



Summary

U.S. stocks rallied on Friday despite a dismal April jobs report. For the week, the Dow Jones Industrial Average increased 2.6%, the S&P 500 rose 3.5%, and the NASDAQ jumped 6.0%. Economic reports reflected the hardships endured by U.S. businesses and workers as the economy remained shut down due to the coronavirus pandemic. The April jobs report showed U.S. employers slashed 20.5 million jobs while average hourly earnings climbed 7.9% on a

year-over-year basis as a disproportionate share of low-wage workers lost their jobs. The unemployment rate increased 10.3 percentage points to 14.7% in April, the highest rate since the Great Depression. In more negative economic news, consumer credit contracted by \$12.1 billion in March, the first decline since August 2011. Revolving credit (mainly credit cards) dropped \$28.2 billion, or at a 30.9% annual rate, as consumers are reluctant to use credit and

banks are cautious about extending revolving credit. The U.S. trade deficit expanded more than expected in March as exports fell faster than imports. Factory orders plunged 10.3% in March while orders for core capital goods—a proxy for business investment—edged down 0.1%. The ISM Services Index tumbled 10.7 points to 41.8, the lowest reading since March 2009. Wholesale inventories declined 0.8% in March and wholesale sales dropped 5.2%.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Factory Orders (Mar – Mo 10:00)	-10.3%	-9.1%	Shipments declined 5.2%
Trade Balance (Mar – Tu 8:30)	-\$44.4 Bil.	-\$44.2 Bil.	Exports decreased faster than imports
ISM Services (Apr – Tu 10:00)	41.8	38.5	Lowest reading since March 2009
Initial Unemployment Claims (5/2 – Th 8:30)	3.169 Mil.	2.900 Mil.	4-week moving average declined to 4,173,500
Continuing Claims (4/25 – Th 8:30)	22.647 Mil.	NA	
Consumer Credit (Mar – Th 3:00)	-\$12.1 Bil.	+\$7.5 Bil.	Banks cautious about extending revolving credit
Nonfarm Payrolls (Apr – Fr 8:30)	-20.5 Mil.	-21.0 Mil.	Leisure/hospitality employment down 7.7 million
Nonfarm Private Payrolls (Apr – Fr 8:30)	-19.52 Mil.	-21.3 Mil.	Government employment fell 980,000
Unemployment Rate (Apr – Fr 8:30)	14.7%	16.2%	Labor force participation rate down 2.5 points to 62.5%
Average Hourly Earnings (Apr – Fr 8:30)	+4.7%	+0.4%	Low-wage workers disproportionately losing jobs
Average Workweek (Apr – Fr 8:30)	34.2	33.8	
Wholesale Inventories (Mar – Fr 10:00)	-0.8%	-1.0%	Wholesale sales fell 5.2%
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
Consumer Price Index (Apr – Tu 8:30)	-0.8%	-0.4%	
Core Consumer Price Index (Apr – Tu 8:30)	-0.2%	-0.1%	
Producer Price Index (Apr – We 8:30)	-0.5%	-0.2%	
Core Producer Price Index (Apr – We 8:30)	-0.2%	+0.2%	
Initial Unemployment Claims (5/9 – Th 8:30)	2.475 Mil.	3.169 Mil.	
Continuing Claims (5/2 – Th 8:30)	NA	22.647 Mil.	Not available
Retail Sales (Apr – Fr 8:30)	-11.9%	-8.7%	
Retail Sales ex-auto (Apr – Fr 8:30)	-8.2%	-4.5%	
Industrial Production (Apr – Fr 9:15)	-12.1%	-5.4%	
Capacity Utilization (Apr – Fr 9:15)	64.0%	72.7%	
Michigan Sentiment (May – Fr 10:00)	67.4	71.8	Preliminary estimate
Business Inventories (Mar – Fr 10:00)	-0.4%	-0.4%	

