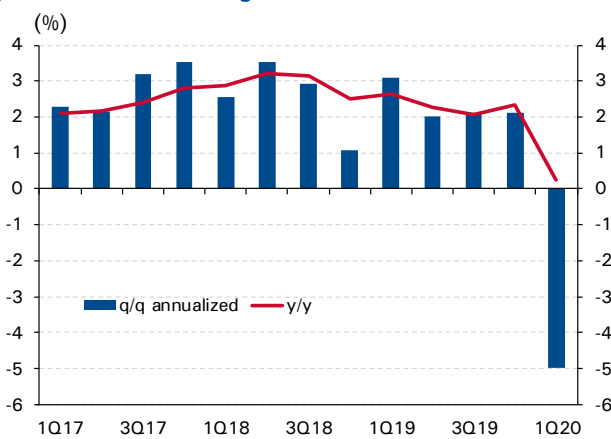


## Signs of improvement in data as economy reopens, but virus risks continue to weigh

- 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.

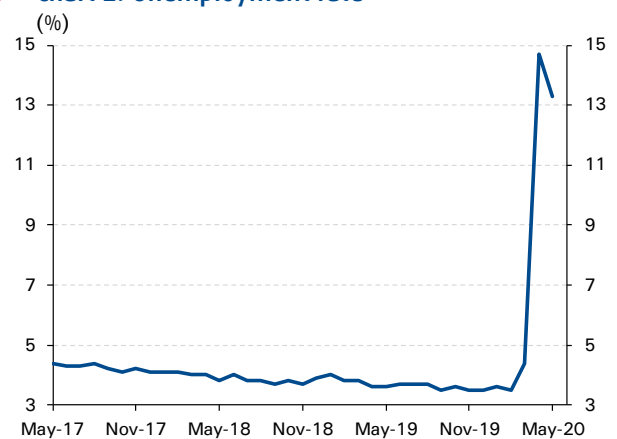
▶ **Chart 1: Real GDP growth**



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

Source: Refinitiv

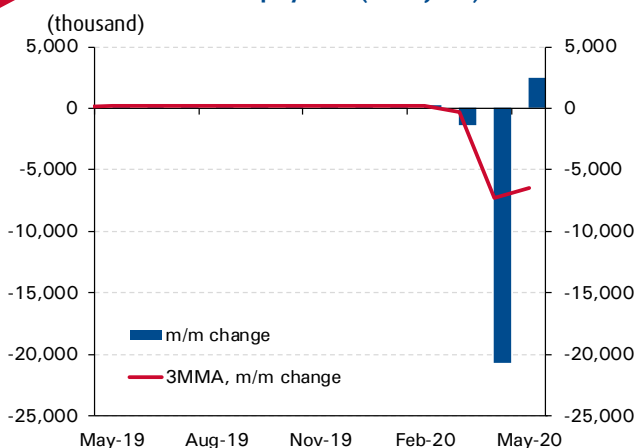
▶ **Chart 2: Unemployment rate**



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

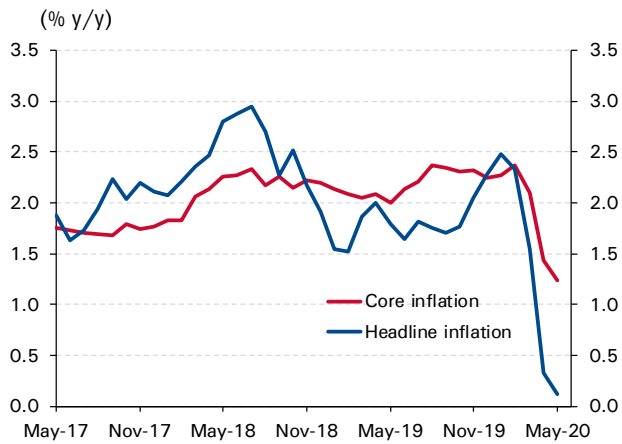
▶ **Chart 4: Wage growth**



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

**Chart 5: Consumer price inflation**



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

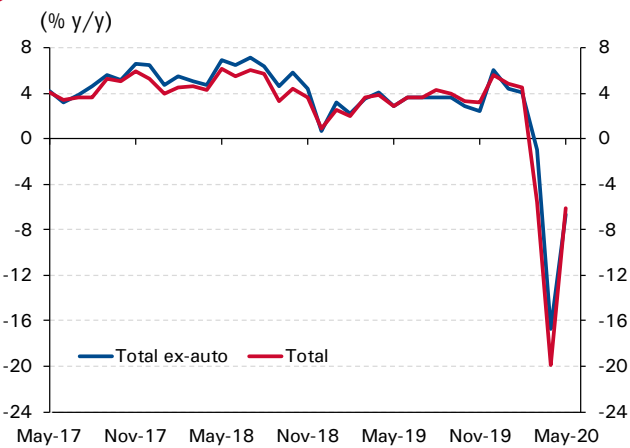
**Chart 6: Commercial and industrial loans**



