

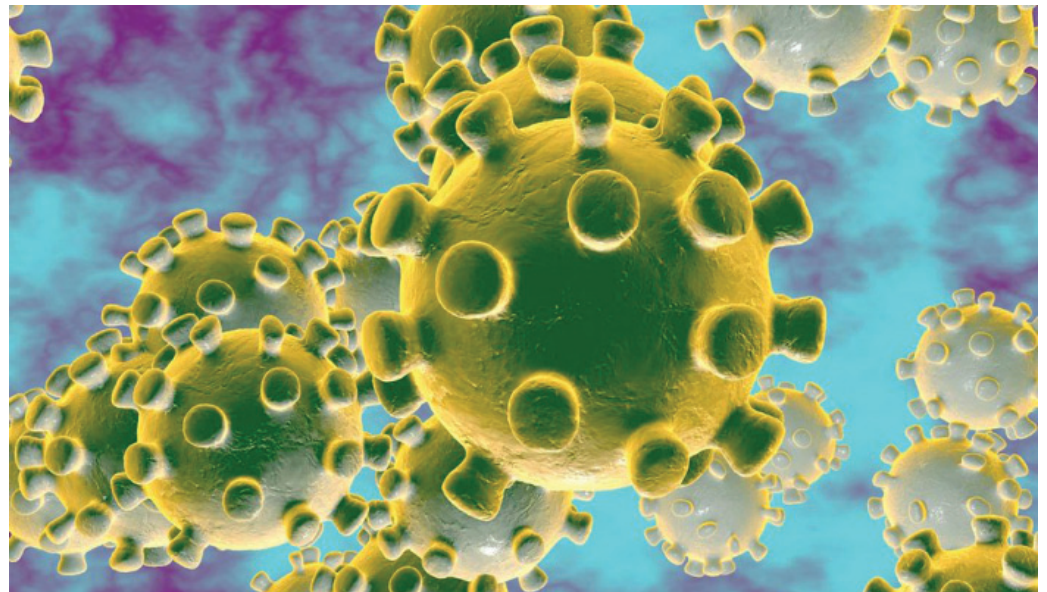


High Frequency Economics[®]

