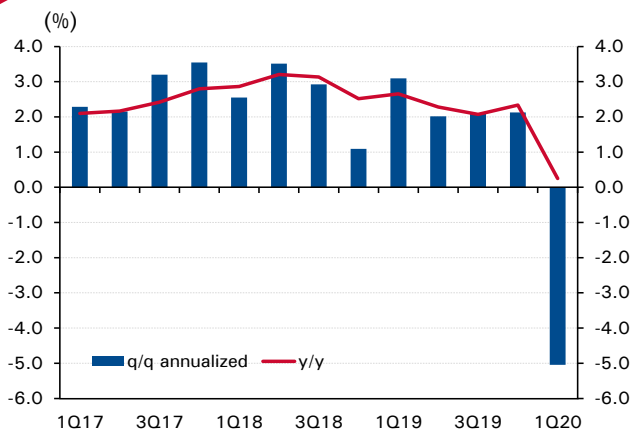


1Q20 sees sharp contraction in GDP amid virus lockdown, while unemployment surges

- GDP contracted by an annualized 5% in 1Q20, and a bigger drop will be seen in 2Q20 due to the virus lockdown.
- Unemployment surged to 14.7%, with many workers furloughed due to business closures.
- Non-farm payrolls dropped by a steep 20.5 million, the largest drop on record from a 870k decline in March.
- Core inflation fell to 1.4% in April, the lowest since 2011 mostly on lower apparel/transport costs.
- The ISM manufacturing index for May edged up from a 11-year low of 41.5 in April but remains weak at 43.1.
- Futures markets probabilities place a very high chance (97%) of no further rate changes by the Fed in 2020.

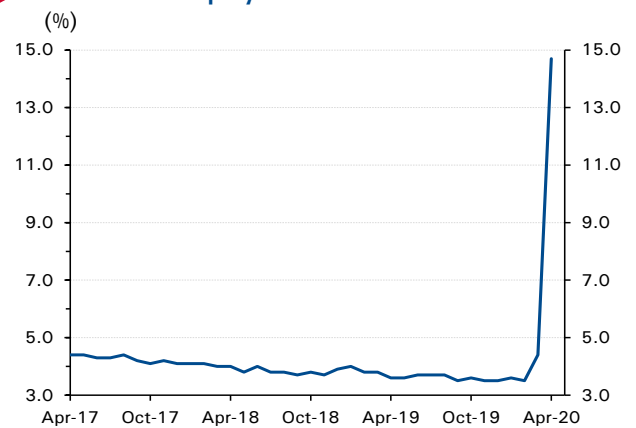
▶ Chart 1: Real GDP growth



Annualized GDP growth fell to -5% in 1Q20, more than expected, and will fall further in 2Q20 due to the virus lockdown.

Source: Refinitiv

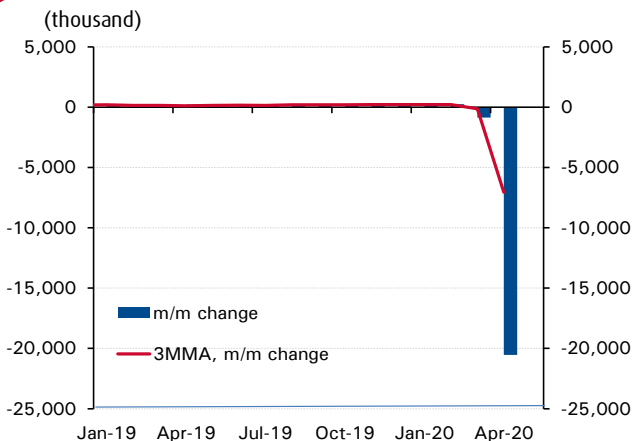
▶ Chart 2: Unemployment rate



Unemployment surged at a record pace in April, to 14.7%, with many workers furloughed due to business closures.

Source: Refinitiv

▶ Chart 3: Non-farm payrolls (new jobs)



Non-farm payrolls dropped by a massive 20.5 million, the largest drop on record from a 870k decline in March.

Source: Refinitiv

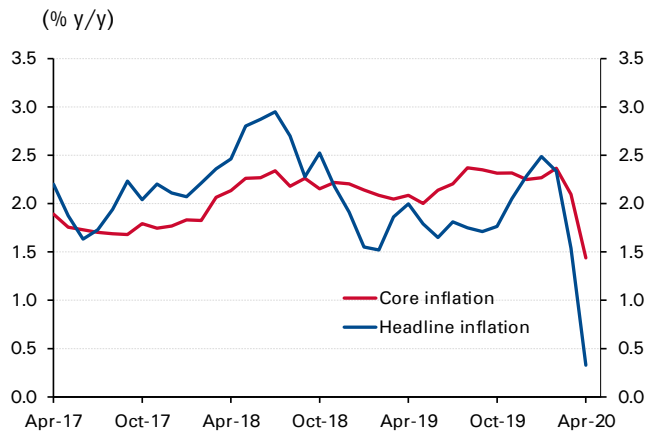
▶ Chart 4: Wage growth



Wage growth surged to 7.9% y/y in April from 3.3% in March as more lower-paying jobs were eliminated.

