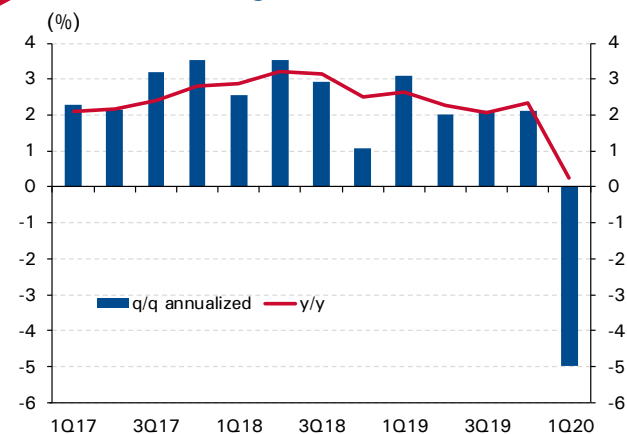


Macroeconomic data continues to improve, but resurgent trade and coronavirus risks may weigh

- Unemployment eased further to 11.1% in June from 13.3% in May as more businesses reopened.
- Non-farm payrolls rose for the second consecutive month by a record 5 million in June, beating expectations.
- Core inflation was unchanged in June at 1.2% y/y, while headline inflation rose to 0.6% y/y.
- Retail sales ex autos improved sharply to -0.5%y/y in June from -6.9% in May as stores reopened.
- ISM activity indices for June surged into expansion territory (53-57) for the first time since Feb/March.
- The S&P500 rallied in July on recovery optimism, reaching a 4-month high, but escalating US-China tensions and ongoing virus uncertainty pose downside risks.

▶ Chart 1: Real GDP growth



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

Source: Refinitiv

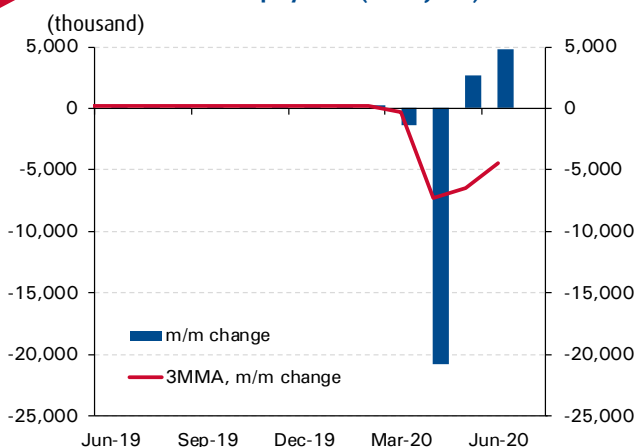
▶ Chart 2: Unemployment rate



Unemployment eased further to 11.1% in June from 13.3% in May as hiring picked-up amid the reopening of businesses.

Source: Refinitiv

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



Non-farm payrolls rose for the second consecutive month by a record 4.8 million in June, beating expectations of 3.3 million.

Source: Refinitiv

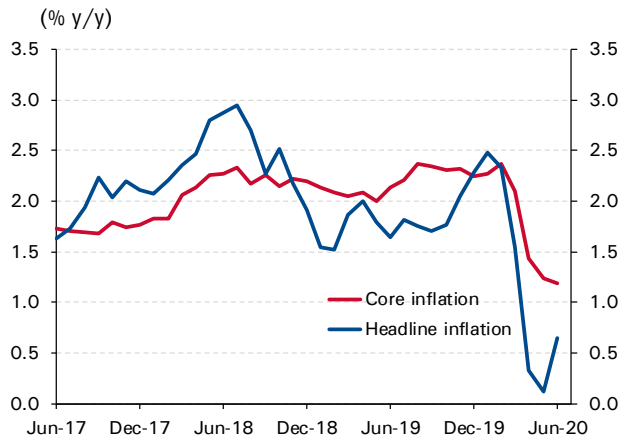
▶ Chart 4: Wage growth



Wage growth eased further to 5% y/y in June from 6.6% in May helped by the re-hiring of some low-paid workers.

Source: Refinitiv

Chart 5: Consumer price inflation



Core inflation was unchanged in June at 1.2% y/y, while headline inflation rose to 0.7% y/y on higher food and medical care prices.

Source: Refinitiv

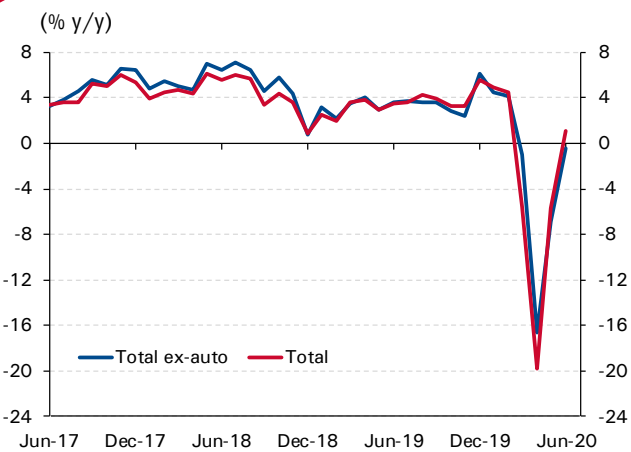
Chart 6: Commercial and industrial loans



C&I loans growth eased for the first time since January, although still relatively high at 23% on pandemic-related financing needs.

