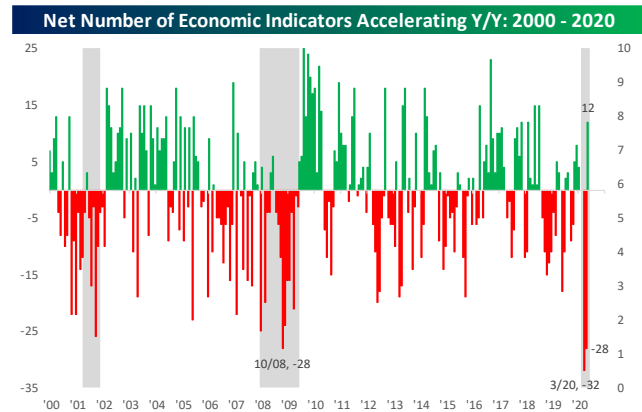




Economic Indicators

Today's better than expected Pending Home Sales report finally gave us a complete look at the economic data that we track in our *Matrix of Economic Indicators* through the end of May. The Matrix is shown on page two, and a summary of it is shown to the right. As you can see, the results for May showed a dramatic improvement. On a net basis, the "Bottom Line" reading was +12 versus April's reading of negative 28. In the span of just a month, the net bottom line reading spiked from one of its most negative readings on record to its most positive since July 2018.



While there were instances where the bottom line reading was positive during a recession, it never got as high as it did in May. In the 2001 recession, the peak positive reading was three while in the 2007—2009 contraction, the peak reading was +6.

Below are a few of the key takeaways from the current update:

- After every indicator in the **Manufacturing** sector showed weaker momentum in back to back months for the first time since at least the late 1990s, the sector staged a bounce-back in May with six out of seven indicators we track showing positive momentum in their y/y readings. The only indicator to show a decline was Chicago PMI. Of the indicators that did show improvement, we would note that they are all either still negative, or in the case of the PMI indices, showing contractionary readings.
- **Employment** was another sector staging a dramatic reversal in May. For the first time since last September, the majority of indicators in the sector showed improvements in their y/y readings. One of the indicators showing weakness was average hourly earnings, but at a rate of 6.75%, it remains near multi-year highs. The negative side of this high reading in earnings is that Non Farm payrolls are down over 10%.
- **Housing** has been a huge bright spot in the COVID crisis helped out by a number of tailwinds including lower interest rates, a desire by Americans to move out of cities, and also overall demographics. The only indicator in the sector that showed weakness was Existing Home Sales which fell more than 26% on a y/y basis. Again, most indicators in the sector which showed improvement during May are still at contractionary levels, although New Home Sales were *up* nearly 13%.
- With all the liquidity and stimulus being pumped into the system, a number of investors are worried about **Inflation** pressures, but the one sector that saw more indicators show weakness rather than improvement in May was Inflation. Not a single indicator in the sector is seeing y/y growth in excess of 1.25%, while headline PPI and Import Prices are both negative.
- Conditions for the **Consumer** remain bleak, but conditions got less worse in May relative to February, March, and April. Who would have thought a y/y decline of 29% in Auto Sales would be an improvement, but when you're coming off of a 48% decline in April, it's a big improvement!



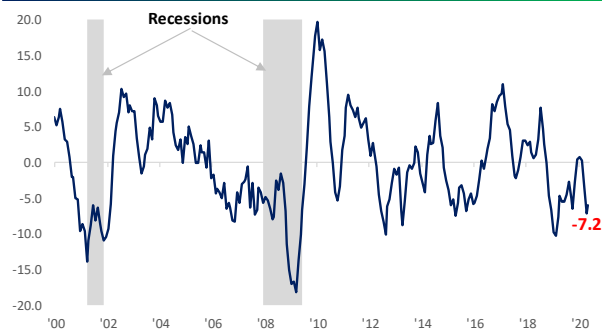
The *Matrix of Economic Indicators* below summarizes the y/y change by month (unless otherwise noted) in economic indicators over the last year by category. The numbers in the left-most columns show the most recent y/y readings as of the end of April. We also highlight each release to show if it got better (green) or worse (red) versus its prior reading. Charts of each indicator are provided on pages four through eight, and we strongly suggest you take a look at them in order to grasp just how abrupt the fall-off in economic activity has been.

