FHN FINANCIAL

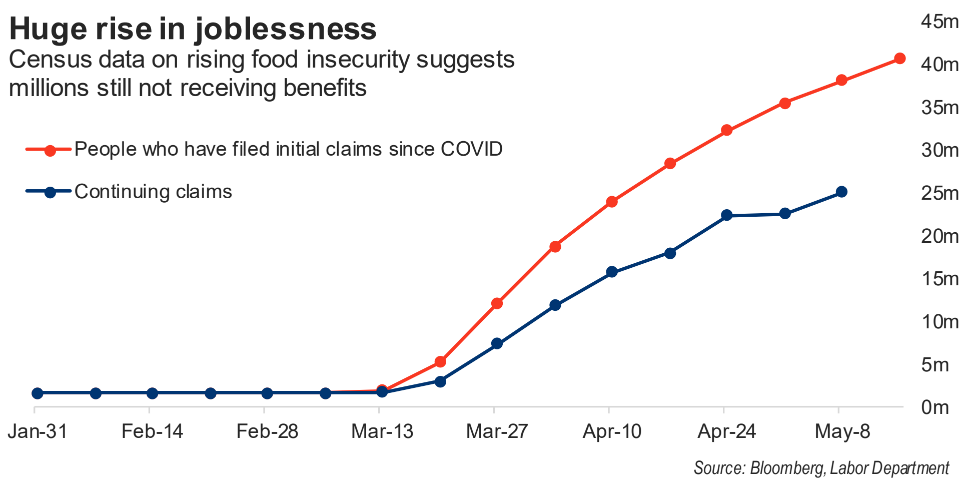
MAY 22, 2020

ECONOMIC WEEKLY

Fed is Far More Worried than Traders

The Fed is far more worried about the economy and financial risks than the market consensus. Given how well connected the Fed is this spring, and how much they are drawing on their network for information, we should worry about that. The Fed has far more information than traders do at this point.

The April FOMC minutes begin with the staff highlighting risks in the market and end with participants highlighting risks in the economy. It is clear the Fed is concerned the economic situation will get worse — perhaps far worse — before it gets better. The FOMC gives equal weight to its worst-case outcome, with waves of pandemic causing waves of job losses and bankruptcies, and its more optimistic forecast of slow and steady improvement. As a result, the FOMC is braced for potential spillover from economic crisis to financial crisis.



Staff economic and financial-conditions discussion

The first thing that jumps out from the staff economic review is there was ample evidence of economic weakness by the end of April. The staff did not have to guess how bad things were, as they did in March. That said, it's noteworthy their March guesses were fairly accurate in capturing the early damage, but also noteworthy they were not pessimistic enough to include all the likely damage in the forecast. The staff revised their forecast significantly lower in April, even though they were already on the weak side of the consensus in March.

In its economic summary, the staff noted economic activity plunged. First quarter GDP was terrible and second quarter would show an "extraordinary loss." They described March job cuts as "alarming" and noted jobless claims pointed to a much bigger loss in April. Inflation was easing already.

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ECONOMICS

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Consumer expectations had eroded and consumer spending had plunged. Business spending was weak. Exports were weak. Only residential investment grew in the first quarter, and it weakened considerably in March.

Foreign economies had weakened considerably and foreign inflation was "generally muted." Later, in the financial discussion, the staff noted severe distress in many overseas markets.

In the US, they noted problems in the nonbank financial sector. Low-rated firms and small businesses struggled to borrow. Conditions improved after the Fed announced it would interfere in these markets, but conditions failed to fully normalize.

Banks tightened commercial and industrial loan standards after a number of companies drew down credit lines as a precautionary measure. Commercial real estate lending conditions were "strained."

It's noteworthy that while the Fed's Financial Stability Report last week continued a years' long tradition of stressing excessive corporate borrowing as the single biggest threat to financial stability, the Fed clearly does not want it to stop now.

