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Economic Review

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- The Labor Department reported that **initial jobless claims** climbed slightly last week to a level that is consistent with a healthy labor market. Claims climbed to 215,000 for the week ending May 25th. Claims are not likely to dip back under 200k, nor are they likely to rise back above 230k for any appreciable length of time. The labor market remains very tight, layoff activity is low and there is no evidence in the economic data that suggests these conditions will change any time soon. The four-week moving average, a less volatile measure than the weekly numbers, decreased 3,750 to 216,750. The total number of people continuing to receive jobless benefits, a report which is lagged one week, decreased 26,000 to 1.657 million for the week ending May 18th.
- The Federal Housing Finance Agency reported a slight gain of 0.1% in the **house price index** of purchase-only homes in March of 2019. The year-on-year change in the house price index was 4.9%. The HPI is estimated using repeated observations of housing values for single-family homes on which at least two mortgages were originated and subsequently sold to Freddie Mac or Fannie Mae. The use of repeat transactions on the same unit helps to control for differences in the quality of the houses.
- The **S&P CoreLogic CaseShiller home price index** indicated property values climbed 0.09% in March after gaining 0.26% the previous month. Since mid-year 2018, the rise in home prices has gradually decelerated. The index climbed 2.68% in March from the same month in 2018. This is the slowest YoY pace of price gains since August 2012. The index tracks changes in the value of homes in 20 metropolitan regions.
- The Conference Board's **consumer confidence index** rose more than expected in May to its highest level since November as optimism toward the strength of the labor market overshadowed concerns about the trade war and financial market turbulence. The index recorded a 134.1 in May from a 129.2 reading in April. Consumer attitudes take on heightened significance as it becomes apparent household spending will again be the predominant driver of GDP growth this year. The expectations index increased to 106.6 from 102.7 the prior month while the present situation index rose to 175.2 in May from 169.0 in April.
- The second estimate by the Commerce Department of the 1st quarter **gross domestic product** was revised down by less than expected amid stronger consumption and exports than initially reported, suggesting the expansion was on relatively firm footing before the escalation of the trade war with China. GDP accelerated to 3.1% from 2.2% in the prior quarter. Anticipating an escalation in trade tensions toward the end of last year, producers padded their supply chains by rushing goods into the U.S. and stockpiling supplies. **Personal consumption**, which accounts for about 70% of the economy, grew 1.3%. The **GDP price index** rose 0.8%, down from 1.7% the prior quarter.
- The Commerce Department reported the **goods trade deficit** widened in April as imports and exports both decreased. The deficit widened to \$72.1 billion in April from \$71.9 billion in March. **Exports** fell 4.2% to \$134.6 billion and **imports** dropped 2.7% to 206.7 billion.
- The Commerce Department reported **wholesale inventories** climbed 0.7% in April after remaining unchanged the prior month. Nondurable goods gained 0.6% in April and durable goods increased by 0.7%.
- The National Association of Realtors reported the **index of pending home re-sales** unexpectedly fell in April, adding to signs the housing market is struggling to regain momentum. The number of contracts to purchase previously owned homes decreased 1.5% in April after gaining 3.9% in March. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.
- The Commerce Department reported consumer spending climbed in April on the back of upward revisions to March, implying stronger momentum in consumption going into the second quarter. **Personal spending** gained 0.3% in April after gaining an upwardly revised 1.1% the prior month.



June 3, 2019

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Personal income rose 0.5% in April after gaining 0.1% in March. The **PCE Deflator**, the preferred inflation gauge by the Federal Reserve, climbed 0.3% in April after gaining 0.3% in March, bringing the year-on-year gain to 1.5%, below the central bank's target of 2.0%. Disposable income, or the money left over after taxes, gained 0.4% in April after climbing 0.1% in March. The savings rate climbed to 6.2% in April from 6.1% in March.

- The **University of Michigan's final index of consumer sentiment** rose less than initially reported in May reflecting an escalation of trade tensions and financial market turbulence. The report showed the index was 100.0 in May, lower than an earlier estimate of 102.4 and after a 97.2 reading in April. The **index of current conditions** decreased to 110.0 from 112.3 the prior month while the **index of expectations** increased to 93.5 from 87.4 the prior month.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** fell 3.3% to 411.5 from 425.6 for the week ended May 24th. **Refinancing applications** decreased 6.0% to 1,255 from 1,335 the prior week. **Home purchase mortgage applications** fell 1.4% to 259.4. The **average contract rate** on a 30-year fixed-rate mortgage remained unchanged at 4.33%.

BOND MARKET REVIEW

Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmarks securities were 1.88%, 1.91%, 2.12%, and 2.57%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 3, 21, 45, and 69 basis points respectively.

Source: Bloomberg Finance L.P.

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Economic/Events Calendar

Monday	June 3	May ISM Manufacturing (53.0)	9:00 Central
		Apr Construction Spending (0.4%)	9:00 Central
Tuesday	June 4	Apr Factory Orders (-1.0%)	9:00 Central
		Apr Factory Orders Ex Transportation	9:00 Central
Wednesday	June 5	May 31 st MBA Mortgage Applications	6:00 Central
		May ADP Employment Change (185k)	7:15 Central
		May ISM Non-Manufacturing Index (55.4)	9:00 Central
		Federal Reserve Releases Beige Book	13:00 Central
Thursday	June 6	Jun 1 st Initial Jobless Claims (215k)	7:30 Central
		1 st Qtr Nonfarm Productivity (3.5%)	7:30 Central
		1 st Qtr Unit Labor Costs (-0.9%)	7:30 Central
		Apr Trade Balance (-\$50.6b)	7:30 Central
Friday	June 7	May Change in Nonfarm Payrolls (183k)	7:30 Central
		May Unemployment Rate (3.6%)	7:30 Central
		May Labor Force Participation Rate (62.8%)	7:30 Central
		Apr Wholesale Trade Sales (-0.2%)	9:00 Central
		Apr Wholesale Inventories (0.7%)	9:00 Central
		Apr Consumer Credit (\$13.0b)	14:00 Central

Source: Bloomberg Finance L.P.

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