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

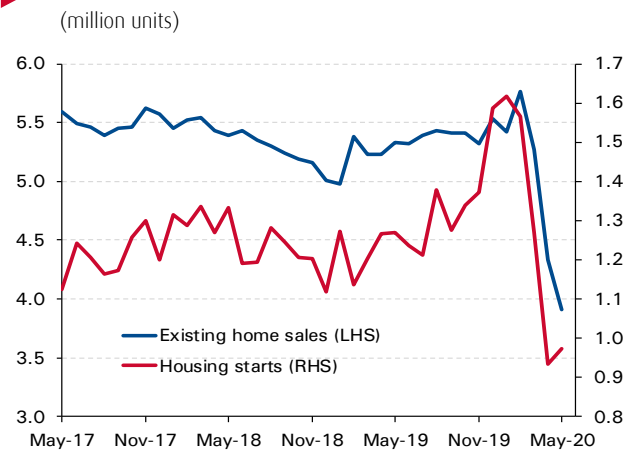
**Chart 7: Retail sales**



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

Source: Refinitiv

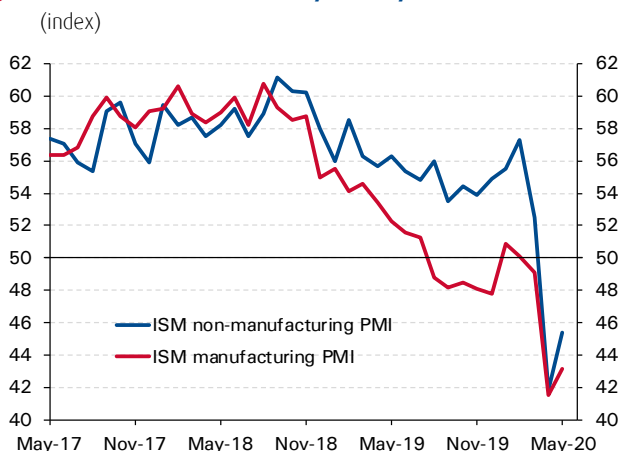
**Chart 8: Existing home sales and housing starts**



Existing home sales eased by 10% m/m to 3.9 million in May, while housing starts rose 4% m/m to 974,000.

Source: Refinitiv

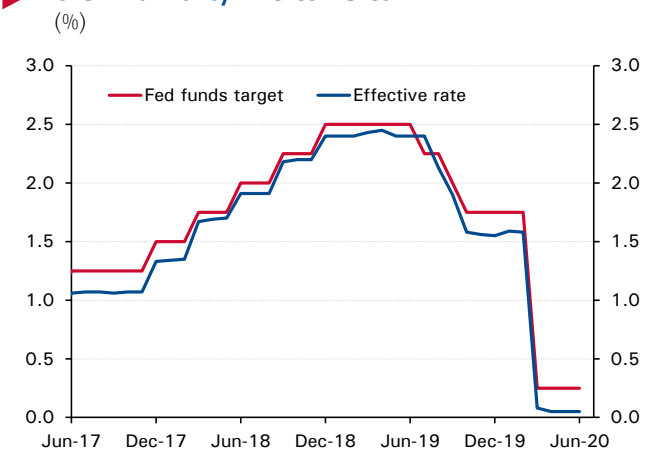
**Chart 9: Business activity surveys**



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

Source: Refinitiv

**Chart 10: Policy interest rates**

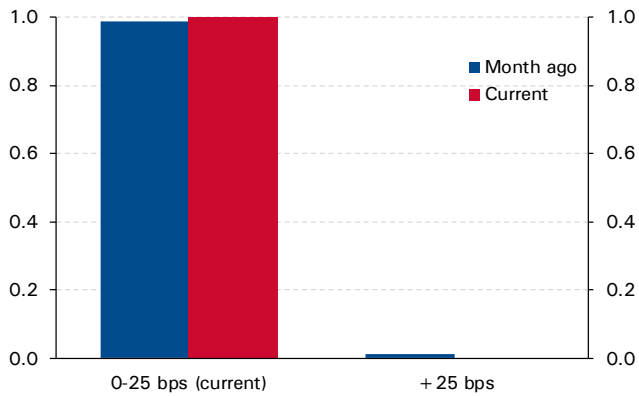


The Fed maintained its policy rate at a range of 0-0.25% while continuing to support markets via treasury and MBS purchases.

Source: Refinitiv

### Chart 11: Fed policy action outlook for 2020

(futures market probability, as of 28 June 2020)



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

Source: CME Group

### Chart 12: Government bond yields

(%)



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

### Chart 13: Stock market

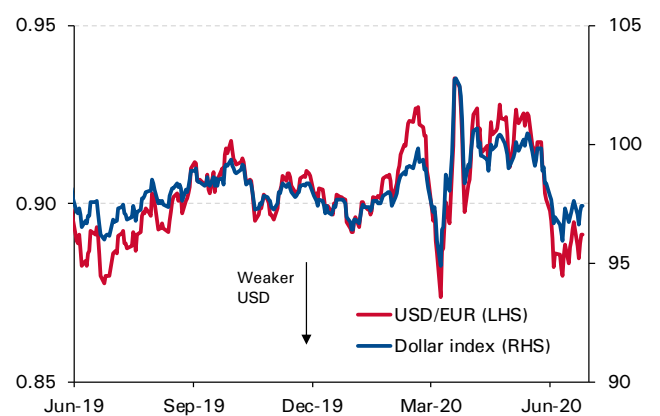
(S&P 500)



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

Source: Refinitiv

### Chart 14: Exchange rates



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

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