index (May – Th 8:30)	+0.0%	-0.3%	
Michigan Sentiment (Jun – Fr 10:00)	75.8	72.3	Preliminary reading

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

Economic Review

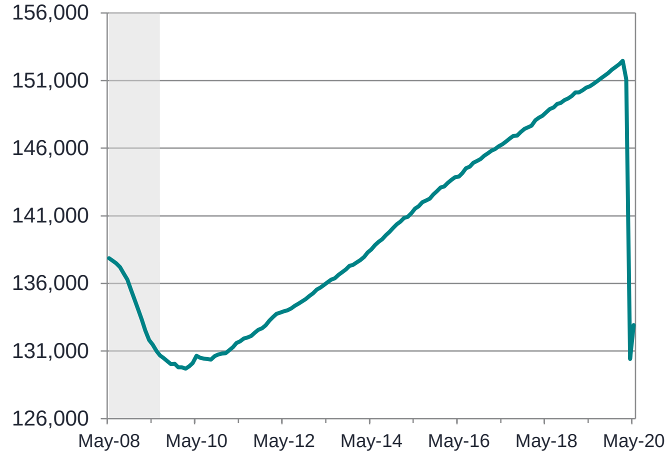
U.S. employment increased unexpectedly in May. NONFARM PAYROLLS advanced 2,509,000 last month compared with expectations for loss of 8.5 million jobs after declining a downwardly revised 20,687,000 in April. The leisure/hospitality sector added 1,239,000 jobs last month and employment in the education/health sector increased 424,000. NONFARM PRIVATE PAYROLLS grew 3,094,000. The AVERAGE WORKWEEK increased to 34.7 hours. AVERAGE HOURLY EARNINGS for all employees on private nonfarm payrolls were $29.75, down 1.0% from the previous month; over the past 12 months, average hourly earnings climbed 6.8%.

The U.S. jobless rate declined unexpectedly last month and the labor force participation rate increased. The UNEMPLOYMENT RATE decreased 1.4 percentage points to 13.3% in May and the labor force participation rate rose 0.6 percentage points to 60.8%. The number of people unemployed for 27 weeks or longer climbed to 1.2 million in May and made up 5.6% of the unemployed. The Labor Department's U-6 rate, which accounts for people who have stopped looking for work or cannot find full-time jobs, decreased 1.6 percentage points to 21.2% but was up 15.0 percentage points from May 2019. There were 3,839,000 more employed people in May while 2,093,000 more people were unemployed; the labor force expanded by 1,746,000.

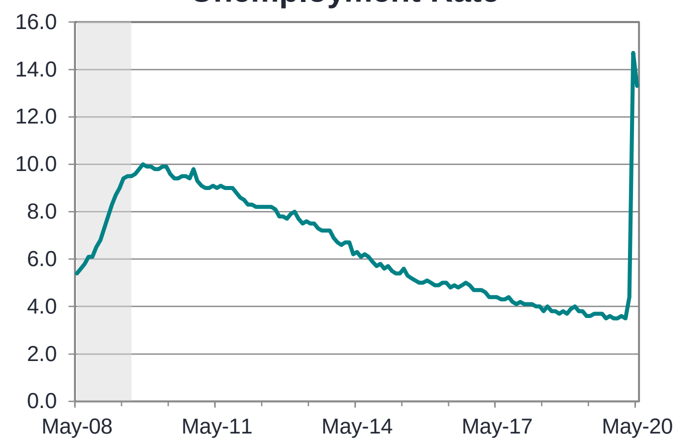
The U.S. trade deficit expanded less than expected in April as exports fell more than imports. The INTERNATIONAL TRADE DEFICIT increased to $49.4 billion in April from an upwardly revised $42.3 billion in March. Exports declined $38.9 billion to $151.3 billion in April. Goods exports fell $32.2 billion and exports of services were down $6.7 billion. Imports decreased $31.8 billion to $200.7 billion; goods imports declined $26.4 billion and imports of services fell $5.4 billion. Compared with a year ago, the total deficit was $0.2 billion higher with exports falling $58.0 billion or 27.7% and imports dropping $57.8 billion or 22.4%.

First-time jobless claims decreased less than expected last week and remained extremely high. INITIAL UNEMPLOYMENT CLAIMS fell 249,000 to 1.877 million for the week ending May 30. The four-week moving average declined 324,750 to 2.284 million. CONTINUED BENEFITS advanced 649,000 to 21.487 for the week ending May 23. The four-week moving average, a better measure of underlying trends, fell 222,500 to 22.446 million.

