



Summary

U.S. stocks rose modestly on Friday but ended the week lower as trade tensions between the United States and China escalated. For the week, the Dow Jones Industrial Average decreased 2.7%, the S&P 500 declined 2.3%, and the NASDAQ was down 1.2%. Economic reports last week continued to show just how significant the damage caused by the pandemic has been. Retail sales tumbled 16.4% in April as sales fell in 12 of the 13 major retail sectors; core retail sales, which mirror the consumer spending component of gross domestic product, declined 15.3%.

Industrial production fell last month as manufacturing, mining, and utilities output all decreased from March. Capacity utilization, a gauge of economic slack, dropped 8.3 percentage points from March to 64.9%. Inflation at both the wholesale and consumer levels declined last month. Consumer prices dropped 0.8% in April and were up a tepid 0.3% on a year-over-year basis. Core consumer prices decreased 0.4% and were up 1.4% from April 2019. Consumer energy prices tumbled 10.1% last month. Producer prices decreased 1.3% and were down 1.2%

from April 2019. Core producer prices fell 0.3% last month but were up 0.6% from April 2019. Producer energy prices plunged 19.0% from March. Initial unemployment claims declined 195,000 to 2,981,000 for the week ending May 9 as over 36 million workers have filed first-time claims for jobless benefits over the past eight weeks. In more labor market news, the March Job Openings and Labor Turnover Survey (JOLTS) report showed the number of job openings decreased 11.6% in March and the number of hires declined 3.0%.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Consumer Price Index (Apr – Tu 8:30)	-0.8%	-0.8%	+0.3% from April 2019
Core Consumer Price Index (Apr – Tu 8:30)	-0.4%	-0.2%	Food prices rose 1.4% while energy prices fell 10.1%
Producer Price Index (Apr – We 8:30)	-1.3%	-0.5%	Final demand goods prices tumbled 3.3%
Core Producer Price Index (Apr – We 8:30)	-0.3%	0.2%	+0.6% from April 2019
Initial Unemployment Claims (5/9 – Th 8:30)	2.981 Mil.	2.475 Mil.	4-week moving average declined 564 K to 3,616,500
Continuing Claims (5/2 – Th 8:30)	22.833 Mil.	NA	
Retail Sales (Apr – Fr 8:30)	-16.4%	-11.9%	-21.6% from April 2019
Retail Sales ex-auto (Apr – Fr 8:30)	-17.2%	-8.2%	Sales at motor vehicle & parts dealers dropped 12.4%
Industrial Production (Apr – Fr 9:15)	-11.2%	-12.1%	The index for durable manufacturing plunged 19.3%
Capacity Utilization (Apr – Fr 9:15)	64.9%	64.0%	14.9 percentage points below its long-run average
Michigan Sentiment (May – Fr 10:00)	73.7	67.4	Up 1.9 points from final April reading
Business Inventories (Mar – Fr 10:00)	-0.2%	-0.4%	Business sales fell 5.2%
JOLTS – Job Openings (Mar – Fr 10:00)	6.191 Mil.	NA	Down 11.6% from February
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
NAHB Housing Market Index (May – Mo 10:00)	34	30	
Housing Starts (Apr – Tu 8:30)	950 TUAR	1,216 TUAR	
Building Permits (Apr – Tu 8:30)	1,000 TUAR	1,353 TUAR	
Initial Unemployment Claims (5/16 – Th 8:30)	2.400 Mil.	2.981 Mil.	
Continuing Claims (5/9 – Th 8:30)	NA	22.833 Mil.	Not available
Existing Home Sales (Apr – Th 10:00)	4.32 Mil.	5.27 Mil.	
Leading Indicators (Apr – Th 10:00)	-5.3%	-6.7%	

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



Economic Review

Inflation at both the wholesale and consumer levels decreased as energy prices tumbled in April. The PRODUCER PRICE INDEX (PPI) for final demand declined 1.3% in April and the core PPI for final demand fell 0.3%. From a year earlier, the index for final demand was down 1.2% compared with a 0.7% increase in March while the core measure was up 0.6% from April 2019. Food prices fell 0.5% and energy prices plunged 19.0% last month. The CONSUMER PRICE INDEX (CPI) declined 0.8% in April after decreasing 0.4% in March. After edging down 0.1% in March, core consumer prices fell 0.4% in April as food prices climbed 1.4% while energy prices dropped 10.1%. Overall consumer prices rose 0.3% over April 2019 compared with a 1.4% increase for core consumer prices.