Source: Refinitiv

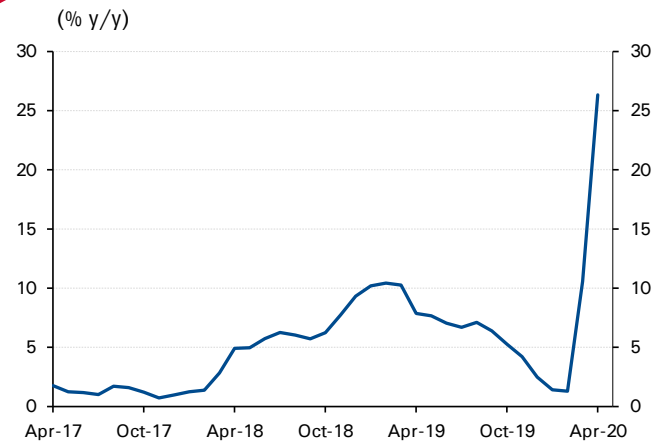
Chart 5: Consumer price inflation



Core inflation fell to 1.4% in April from 2.1% in March, the lowest since 2011 mostly on a sharp drop in transport, apparel prices.

Source: Refinitiv

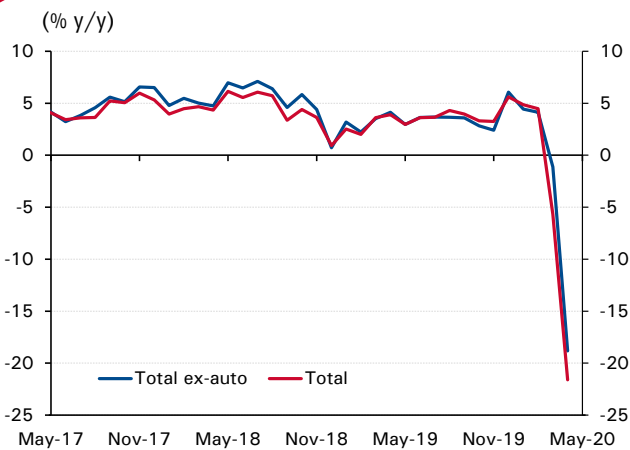
Chart 6: Commercial and industrial loans



C&I loans growth surged to 26% in April from 11% in March as businesses sought loans to support lockdown-affected finances.

Source: Refinitiv

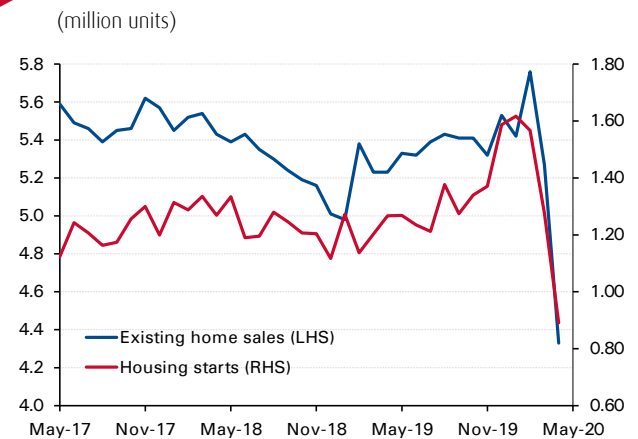
Chart 7: Retail sales



Retail sales contracted by a record 22% y/y in May (-6% in Apr.) as the lockdown continued to impact consumers and businesses.