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



Economic Review

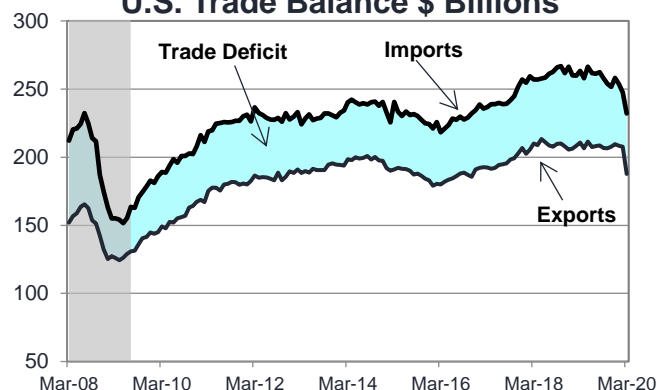
The U.S. trade deficit expanded slightly more than expected in March as exports fell faster than imports. The INTERNATIONAL TRADE DEFICIT increased to \$44.4 billion in March from a downwardly revised \$39.8 billion in February. Exports tumbled \$20.6 billion to \$20.0 billion in March. Goods exports dropped \$9.2 billion and exports of services decreased \$10.8 billion. Imports were down \$15.4 billion to \$232.2 billion; goods imports declined \$4.7 billion and imports of services were \$10.7 billion lower. Compared with a year ago, the total deficit decreased \$8.3 billion with exports falling \$23.0 billion or 10.9% and imports plunging \$31.2 billion or 11.9%.

U.S. employment plunged last month as the shutdown of U.S. businesses due to the coronavirus pandemic continued to cause mass layoffs. NONFARM PAYROLLS declined 20.5 million in April after a downwardly revised drop of 870,000 in March. The leisure and hospitality (-7,653,000 jobs), retail (-2,106,900), and health care and social assistance (-2,086,900 jobs) sectors lost the most jobs last month. NONFARM PRIVATE PAYROLLS decreased 19.52 million after a downwardly revised decline

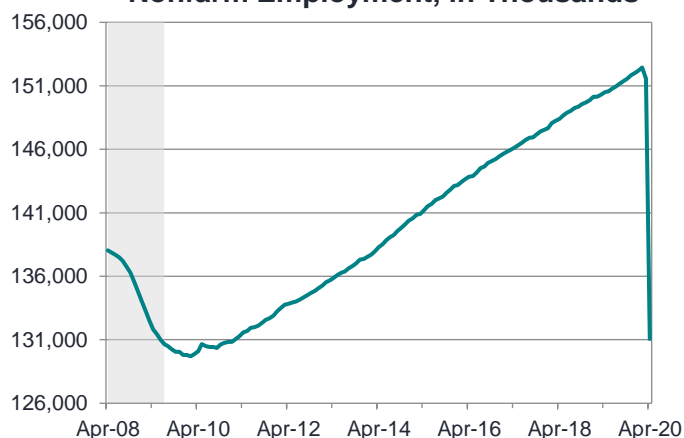
of 842,000 in March. The AVERAGE WORKWEEK rose to 34.2 hours. AVERAGE HOURLY EARNINGS for all employees on private nonfarm payrolls were \$30.01, up 4.7% from the previous month as a disproportionately large share of low-wage workers lost their jobs; over the past 12 months, average hourly earnings jumped 7.9%.

The U.S. jobless rate surged in April and the labor force contracted. The UNEMPLOYMENT RATE jumped 10.3 percentage points to 14.7% last month and the labor force participation rate was down 2.5 percentage points to 60.2%. The number of people unemployed for 27 weeks or longer fell to 939,000 in April and made up 4.1% of the unemployed. The Labor Department's U-6 rate, which accounts for people who have stopped looking for work but would accept a job if offered or cannot find full-time jobs, increased 14.1 percentage points to 22.8% and was up 15.5 percentage points from April 2019. There were 22.4 million fewer employed people in April and 15.9 million more people were unemployed; the labor force contracted by 6.4 million.