Daily Data Analysis and Assessment of the Global Economy

Moving Beyond The Lows. An Uncertain Path Forward

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Chief U.S. Economist

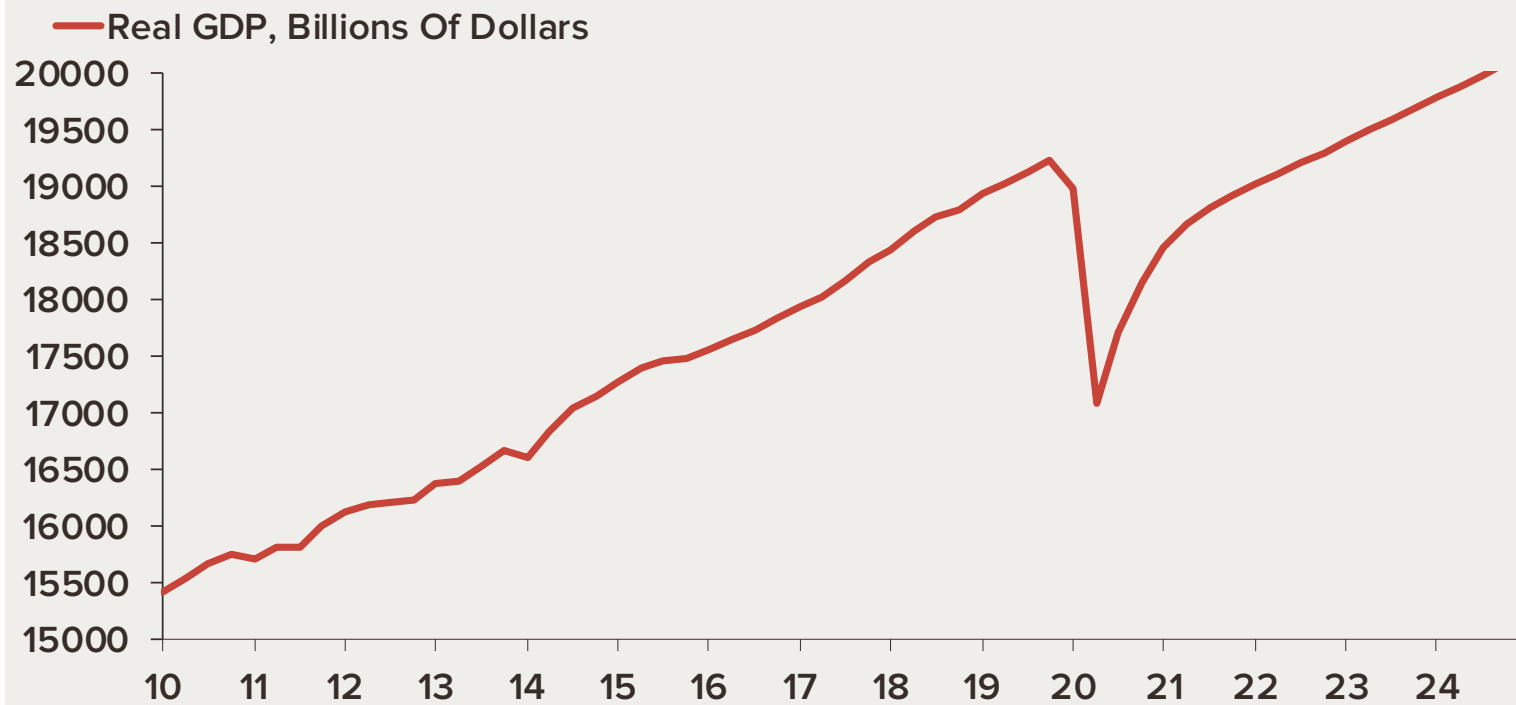


A Massive Slowdown In The Near Term, Uncertainty About Rebound In 2H

- A deliberate shutdown of the economy to contain Covid-19 brought activity to a halt. The impact on growth was already evident in Q1 GDP numbers and record high job losses. Contraction in the second quarter will be at an unprecedented pace. States have reopened. However, ongoing virus-containment protocols are restraining activity. The good news is, activity most likely bottomed in April.
- Labor market conditions remain weak even as nonfarm payrolls rose in May. Businesses are operating below capacity. Facing declining revenues, companies continue to reduce payrolls.
- Beyond a sharp retrenchment in the second quarter, we expect to see a bounce back in GDP from low levels, though a lot of uncertainty surrounds that outcome. Rebounding consumer spending should provide support but the outlook for business investment is weak, especially given the hit to profits since the pandemic. Residential investment is likely to be weak reflecting weak labor market conditions. Trade flows are seen rebounding though they face downside risk from restrained domestic and global demand.
- The strength and timing of a rebound remains uncertain. We cannot be sure of a bounce back in consumer and business spending, given a massive shock to household and company balance sheets.
- The Fed has indicated it stands ready to provide as much support as needed. Officials have committed to doing whatever is necessary to address market and economic strains.

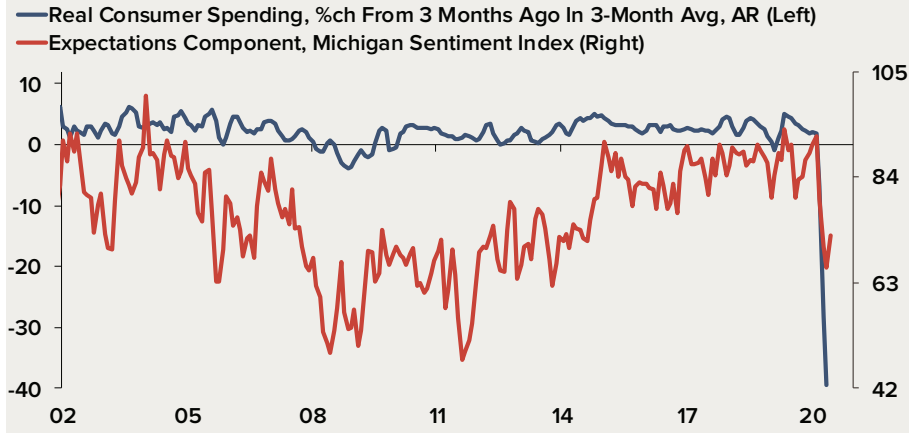
Recovering From A Significantly Lower Level Of Output

Levels Of Output Will Remain Subdued For Some Time

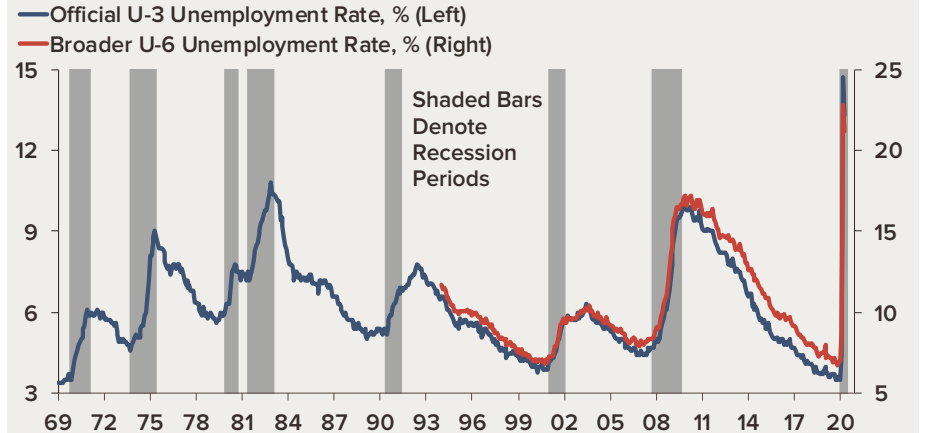


Labor Market Conditions Have Deteriorated Sharply. The Consumer Is No Longer Able To Support The Economy