Matrix of Economic Indicators: 5/31/20												
Category	Year/Year Change (Unless Otherwise Noted)											
Indicator	5/31/20	4/30/20	3/31/20	2/29/20	1/31/20	12/31/19	11/30/19	10/31/19	9/30/19	8/31/19	7/31/19	6/30/19
Manufacturing/Output												
Chicago PMI (actual)	32.30	35.40	47.80	49.00	42.90	48.20	46.70	44.30	47.10	49.80	46.50	50.10
ISM Manufacturing (actual)	43.10	41.50	49.10	50.10	50.90	47.80	48.10	48.50	48.20	48.80	51.30	51.60
ISM Services (actual)	45.40	41.80	52.50	57.30	55.50	54.90	53.90	54.40	53.50	56.00	54.80	55.40
Industrial Production	-15.27	-16.25	-4.86	-0.18	-0.82	-0.81	-0.42	-0.81	-0.18	0.30	0.40	1.02
Capacity Utilization	-16.70	-17.70	-6.62	-2.11	-2.80	-2.89	-2.51	-2.90	-2.30	-1.82	-1.72	-1.09
Durable Goods	-17.87	-30.15	-18.64	1.62	-3.62	-3.27	-3.95	-1.61	-5.73	-3.27	0.38	-4.41
Durable Goods ex Tran	-6.28	-10.17	-2.22	-0.29	-0.39	-0.72	0.55	-1.43	-0.08	-0.09	-1.44	-0.19
Employment												
Jobless Claims (4 Wk Avg)	2288.3	5040.3	2666.8	214.0	210.0	226.0	215.5	215.0	213.0	216.8	213.8	221.3
ADP Employment	-16.57	-14.36	1.08	1.45	1.45	1.41	1.42	1.41	1.52	1.46	1.45	1.47
Non Farm Payrolls	-11.73	-13.35	0.54	1.55	1.38	1.42	1.42	1.34	1.35	1.27	1.29	1.26
Average Hourly Earnings	6.75	7.76	3.52	3.32	3.33	3.25	3.52	3.76	3.67	3.73	3.65	3.53
Average Workweek (actual)	34.10	33.50	33.40	33.70	33.60	33.60	33.50	33.60	33.60	33.60	33.50	33.60
Unemployment Rate (actual)	9.70	11.10	0.60	-0.30	-0.40	-0.40	-0.20	-0.20	-0.20	-0.10	-0.10	-0.30
Challenger Job Cuts	577.77	1576.86	266.89	-26.26	27.83	-25.16	-16.02	-33.54	-24.83	39.01	43.22	12.84
Housing												
Building Permits	-9.12	-19.85	2.19	10.19	16.72	9.22	14.48	18.63	11.40	16.93	2.63	-3.34
Housing Starts	-23.19	-26.28	5.49	37.82	27.12	42.08	13.87	11.02	2.25	7.58	1.42	3.78
New Home Sales	12.67	-12.65	-12.57	7.67	21.51	29.61	13.36	27.90	21.81	18.06	7.13	18.43
Existing Home Sales	-26.64	-17.21	0.76	7.06	8.84	10.38	3.10	4.24	3.24	2.45	0.75	-2.03
Pending Home Sales	-5.14	-33.78	-16.32	9.32	5.83	4.13	8.65	5.00	2.66	2.79	-0.28	2.73
Monthly Supply	-16.42	9.84	12.07	-9.84	-23.08	-28.38	-13.85	-23.61	-18.46	-14.06	-1.64	-9.84
NAHB Homebuilder Index	-43.94	-52.38	16.13	19.35	29.31	35.71	18.33	4.41	1.49	0.00	-4.41	-5.88
Inflation												
CPI	0.24	0.38	1.52	2.32	2.48	2.29	2.04	1.76	1.72	1.74	1.83	1.68
Core CPI	1.24	1.44	2.10	2.37	2.27	2.25	2.32	2.31	2.35	2.37	2.20	2.14
PPI	-2.61	-4.89	-0.97	1.28	2.57	1.86	1.02	-0.15	-0.05	0.29	0.78	0.59
Core PPI	1.01	1.06	1.21	1.11	1.02	1.41	1.56	1.61	1.86	1.96	2.16	2.31
PCE	0.55	0.55	1.33	1.79	1.79	1.56	1.34	1.32	1.33	1.43	1.44	1.36
Core PCE	1.02	1.04	1.69	1.82	1.69	1.57	1.51	1.65	1.66	1.76	1.65	1.61
Import Prices	-5.98	-6.78	-4.19	-1.27	0.48	0.48	-1.19	-2.96	-2.11	-2.12	-1.95	-2.03
Import Prices ex Petrol.	-0.62	-0.98	-0.97	-0.80	-0.80	-1.50	-1.50	-1.50	-1.24	-1.15	-1.32	-1.32
Consumer												
Consumer Confidence	-34.04	-33.67	-4.35	0.91	7.15	1.26	-7.04	-8.56	-6.65	-0.37	6.18	-2.20
Michigan Confidence	-27.70	-26.13	-9.45	7.68	9.43	1.02	-0.72	-3.14	-6.89	-6.65	0.51	0.00
Personal Income	6.97	11.93	1.35	4.11	4.15	3.85	4.60	4.20	4.31	4.10	4.11	4.60
Personal Spending	-9.32	-15.81	-2.99	4.91	4.80	4.94	3.69	3.69	4.03	3.92	4.03	4.00
Retail Sales	-6.08	-19.90	-5.59	4.48	4.87	5.61	3.25	3.31	3.95	4.31	3.64	3.61
Retail Sales ex Autos	-6.62	-16.67	-0.97	4.12	4.43	6.08	2.40	2.83	3.59	3.64	3.67	3.63
Auto Sales	-29.42	-47.68	-35.03	1.63	1.45	-4.57	-1.78	-5.43	-1.21	2.23	0.84	-0.46
Total	12	-28	-32	0	4	8	5	-6	-9	3	2	-11
	Stronger than prior month.						Weaker than prior month.					