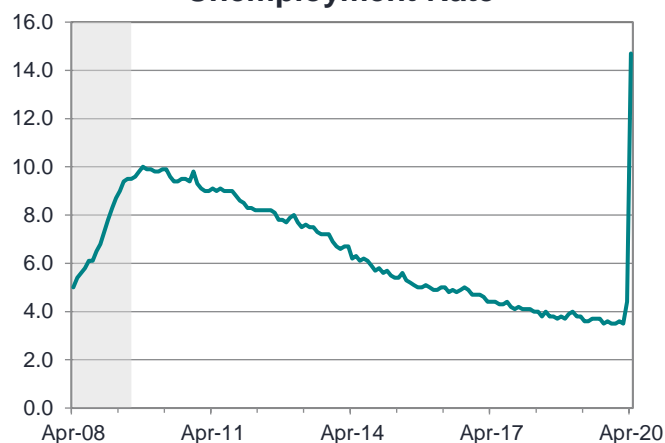
U.S. Trade Balance \$ Billions



Nonfarm Employment, in Thousands



Unemployment Rate





Fed Speeches

Federal Reserve Bank of Minneapolis President and CEO Neel Kashkari was interviewed by NBC's The Today Show last week. During the interview, which occurred before the April jobs report was released, President Kashkari said the jobs report would significantly underestimate the true unemployment rate.

...that bad report tomorrow is actually going to understate how bad the damage has been because that survey asks people, "Are you actively looking for work?" And a lot of people who just lost their jobs and we are all sheltering in place they are not actively looking for work. So, I think the number tomorrow will probably be something like 16 or 17 percent. I think the real number is probably around 23 or 24 percent. It's devastating.

President Kashkari did say, however, that he was optimistic that the downturn the U.S. economy is currently in will not

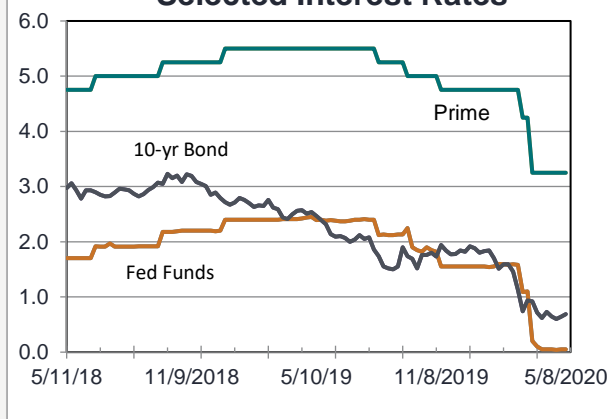
turn into another Great Depression.

Now I'm hopeful that we can bounce back. And I don't think, I'm optimistic, I don't think we are actually headed for another Great Depression because part of the reason the Great Depression was as bad as it was that policymakers in the 1930s did the wrong thing, they did things that made it worse. And I think we've learned from that. And you're seeing bold action by Congress to support American workers. The Federal Reserve is acting very aggressively. We will continue to act aggressively. I think it's becoming clear we're in for a long, gradual recovery. Which is unfortunate. I wish we had a quick bounce back. But I think we're going to avert the kind of depression scenario because policymakers are going to continue to be aggressive to fight that outcome.