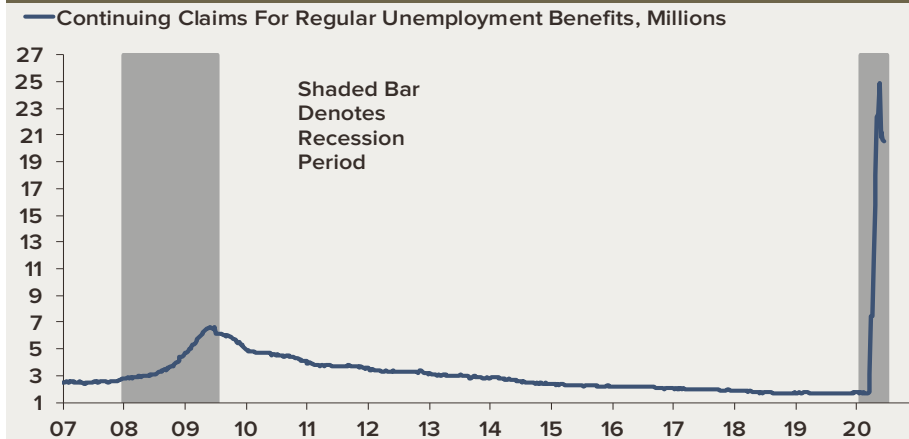
Confidence Data Are Steady, Spending Still Subdued



The Unemployment Rate Remains Extraordinarily High

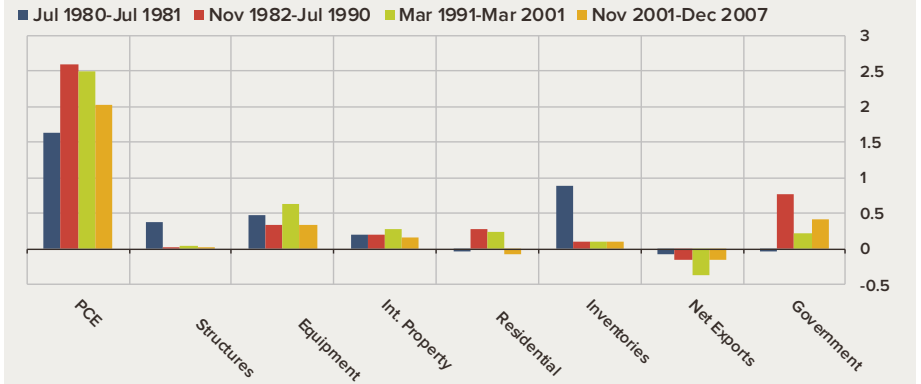


A Slow Grind Down In Continuing Claims



Consumer Spending Had Been Driving Force Behind Growth

Contributions By Component In Prior Expansions

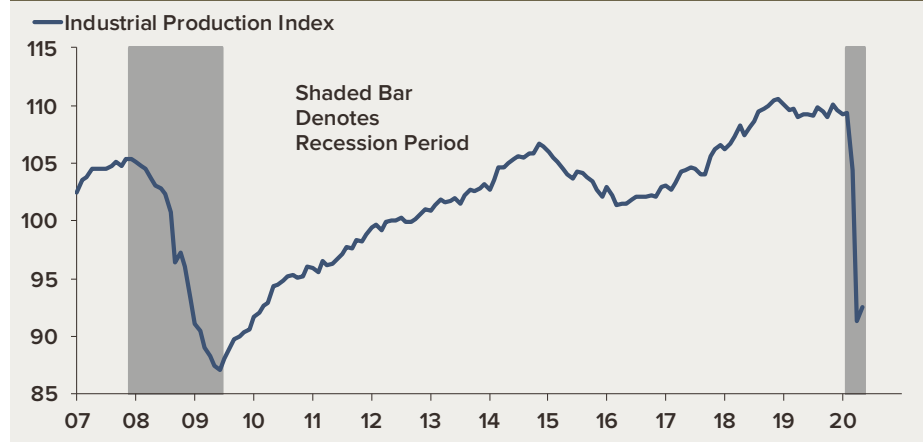


A Colossal Setback For Manufacturing And Non-Manufacturing. Some Stabilization At Lower Levels Ahead