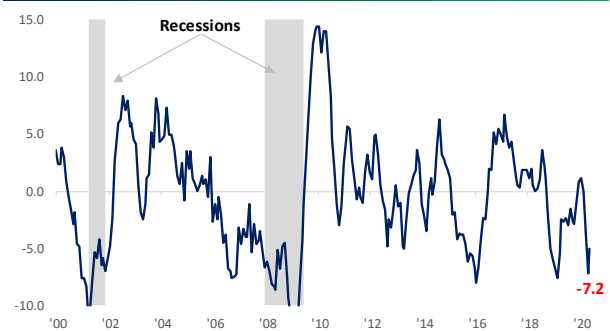


Summary Charts of Net Indicators Improving By Sector (6-Month Average)

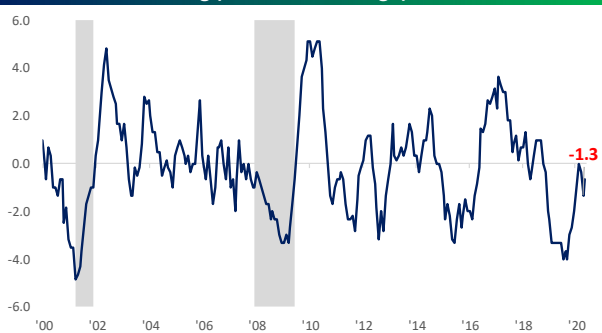
Overall Bottom Line (Six Month Average): 2000 - 2020



Bottom Line Ex Inflation (Six Month Avg): 2000 - 2020



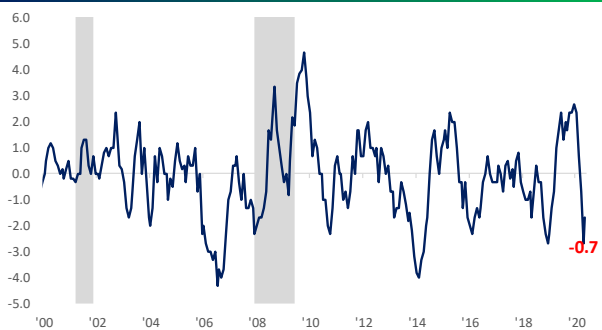
Manufacturing (Six Month Average): 2000 - 2020



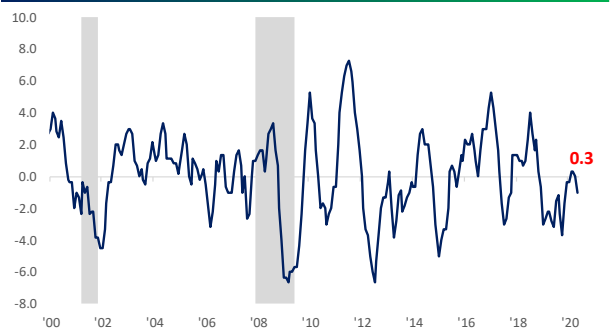
Employment (Six Month Average): 2000 - 2020



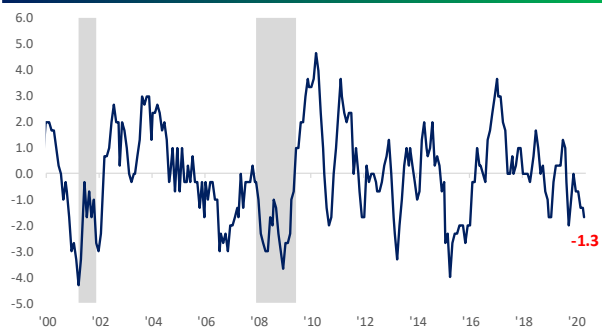
Housing (Six Month Average): 2000 - 2020