Source: Refinitiv

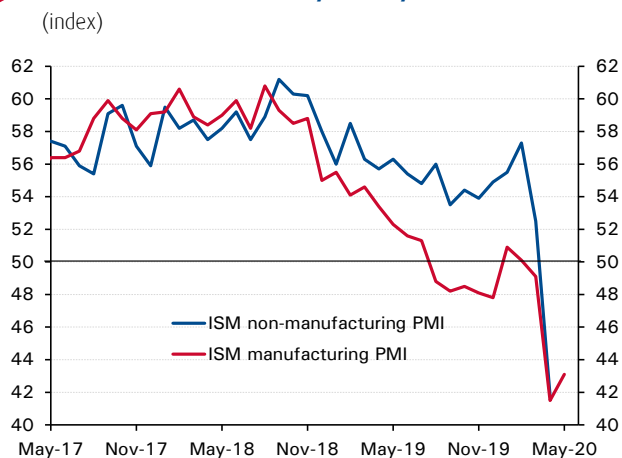
Chart 8: Existing home sales and housing starts



Existing home sales and housing starts plummeted by 18% and 30% m/m to 4.3 mn and 891k respectively.

Source: Refinitiv

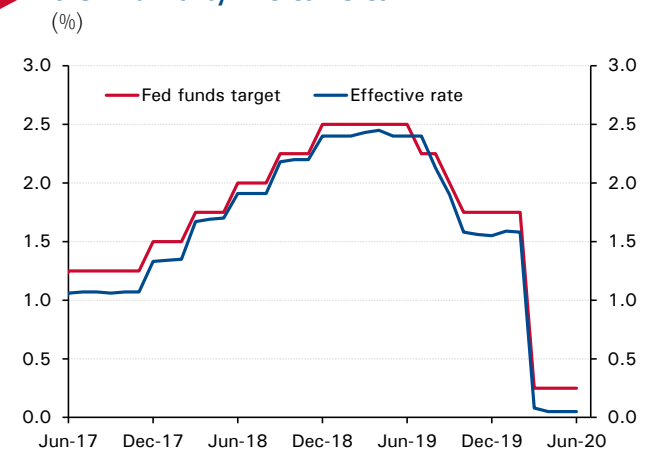
Chart 9: Business activity surveys



The ISM manufacturing index for May edged up from a 11-year low of 41.5 in April but remains weak and in contraction at 43.1.

Source: Refinitiv

Chart 10: Policy interest rates

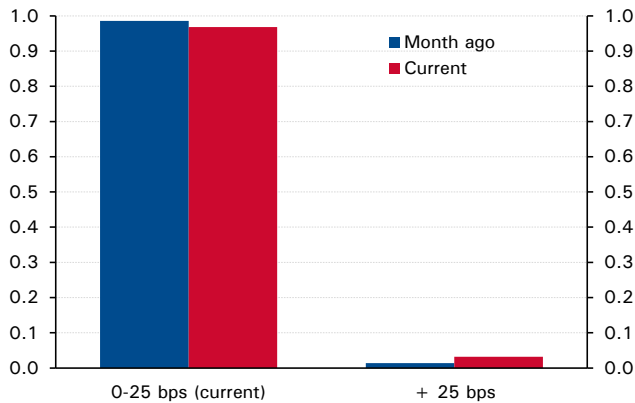


The Fed cut its policy rate by 100 bps to a range of 0-0.25% in mid-March following a 50 bps cut just 2 weeks prior in a bid to support a faltering economy.

Source: Refinitiv

Chart 11: Fed policy action outlook for 2020

(futures market probability, as of 2 June 2020)



Futures markets probabilities suggest a very high chance (97%) of no further interest rate action by the Fed in 2020.

Source: CME Group

Chart 12: Government bond yields

(%)



The US 10-year treasury yield has edged-up slightly from its April lows but remains subdued by virus uncertainty at 0.68%.

Source: Refinitiv

Chart 13: Stock market

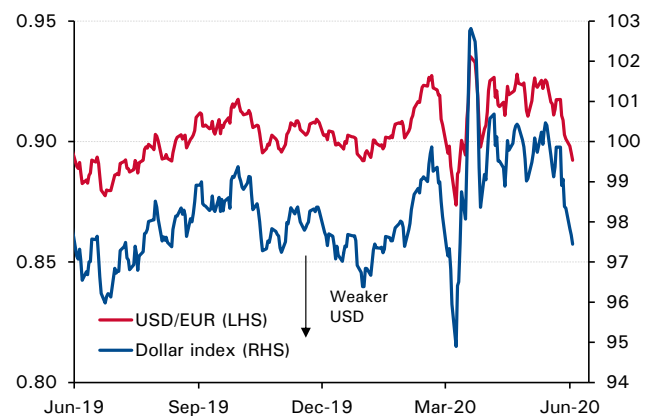
(S&P 500)



The SP500 has rallied after a sharp drop in March despite serious ongoing economic woes, reaching 3-month highs in early June.

Source: Refinitiv

Chart 14: Exchange rates



The USD fell in May due to a strengthening euro and as a global easing in virus restrictions curbed dollar safe-haven flows.

Source: Refinitiv

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