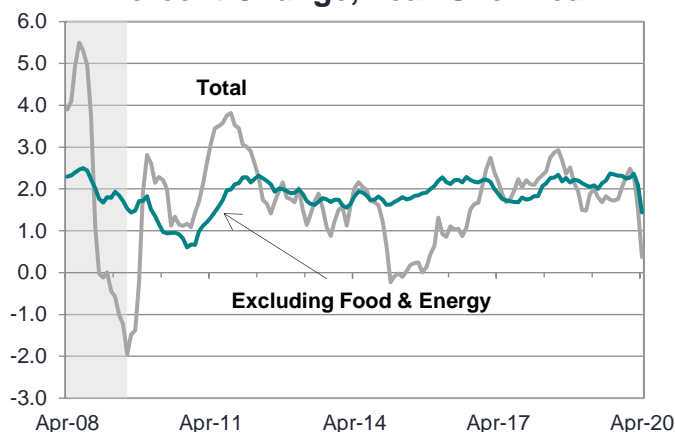
INDUSTRIAL PRODUCTION plunged 11.2% in April as output in the manufacturing, mining, and utilities sectors decreased. From a year earlier, industrial production was down 15.0%. Manufacturing output, the largest component of industrial production, fell 13.7% in April after declining 5.5% in March. The output of motor vehicles and parts dropped 71.7% after falling 30.0% in March. Mining production was down 6.1% after declining 1.1% in March, and utilities production eased 0.9% after decreasing 1.9% in March. CAPACITY UTILIZATION dropped 8.3 percentage points to 64.9% in April, and manufacturing

capacity utilization fell 9.7 percentage points to 61.1%.

Sales at U.S. retailers decreased more than expected in April and core retail sales tumbled as consumers generally stayed home to slow the spread of coronavirus. RETAIL SALES (seasonally adjusted) declined 16.4% last month after falling 8.3% in March. From a year earlier, sales were down 21.6%. Twelve of the thirteen major retail sectors posted losses from March, led by general merchandise stores (-20.8%) and restaurants and bars (-29.5%). Core retail sales, which mirror the consumer spending component of gross domestic product (GDP), dropped 15.3% in April.

First-time jobless claims declined less than expected last week and remained at historic levels. INITIAL UNEMPLOYMENT CLAIMS decreased 195,000 to 2,981,000 for the week ending May 9. The four-week moving average of initial claims declined 564,000 to 3,616,500. CONTINUED BENEFITS increased 456,000 to 22,833,000 for the week ending May 2. The four-week moving average, a better measure of underlying trends, jumped 2,729,750 to 19,760,000.

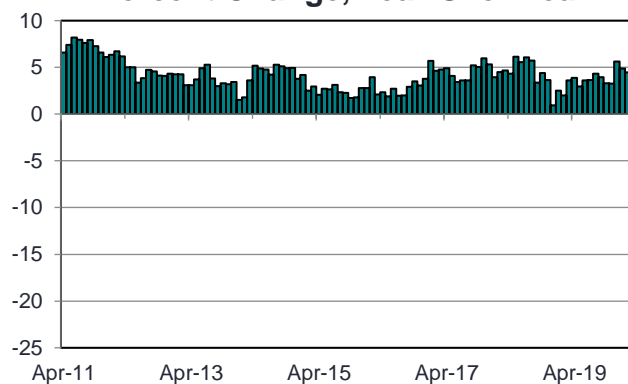
Consumer Price Index
Percent Change, Year-Over-Year



Industrial Production
Percent Change, Year-Over-Year



Retail Sales
Percent Change, Year-Over-Year





Fed Speeches

Federal Reserve Bank of Chicago President and CEO Charles Evans spoke at a virtual meeting of the Lansing Regional Chamber of Commerce in Lansing, Michigan last week. In his speech, President Evans said he expects the U.S. economy to rebound in the second half of 2020.

Congress, the President, and the Fed have softened the blow of the pandemic, there is considerable policy work to be done to get the U.S. economy back on track.

There is some indication that these policy actions are beginning to cushion the blow from the pandemic on households and businesses. Still, we face significant challenges ahead—first on the health front and then on the economic front. We must do all we can so that economic activity can resume once it is safe to do so and focus our efforts on returning to prosperity as quickly as possible. Households, businesses, state and local governments, and federal policymakers all have a lot of work to do to get the nation back on its feet. And we will get it done.

“But once the public health threat has been reduced, the declines in business activity and employment should be short-lived.”

Federal Reserve Bank of Chicago President and CEO Charles Evans

The range of recent projections made by a number of highly reputable private sector forecasters was for GDP to contract at an annual rate of between 25 and 40 percent. The policy objective of stay-at-home orders is to decrease the spread of the virus. The shutdowns have large repercussions on the economy. But once the public health threat has been reduced, the declines in business activity and employment should be short-lived.

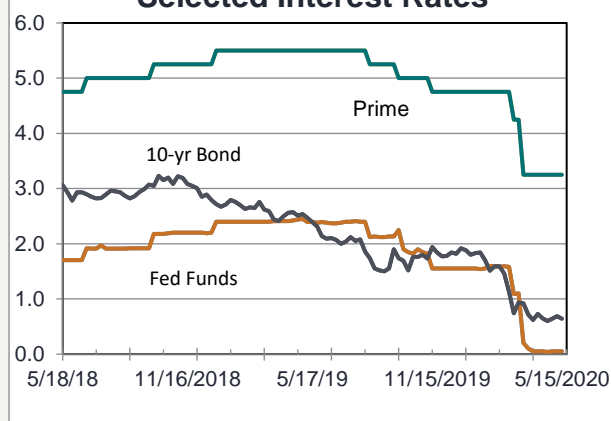
President Evans went on to say that while policy actions taken by