Inflation (Six Month Average): 2000 - 2020



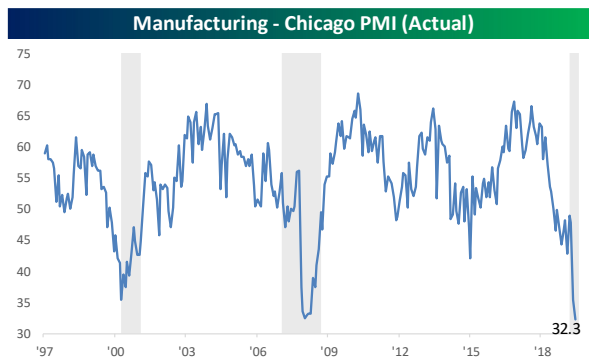
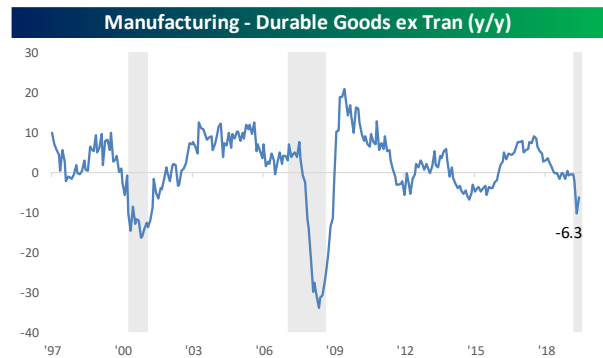
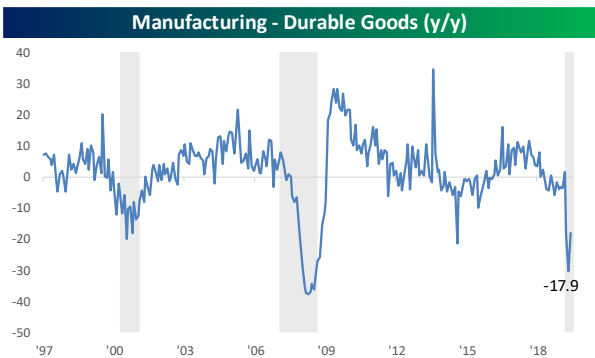
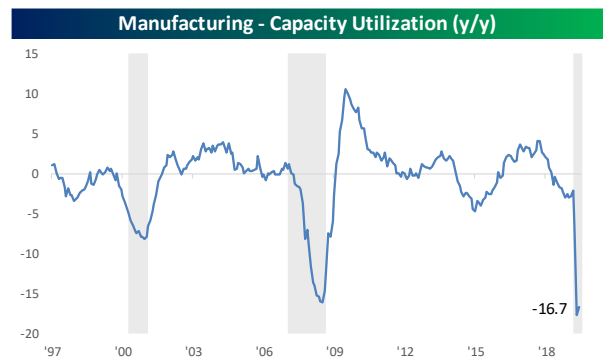
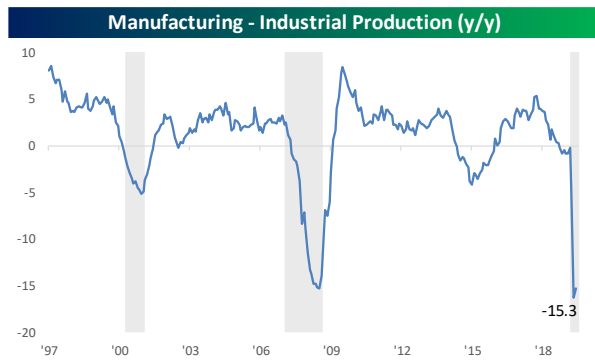
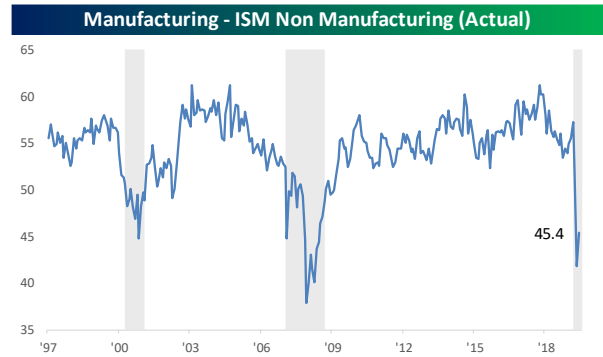
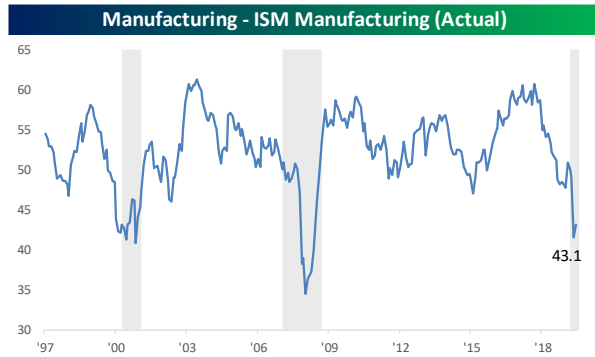
Consumer (Six Month Average): 2000 - 2020



The charts above highlight the net number of indicators showing improvement by category on a monthly basis, but in order to lessen the noise, we have used a six month rolling average. The top two charts show the totals for all indicators and all indicators ex the inflation category. The next five charts show the monthly change by each individual category from the matrix on page two.