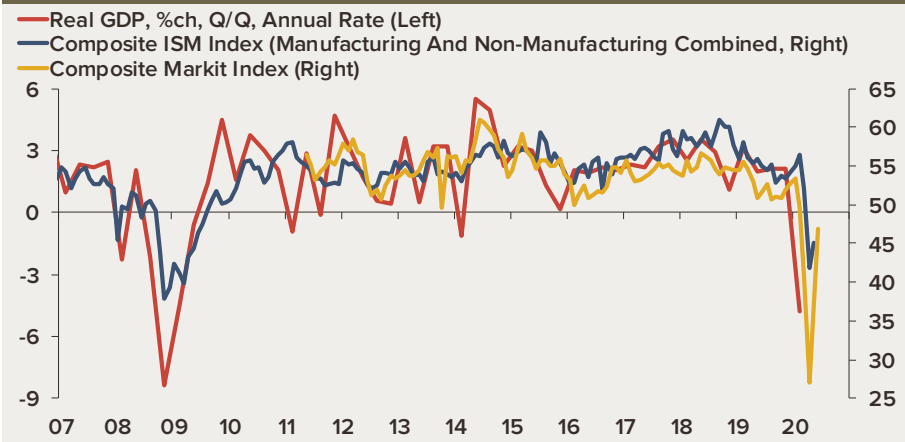
Less Weakness In Manufacturing



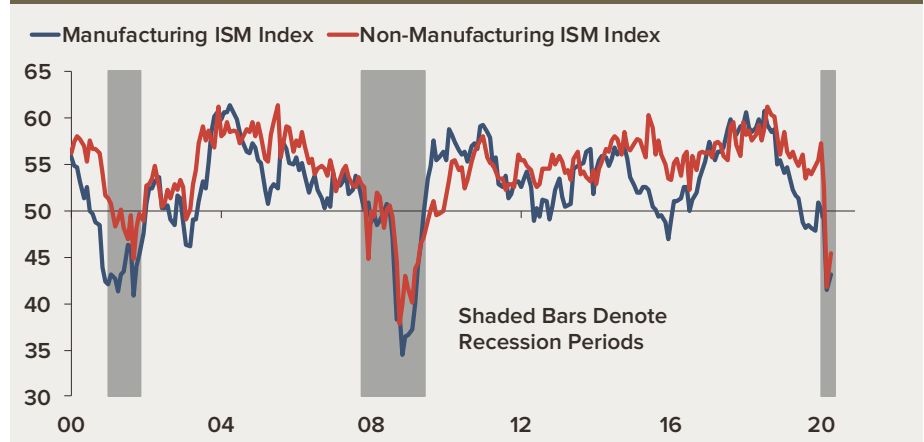
Sharp Decline In Output, Stabilization At Low Levels Ahead?



Survey Data Are Signaling Sharply Weaker Growth

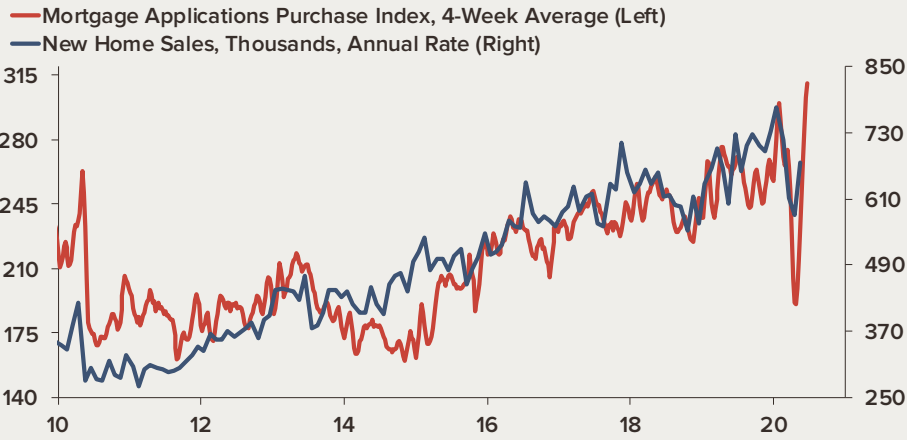


Deterioration In Manufacturing And Non-Manufacturing

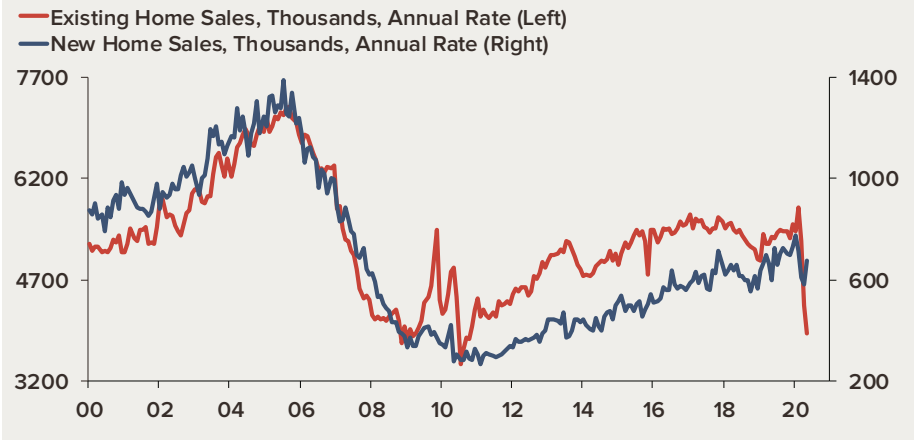


Housing Was A Bright Spot In Q1, Could See A Near-Term Boost. Longer-Term Outlook Less Certain

A Near-Term Boost To Home Sales?