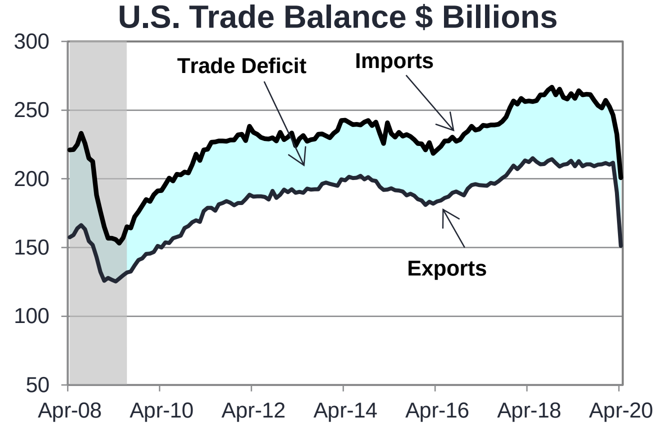
Nonfarm Employment, in Thousands



Unemployment Rate



U.S. Trade Balance $ Billions

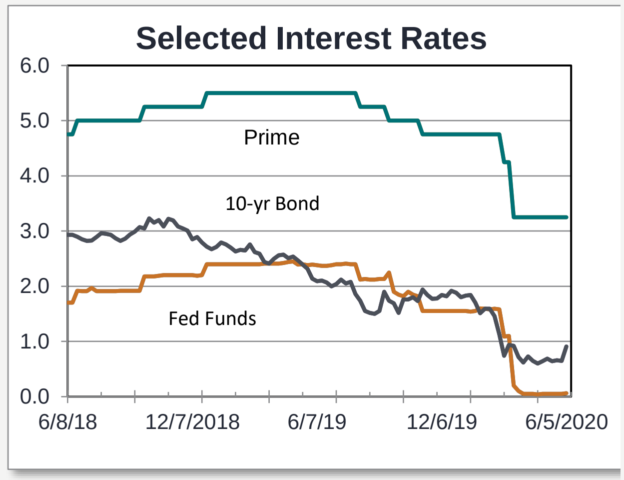


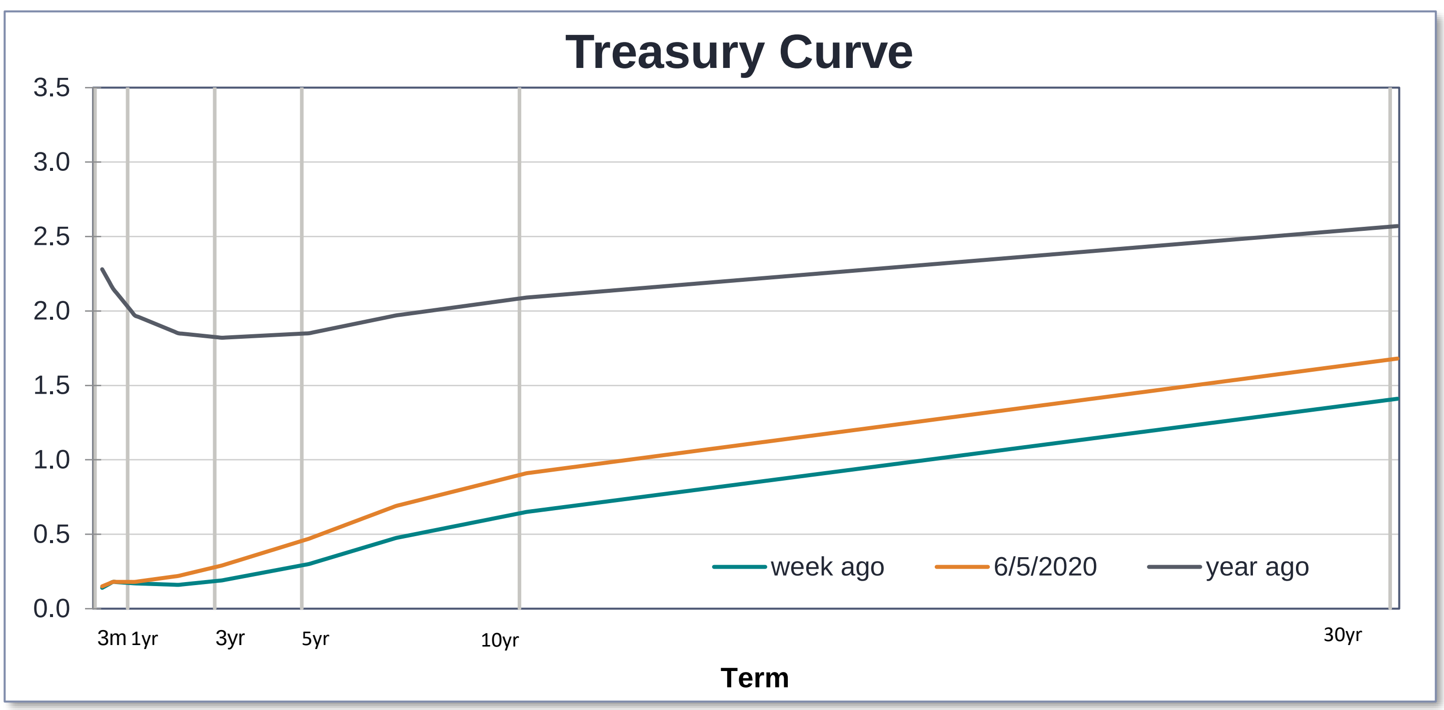
Fed Speeches

Due to this week's Federal Open Market Committee meeting, there were no speeches last week by Fed officials relevant to monetary policy.

Financial Markets

The three major U.S. stock indexes ended last week sharply higher with the Dow Jones Industrial Average jumping 6.8%, the S&P 500 climbing 4.9%, and the NASDAQ advancing 3.4%. Treasury yields were higher across the long-end of the curve with the 10-year yield rising 26 basis points (bps) to 0.91% and the 30-year yield increasing 27 bps to 1.68%. Oil prices climbed 10.4% and ended the week at $39.12 per barrel. The U.S. dollar rose 1.7% against the Japanese yen while the euro was up 1.6% against the greenback last week.





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
2nd Qtr '20	3.25	0.06	0.68	0.16	0.19	0.65	1.34	3.27
3rd Qtr	3.25	0.09	0.57	0.16	0.23	0.73	1.44	3.27
4th Qtr	3.25	0.12	0.64	0.17	0.31	0.88	1.51	3.31
1st Qtr '21	3.25	0.13	0.70	0.19	0.36	1.02	1.62	3.35