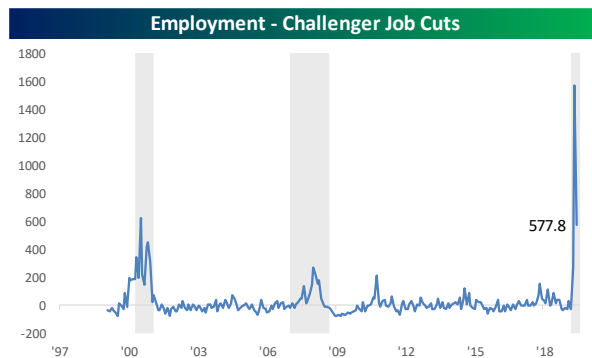
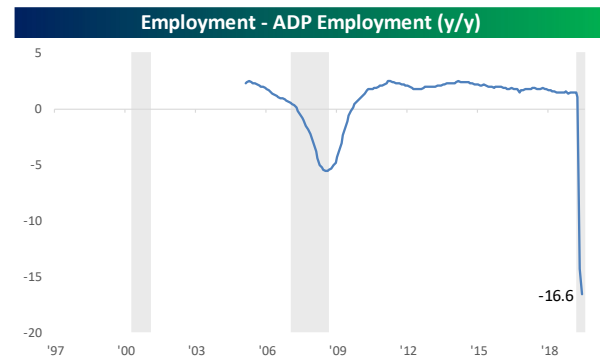
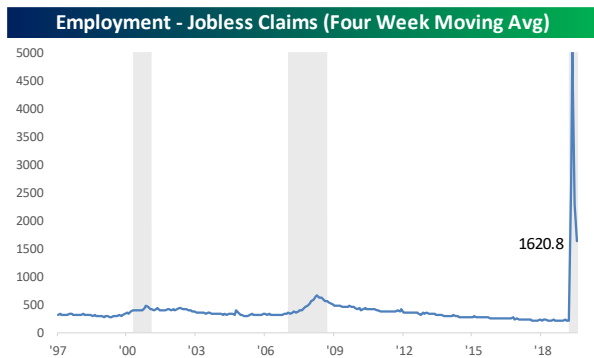
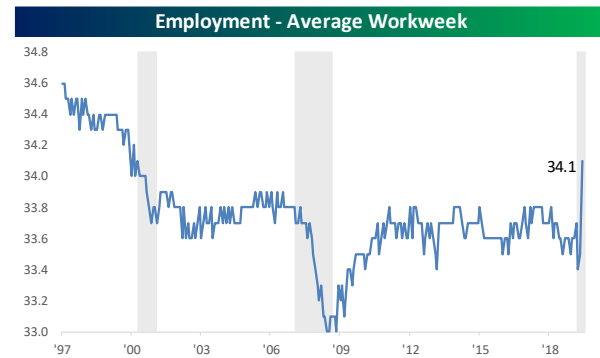
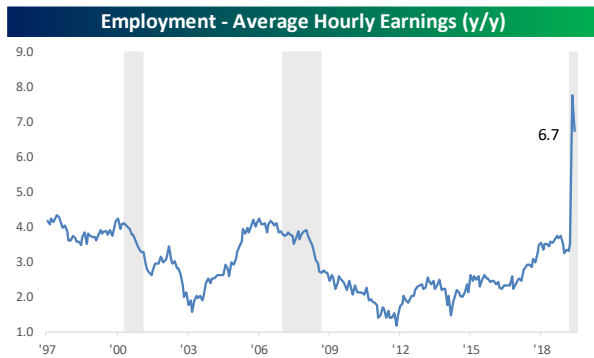
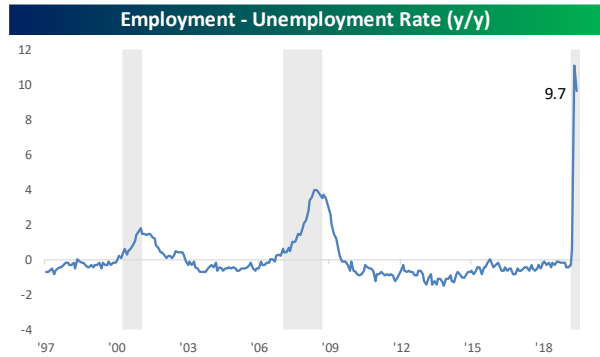
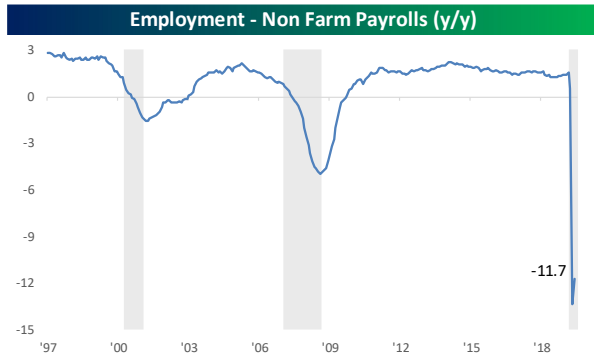
Manufacturing/Output



Sources: ADP, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Challenger, Gray & Christmas, Conference Board, Federal Reserve, Institute for Supply Management, ICSC, NAHB, National Association of Realtors, Standard and Poor's, US Census Bureau, US Department of Labor.