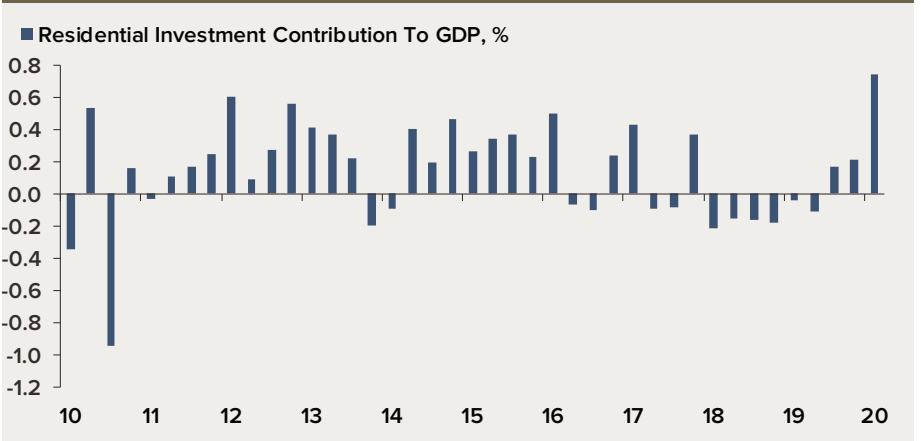
Signal From Existing Home Sales Is Weak



Mortgage Rates Remain Low

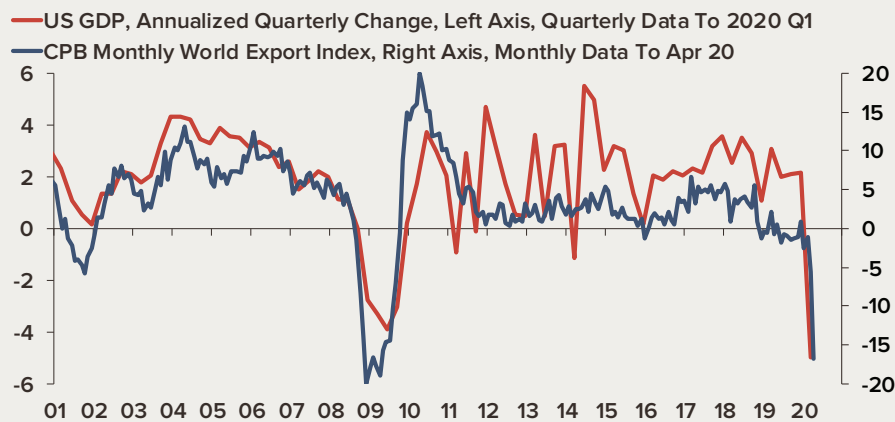


Surprising Resilience In Housing In Q1

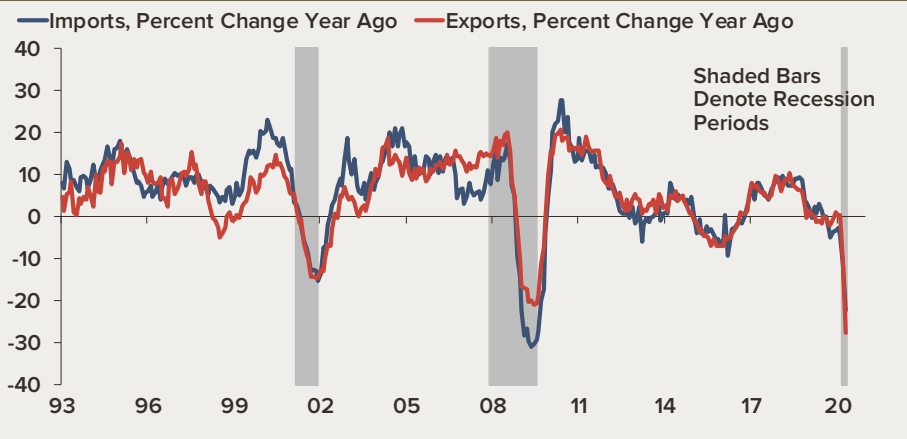