2nd Qtr	3.25	0.13	0.75	0.19	0.36	1.07	1.64	3.35

**Forecast as of May 26, 2020*

FINANCIAL MARKET SUMMARY

	As of 6/5/2020	As of 5/29/2020	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	3.25	3.25	0	0	(100)
LIBOR Index Base Rate (1 Month)	0.18	0.17	1	(7)	(120)
Fed Funds (Wed close)	0.06	0.05	1	1	(103)
TREASURIES (BE) (Changes in BPs)					
3 Months	0.15	0.14	1	3	(30)
6 Months	0.18	0.18	0	3	(23)
1 Year	0.18	0.17	1	3	(21)
2 Years	0.22	0.16	6	6	(27)
5 Years	0.47	0.30	17	14	(11)
10 Years	0.91	0.65	26	22	17
30 Years	1.68	1.41	27	29	43
MUNICIPALS – AAA G.O. & MORTGAGE (Changes in BP)					
2-Year Muni	0.19	0.14	5	(35)	(39)
5-Year Muni	0.46	0.42	4	(39)	(15)
10-Year Muni	0.86	0.82	4	1	(3)
30-Year Muni	1.79	1.74	5	(30)	28
30-Year Conventional Mortgage	3.18	3.15	3	(8)	(11)
MARKET INDICATORS (Changes in %)					
DJIA	27,110.98	25,383.11	6.8	11.4	4.8
S&P 500	3,193.93	3,044.31	4.9	9.0	7.5
NASDAQ	9,814.08	9,489.87	3.4	7.6	14.4
CRB Futures	147.57	140.42	5.1	11.4	(10.8)
Oil (WTI Crude)	39.12	35.44	10.4	58.6	(6.0)
Gold	1,687.40	1,744.50	(3.3)	(1.1)	0.9
Yen / Dollar	109.61	107.83	1.7	2.8	4.0
Dollar / Euro	1.1279	1.1102	1.6	4.1	(0.2)