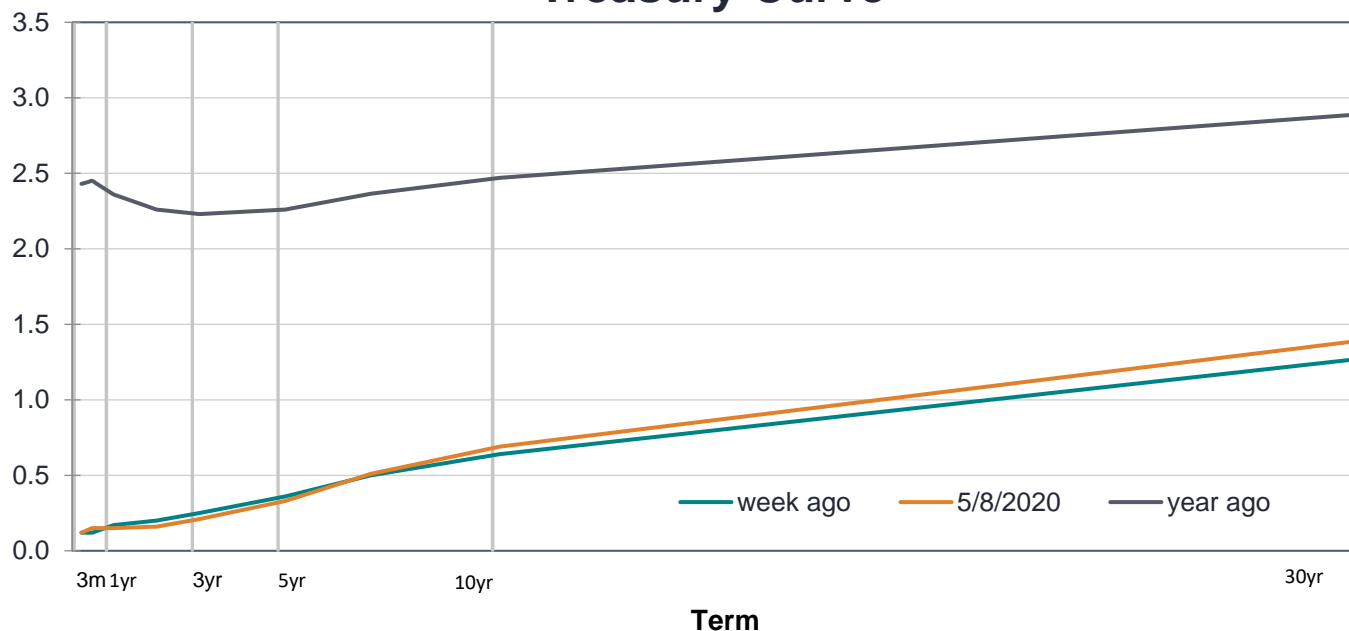
Financial Markets

The three major U.S. stock indexes ended last week higher with the Dow Jones Industrial Average rising 2.6%, the S&P 500 advancing 3.5%, and the NASDAQ jumping 6.1%. Treasury yields rose across the long-end of the curve with the 10-year yield climbing 5 basis points (bps) to 0.69% and the 30-year yield increasing 12 bps to 1.39%. Oil prices surged 25.3% and ended the week at \$24.67 per barrel. The U.S. dollar slipped 0.2% against the Japanese yen while the euro was down 1.3% against the greenback last week.

Selected Interest Rates



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 5/8/2020	As of 5/1/2020	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)	0.25	0.40	(15)	(61)	(142)
Fed Funds (Wed close)	0.05	0.05	0	0	(154)
TREASURIES (BE) (Changes in BPs)					
3 Months	0.12	0.12	0	(13)	(144)
6 Months	0.15	0.12	3	(9)	(142)
1 Year	0.15	0.17	(2)	(10)	(134)
2 Years	0.16	0.20	(4)	(7)	(125)
5 Years	0.33	0.36	(3)	(8)	(108)
10 Years	0.69	0.64	5	(4)	(90)
30 Years	1.39	1.27	12	4	(66)
MUNICIPALS – AAA G.O. & MORTGAGE (Changes in BP)					
2-Year Muni	0.54	0.85	(31)	(40)	(32)
5-Year Muni	0.85	1.03	(18)	(13)	(4)
10-Year Muni	1.19	1.36	(17)	21	(2)
30-Year Muni	2.09	2.27	(18)	0	21
30-Year Conventional Mortgage	3.26	3.23	3	(7)	(19)
MARKET INDICATORS (Changes in %)					
DJIA	24,331.32	23,723.69	2.6	2.6	(16.4)
S&P 500	2,929.80	2,830.71	3.5	5.0	(12.0)
NASDAQ	9,121.32	8,604.95	6.0	11.9	(4.2)
CRB Futures	132.44	124.89	6.0	(2.4)	(26.6)
Oil (WTI Crude)	24.67	19.69	25.3	6.4	(51.0)
Gold	1,706.70	1,710.20	(0.2)	(1.6)	8.4
Yen / Dollar	106.65	106.91	(0.2)	(1.7)	(2.9)
Dollar / Euro	1.0839	1.0981	(1.3)	(0.9)	(1.0)



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