Global Trade Flows Have Been Weak

Trade Flows Under Pressure



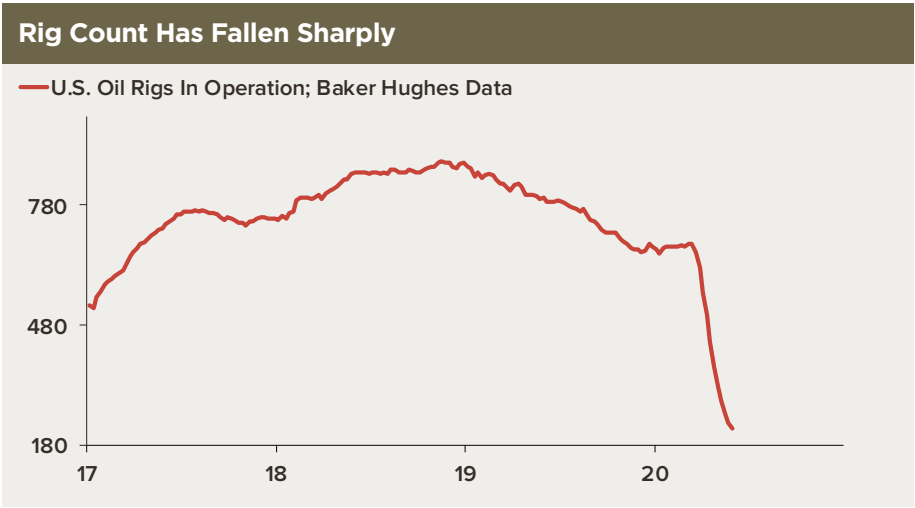
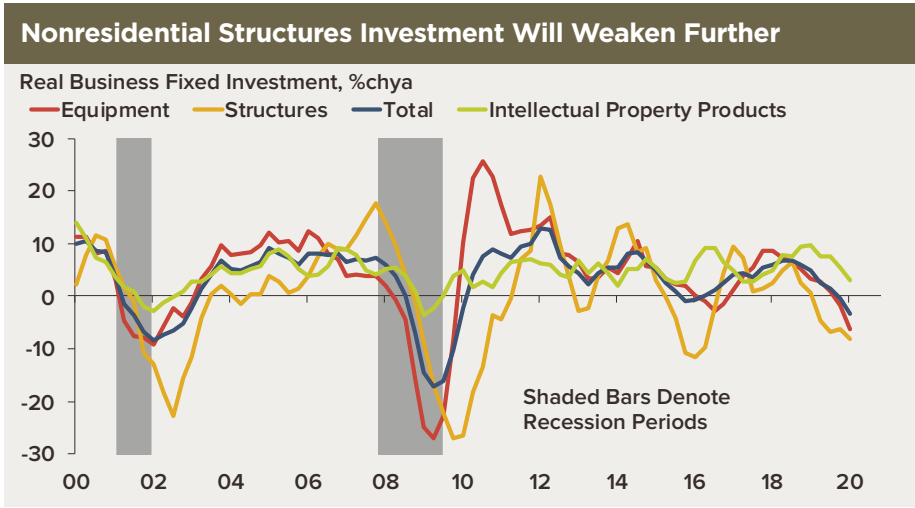
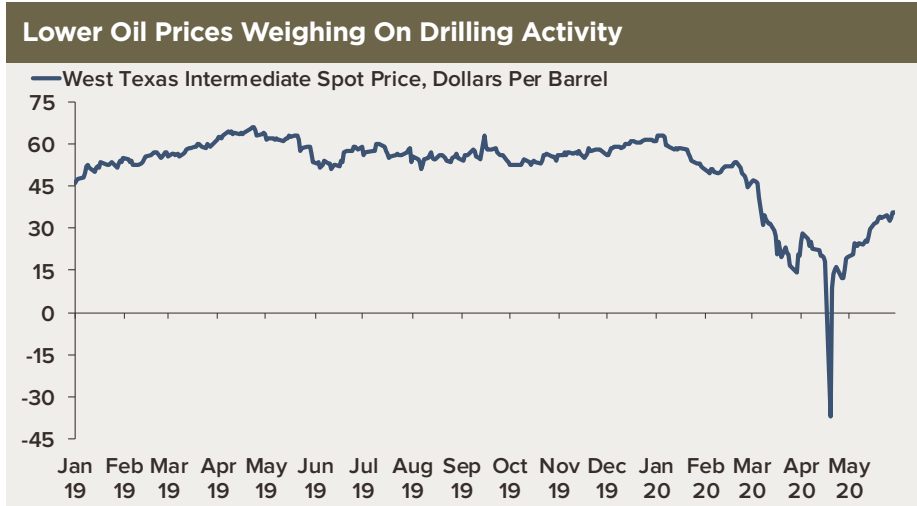
Weak Demand Will Weigh On US Trade