Source: Refinitiv

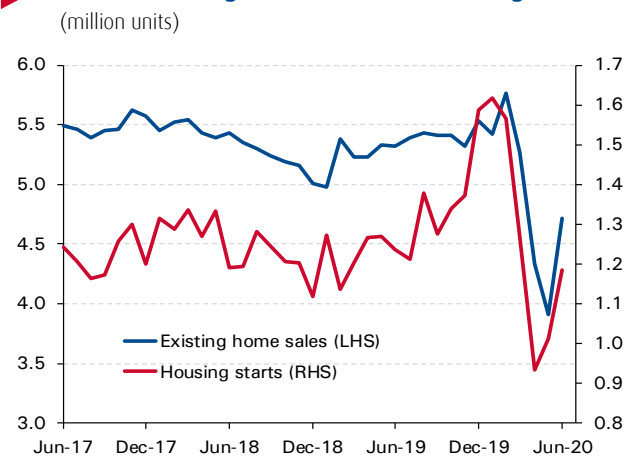
Chart 7: Retail sales



The drop in retail sales ex autos narrowed sharply to -0.5%/y/y in June from -6.9% in May as stores reopened.

Source: Refinitiv

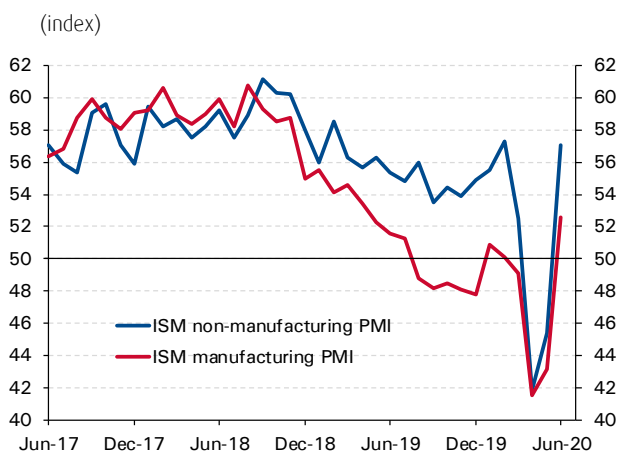
Chart 8: Existing home sales and housing starts



Existing home sales and housing starts surged 21% and 17% m/m to 4.7 mn, 1.2 mn respectively in June as restrictions eased.

Source: Refinitiv

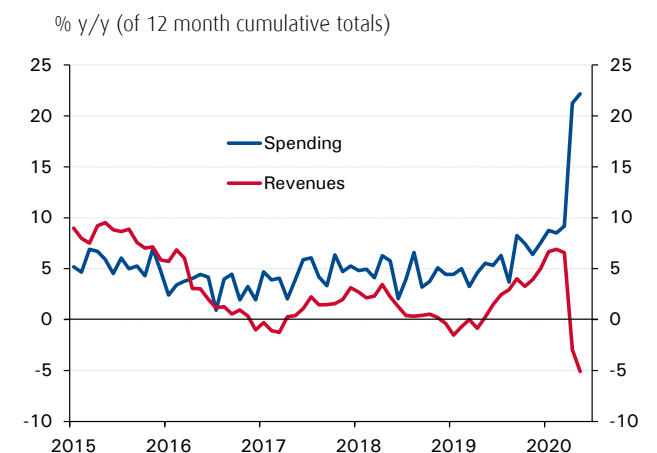
Chart 9: Business activity surveys



The ISM activity indices for June surged to expansion territory (53-57) for the first time since Feb/March in a sign that business activity is recovering.

Source: Refinitiv

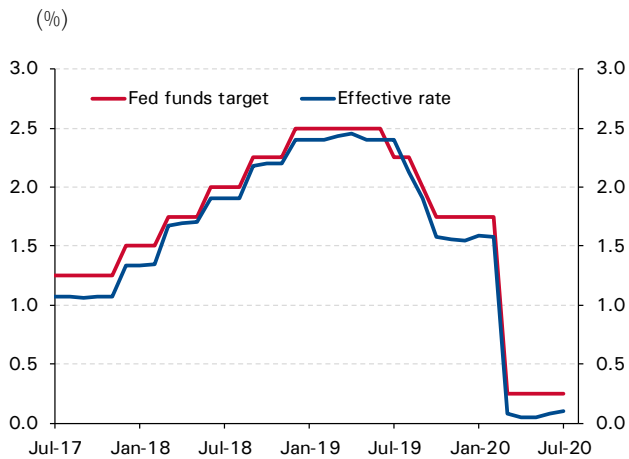
Chart 10: US government spending and revenues



The fiscal deficit is expected to widen to \$3.8 trillion or 18% of GDP in 2020 on the negative impact of the pandemic.