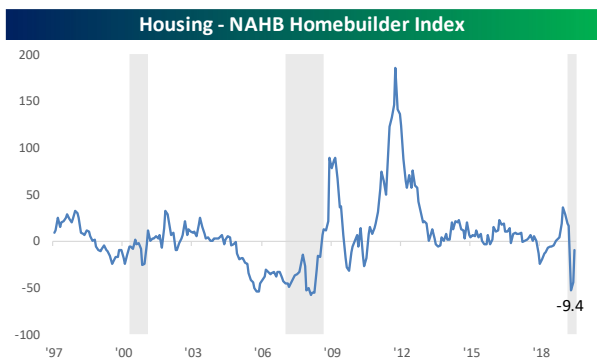
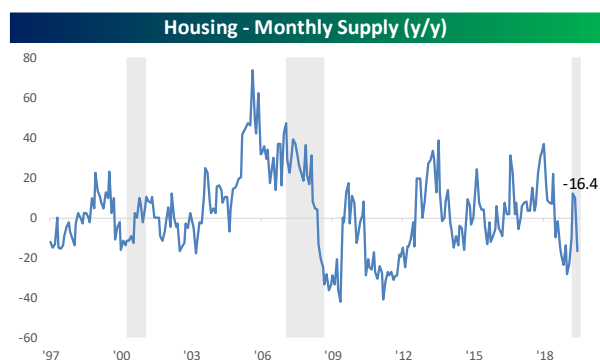
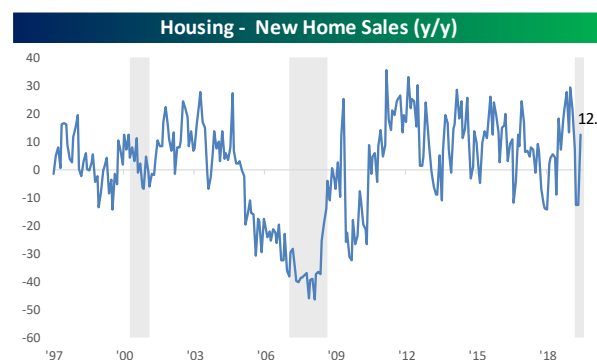
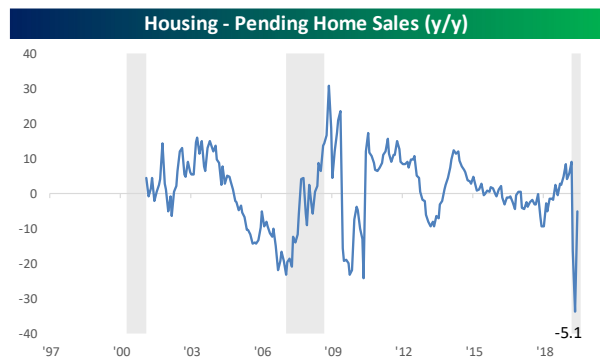
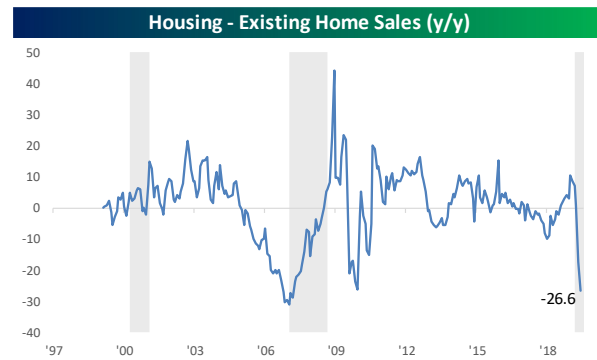
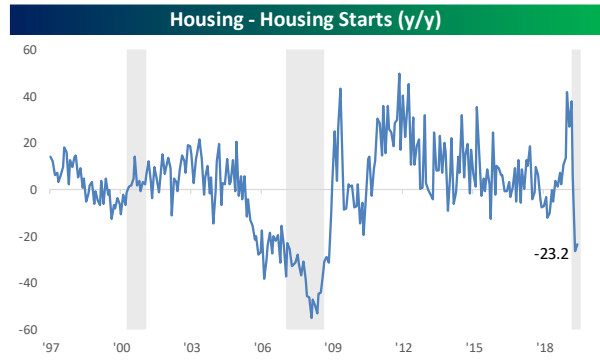
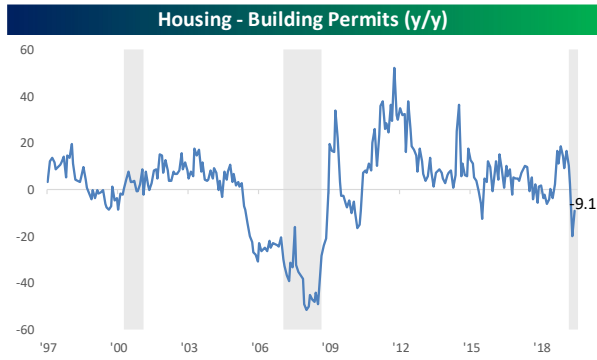
Employment



Sources: ADP, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Challenger, Gray & Christmas, Conference Board, Federal Reserve, Institute for Supply Management, ICSC, NAHB, National Association of Realtors, Standard and Poor's, US Census Bureau, US Department of Labor.