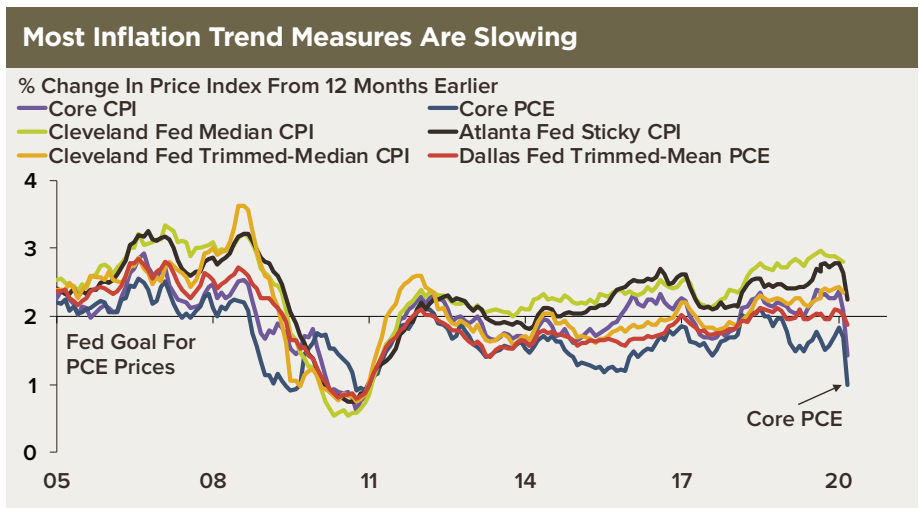
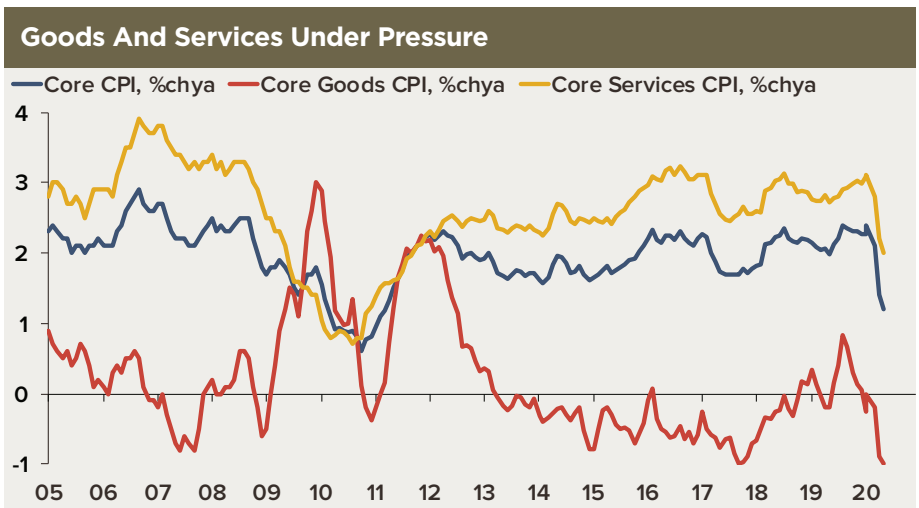
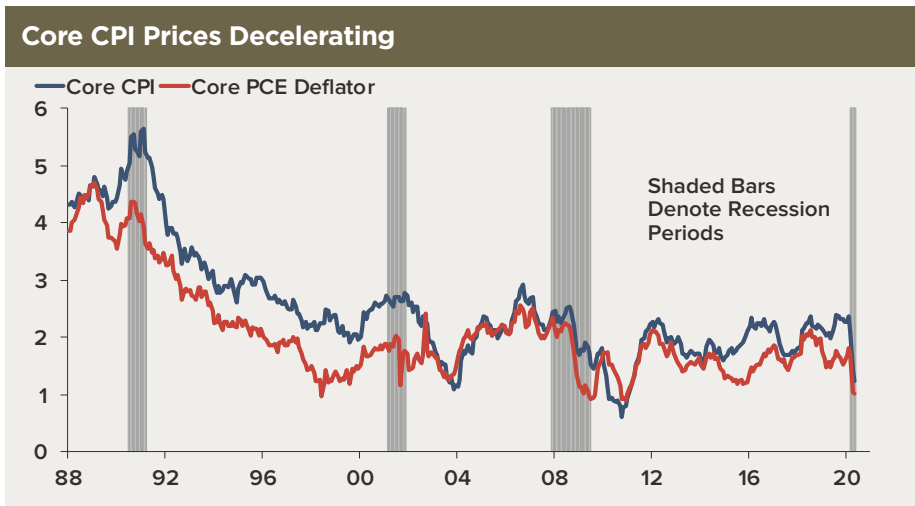
ISM Export Orders Index Still Weak