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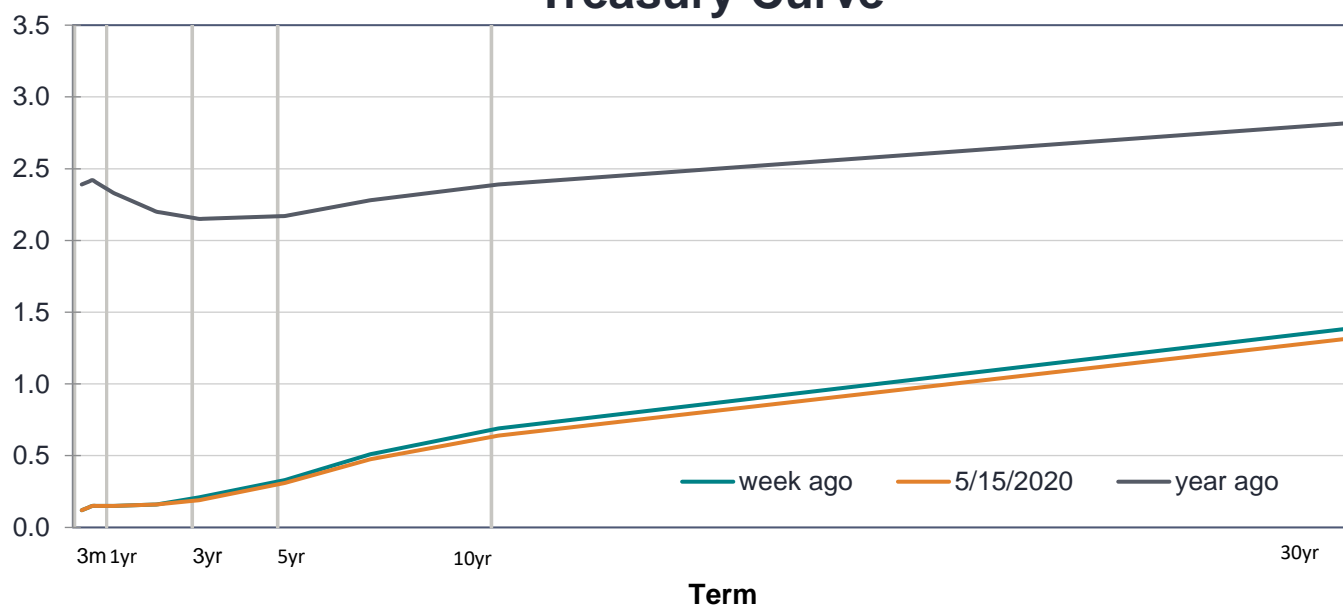
Financial Markets

The three major U.S. stock indexes ended last week lower with the Dow Jones Industrial Average falling 2.7%, the S&P 500 declining 2.3%, and the NASDAQ decreasing 1.2%. Treasury yields were lower across the long-end of the curve with the 10-year yield decreasing 5 basis points (bps) to 0.64% and the 30-year yield declining 7 bps to 1.32%. Oil prices surged 20.2% and ended the week at \$29.65 per barrel. The U.S. dollar rose 0.4% against the Japanese yen and the euro was down 0.2% 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 5/15/2020	As of 5/8/2020	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)	0.18	0.25	(7)	(61)	(147)
Fed Funds (Wed close)	0.05	0.05	0	0	(153)
TREASURIES (BE) (Changes in BPs)					
3 Months	0.12	0.12	0	0	(146)
6 Months	0.15	0.15	0	(1)	(141)
1 Year	0.15	0.15	0	(1)	(134)
2 Years	0.16	0.16	0	(4)	(126)
5 Years	0.31	0.33	(2)	(5)	(111)
10 Years	0.64	0.69	(5)	(1)	(95)
30 Years	1.32	1.39	(7)	5	(72)
MUNICIPALS – AAA G.O. & MORTGAGE (Changes in BP)					
2-Year Muni	0.44	0.54	(10)	(41)	(42)
5-Year Muni	0.71	0.85	(14)	(18)	(17)
10-Year Muni	1.03	1.19	(16)	14	(17)
30-Year Muni	1.92	2.09	(17)	(7)	5
30-Year Conventional Mortgage	3.28	3.26	2	(3)	(19)
MARKET INDICATORS (Changes in %)					
DJIA	23,685.42	24,331.32	(2.7)	(2.3)	(19.4)
S&P 500	2,863.70	2,929.80	(2.3)	(0.4)	(15.3)
NASDAQ	9,014.56	9,121.32	(1.2)	4.2	(7.4)
CRB Futures	132.45	132.44	0.0	0.8	(27.8)
Oil (WTI Crude)	29.65	24.67	20.2	63.5	(43.0)
Gold	1,754.10	1,706.70	2.8	3.5	10.6
Yen / Dollar	107.06	106.65	0.4	(0.5)	(2.5)
Dollar / Euro	1.0820	1.0839	(0.2)	(0.5)	(0.1)



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