Signs of improvement in data as economy reopens, but virus risks continue to weigh

- Unemployment eased to 13.3% in May as hiring picks up amid the reopening of businesses.
- Non-farm payrolls unexpectedly rose by a record 2.5 million in May after dropping by 20.5 million in April.
- Core inflation eased for the third consecutive month to 1.2% in May on falling apparel and transport prices.
- Retail sales ex autos fell by 7% y/y in May, much less than the record drop of 17% in April.
- The Fed maintained its policy rate at a range of 0-0.25%, with ongoing support from open market operations.
- The SP500 fell modestly in June as investors weighed economic reopening against virus uncertainty.

### 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 eased to 13.3% in May from 14.7% in April, as hiring picked up amid the reopening of businesses.

Source: Refinitiv

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

Non-farm payrolls unexpectedly rose by a record 2.5 million in May after dropping by 20.5 million in April.

Source: Refinitiv

### Chart 4: Wage growth

Wage growth eased to 6.7% y/y in May from 8% in April helped by re-hiring of some low-paid workers.

Source: Refinitiv
Core inflation eased for the third consecutive month to 1.2% in May (1.4% in April) mostly on falling apparel and transport prices. 

Source: Refinitiv

Retail sales ex autos fell 7% y/y in May, less than the record drop of 17% in May as businesses reopened. 

Source: Refinitiv

The ISM activity indices for May edged up from April lows but remain weak and in contraction at 43-46. 

Source: Refinitiv

C&I loans growth reached 30% y/y in May from 26% in April as businesses continued to seek loans to offset lockdown effects. 

Source: Refinitiv

Existing home sales eased by10% m/m to 3.9 million in May, while housing starts rose 4% m/m to 974,000. 

Source: Refinitiv

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

The ISM activity indices for May edged up from April lows but remain weak and in contraction at 43-46. 

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

Source: CME Group

The US 10-year treasury yield fell to a 6-week low of 0.64% as of late June amid resurging virus risks.

Source: Refinitiv

The SP500 fell modestly and saw higher volatility in June as investors weighed economic reopening against virus uncertainty.

Source: Refinitiv

The USD index was little changed in June, with safe-haven flows in the latter part of the month mostly offsetting the prior dip.

Source: Refinitiv