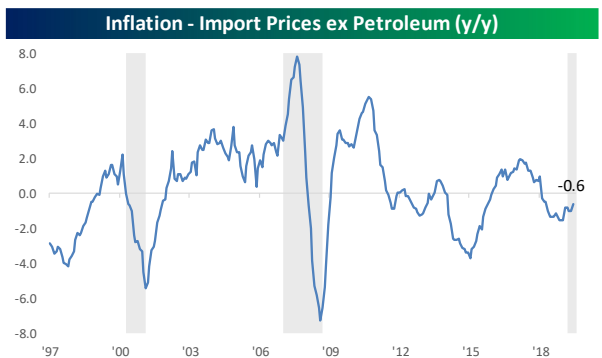
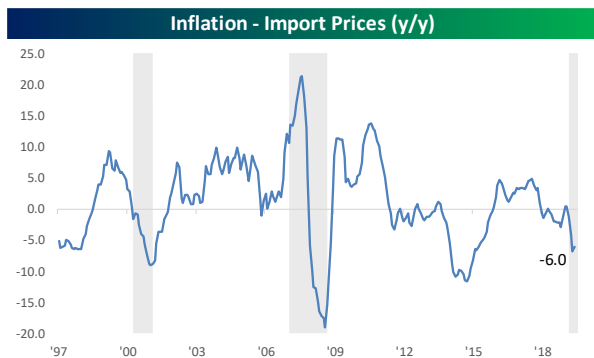
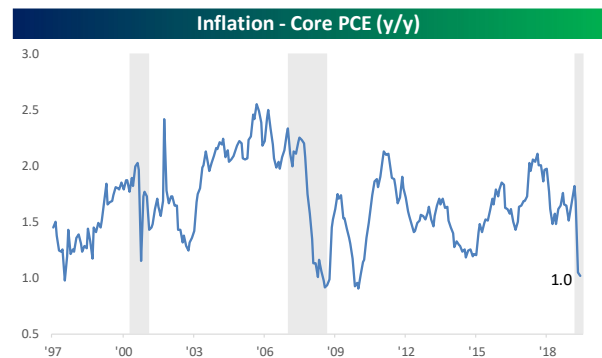
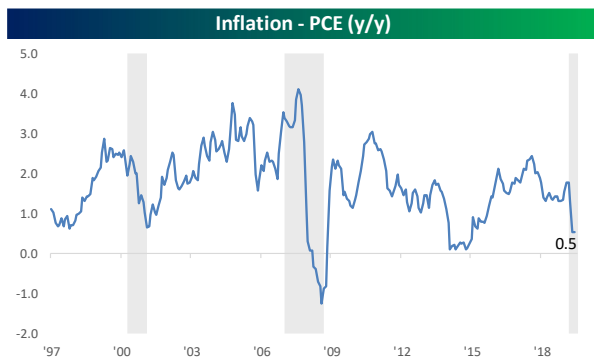
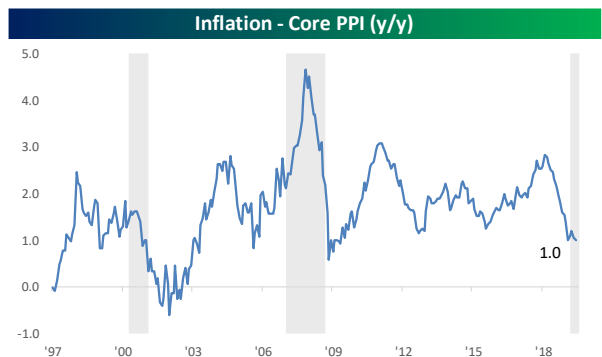
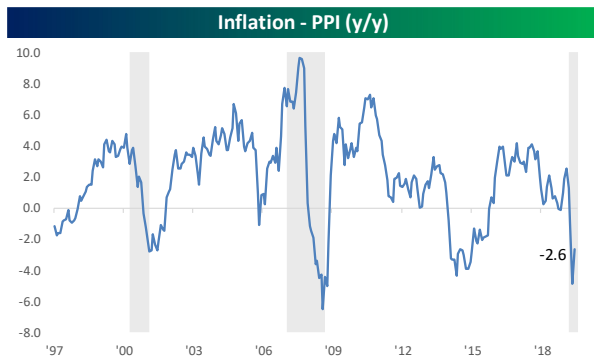
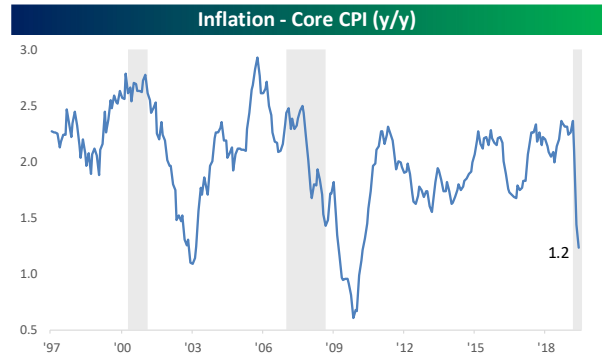
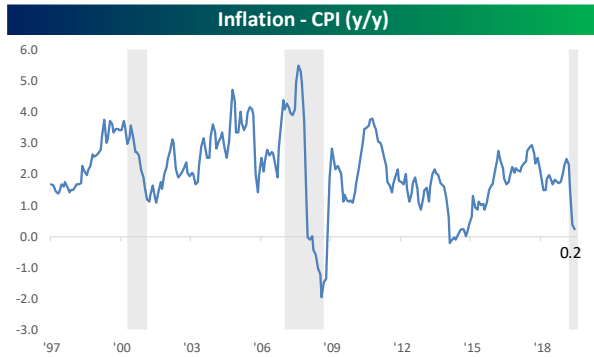
Housing



Sources: ADP, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Challenger, Gray & Christmas, Conference Board, Federal Reserve, Institute for Supply Management, ICSC, NAHB, National Association of Realtors, Standard and Poor's, US Census Bureau, US Department of Labor.