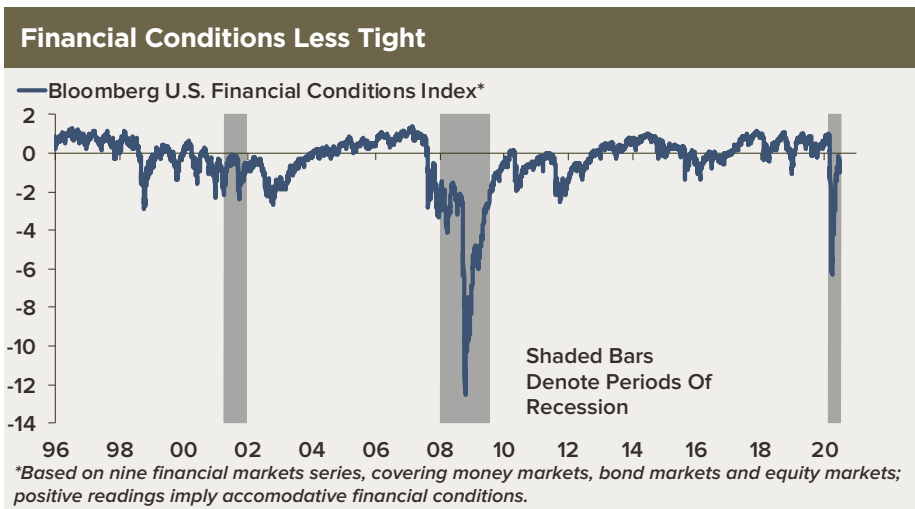
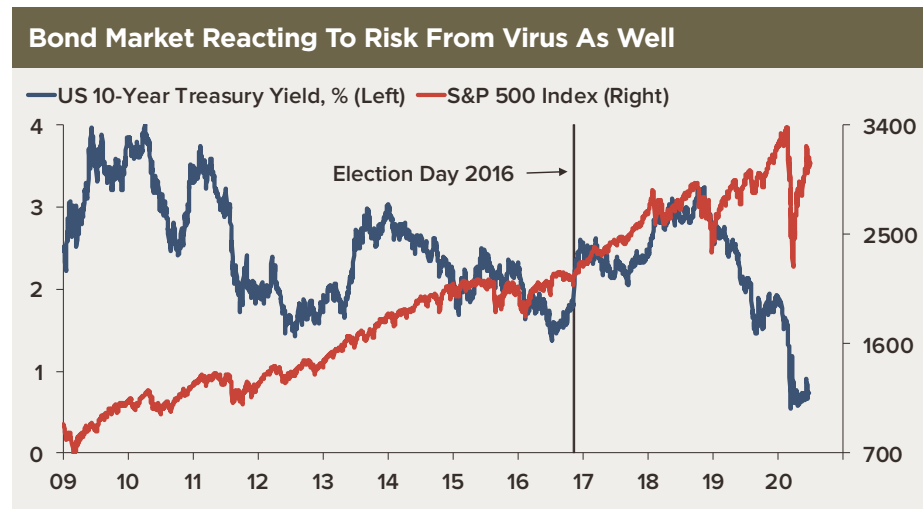
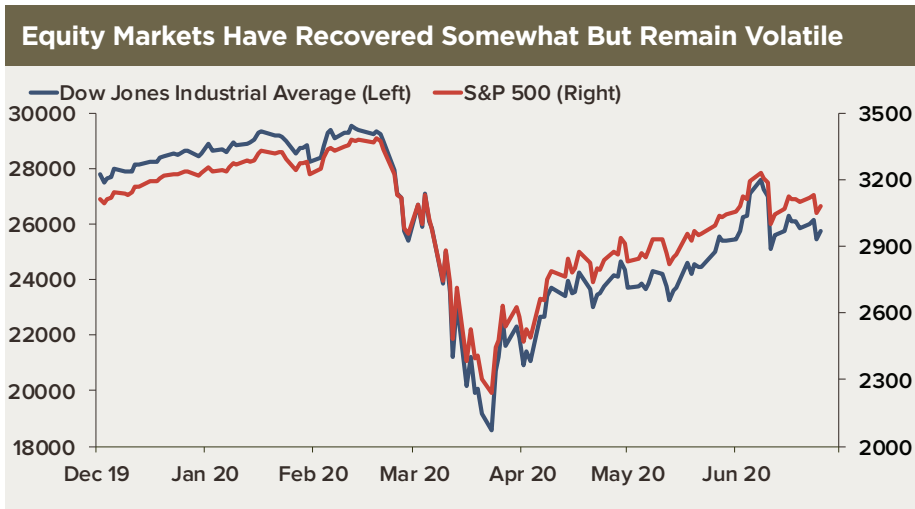
A Global Oil Supply Glut Resulted In Unprecedented Oil Prices. Prices Are Stabilizing At Still-Low Levels



Trend In Inflation Was Tame Pre-Crisis, Remains Subdued



Financial Markets Reacting To Virus Risks





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