Source: Refinitiv

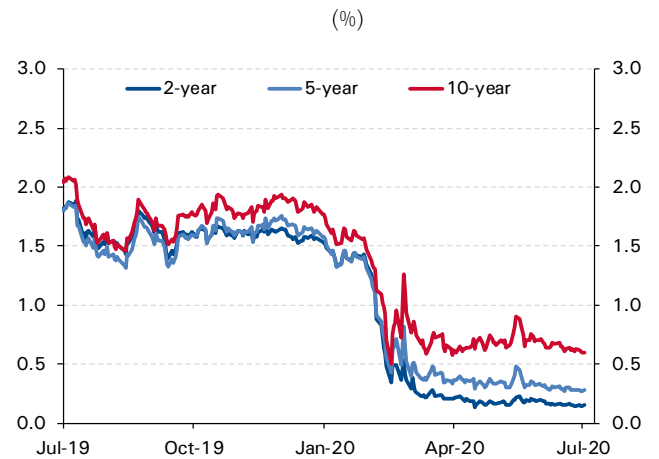
▶ **Chart 11: Policy interest rates**



The Fed maintained its policy rate at a range of 0-0.25% while continuing to support markets via treasury and MBS purchases.

Source: Refinitiv

▶ **Chart 12: Government bond yields**

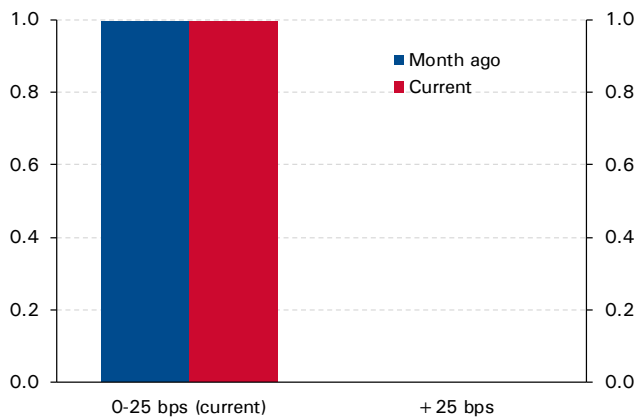


The US 10-year treasury yield fell to a 3-month low of 0.59% as of July 23 on renewed virus and US-China related uncertainty.

Source: Refinitiv

▶ **Chart 13: Fed policy action outlook for 2020**

(futures market probability, as of 23 July 2020)

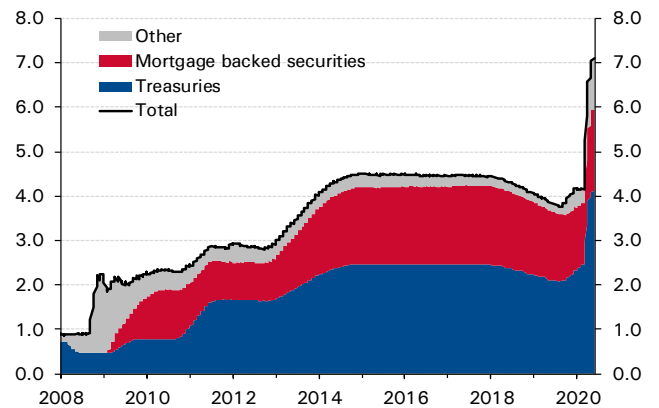


Futures markets probabilities point to no further fed policy rate action in 2020 with absolute certainty (100%).

Source: Refinitiv

▶ **Chart 14: Fed balance sheet size and composition**

(total assets, \$trn)



Federal reserve assets have increased sharply in recent months, reaching \$7 trillion in June on massive stimulus measures.

Source: Refinitiv

▶ **Chart 15: Stock market**

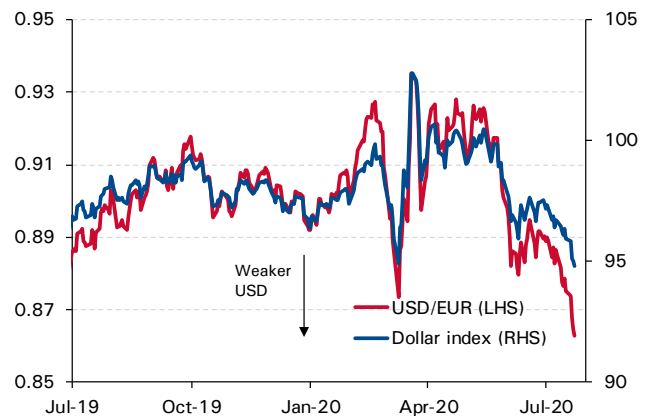
(S&P 500)



The S&P500 rallied in July on reopening and economic recovery optimism, reaching a 4-month high, but trade risks may weigh.

Source: Refinitiv

▶ **Chart 16: Exchange rates**



The USD dropped sharply in July as safe-haven flows were curbed by improved investor sentiment abroad.

Source: Refinitiv

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