Inflation

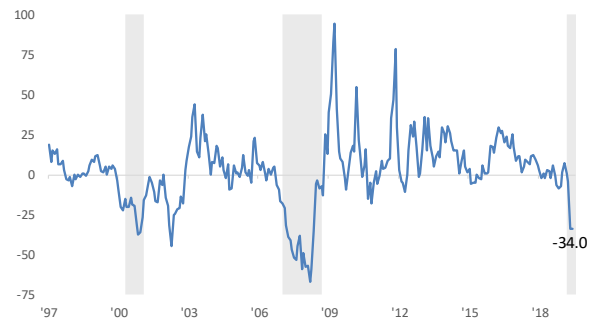


Sources: ADP, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Challenger, Gray & Christmas, Conference Board, Federal Reserve, Institute for Supply Management, ICSC, NAHB, National Association of Realtors, Standard and Poor's, US Census Bureau, US Department of Labor.

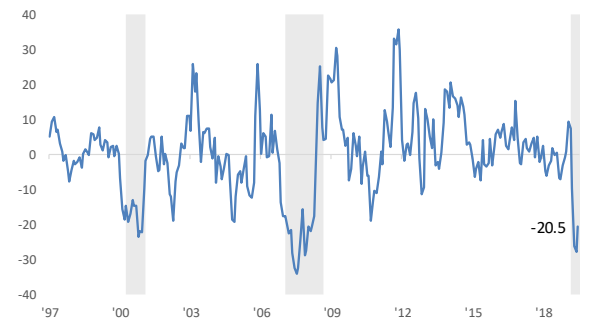


Consumer

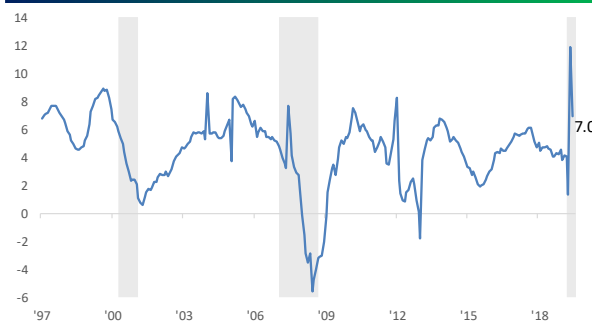
Consumer- Consumer Confidence (y/y)



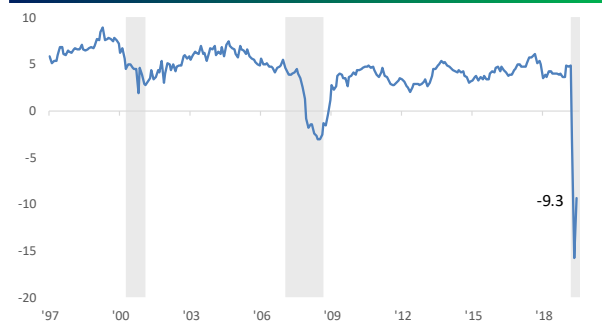
Consumer - Michigan Confidence (y/y)



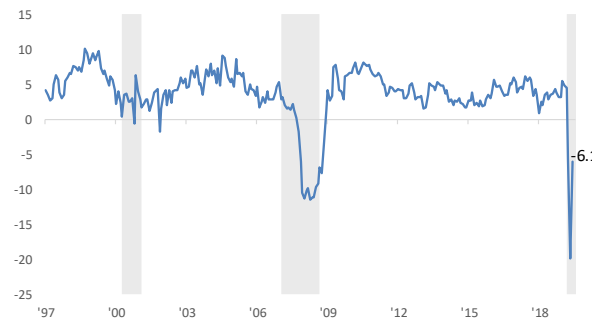
Consumer - Personal Income (y/y)



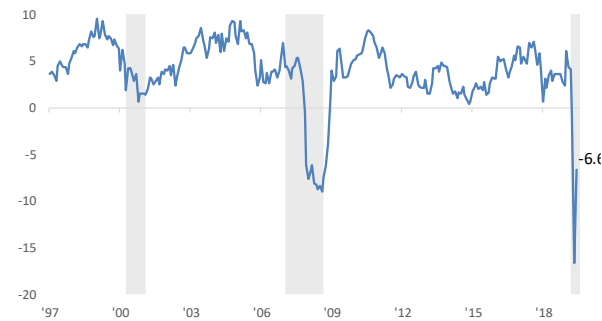
Consumer - Personal Spending (y/y)



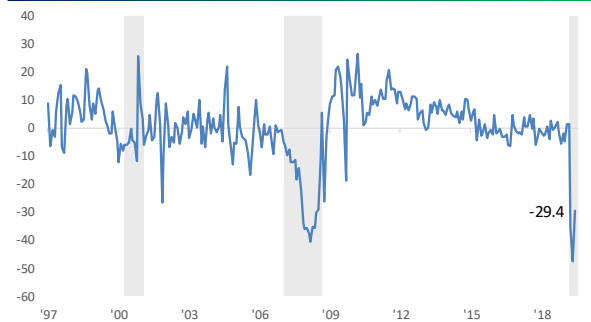
Consumer - Retail Sales (y/y)



Consumer - Retail Sales ex Autos (y/y)



Consumer - Auto Sales (y/y)



Sources: ADP, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Challenger, Gray & Christmas, Conference Board, Federal Reserve, Institute for Supply Management, ICSC, NAHB, National Association of Realtors, Standard and Poor's, US Census Bureau, US Department of Labor.