The time to rein in excess is when revenues are strong and profits are growing. Now, with perhaps a third of the economy shut and revenue and profits growth in doubt even at those companies still open for business, the Fed clearly wants to see credit continue to flow. That's not because the cure for excessive leverage is more leverage but because reducing debt when the economy is shrinking inflicts collateral damage to creditors, vendors, and employees. As seen later in the participant discussion, the Fed already expects bankruptcies and defaults will be bad enough to endanger some banks. They don't want to add more business failures on top of the ones already anticipated.

Staff economic outlook

The staff "downgraded notably" its economic outlook between the March and April meetings. In their own words, "US GDP was forecast to plummet and unemployment to soar in the second quarter." They expected fiscal and monetary measures would mitigate the outlook, but not enough to prevent the recovery from being slow and painful.

> The staff's baseline forecast is for economic restrictions to ease, allowing a significant but incomplete recovery in the second half. They expect inflation will be muted this year. Growth and inflation both should improve slowly over the next two years.
>
> "In light of the significant uncertainty and downside risks associated with the evolution of the coronavirus outbreak, how much the economy would weaken, and how long it would take to recover, **the staff judged that a more pessimistic projection was no less plausible than the baseline forecast**."
>
> The more pessimistic alternative forecast, just as likely in their minds as their slow and painful base case, includes a second wave of COVID-19. The result is considerably weaker growth, higher unemployment, and lower inflation through the next several years.

Participants discuss the economy and outlook

FOMC participants began their discussion by noting the COVID crisis has resulted in "tremendous human and economic hardship across the United States and around the world." Participants noted sharp declines in economic activity, surging job losses, and low inflation. The disruption was bad enough to undermine financial conditions and impair the flow of credit to households and businesses.

Participants agreed the damage would last through the near term and posed significant risks over the medium term. Translated, they expect it will take years for the level of economic activity and income to recover to pre-pandemic levels. In every district, participants agreed the economic hardship was falling disproportionately on the most vulnerable and financially constrained households.

The participants' discussion is littered with reminders that none of the 17 FOMC participants idled during the intermeeting period. They all sought and received considerable feedback from a geographically diverse group of people engaged across key aspects of the national economy. The discussion is the first place we see participant views informed not just by the data we all have access to, but also by a wealth of information about employment, spending, and investment we are not privy to. It is this additional depth of knowledge that seems to fuel their relative pessimism.

Participants noted fiscal aid was already helping people in their districts. They also gave themselves a collective pat on the back for the Fed's rescue efforts.

Consumer spending was badly damaged by lockdowns, particularly in industries affected by social distancing like travel, hotels, restaurants, and theaters. "Participants noted that even after government-imposed social-distancing restrictions came to an end, consumer spending in these categories likely would not return quickly to more normal levels."

Businesses reduced activity and payrolls, obviously. Participants reported companies seeking loan deferrals and extensions and reported strong demand for PPP loans. **Participants feared a large percentage of small businesses might not survive the shutdowns even with PPP, however**. They feared a second wave of COVID was a particular risk to investment and restaffing.

If commodity prices remain low for an extended period, participants fear a wave of bankruptcies in energy and farming.

Participants noted federal spending, including the PPP program, were helping prevent deeper job losses. They agreed more spending would be needed if the downturn persists.

To recap, every part of the economy is weak. The Fed fears a significant number of small businesses, responsible for the livelihood of a significant number of people, will not survive the lockdowns. The Fed is particularly worried about bankruptcies in energy — where bankruptcies are already underway — and agriculture. But wait, because all of this so far is based on what we have already seen in the March and April data. Participants fear it could get quite a lot worse from here.

> Participants discussed three economic scenarios, all judged about equally likely:
>
> 1. Additional waves of outbreaks in the near- or medium-term resulting in supply chain disruptions, re-imposition of lockdowns, business closures, and loss of income. "In total, such developments could lead to a protracted period of severely reduced economic activity."
> 2. "Economic activity could recover more quickly if the pandemic subsided enough for households and businesses to become sufficiently confident to relax or modify social-distancing behaviors over the next several months."
> 3. "Beyond these considerations, participants noted the risk that foreign economies, particularly EMEs, could come under extreme pressure as a result of the pandemic and that this strain could spill over to and hamper U.S. economic activity."

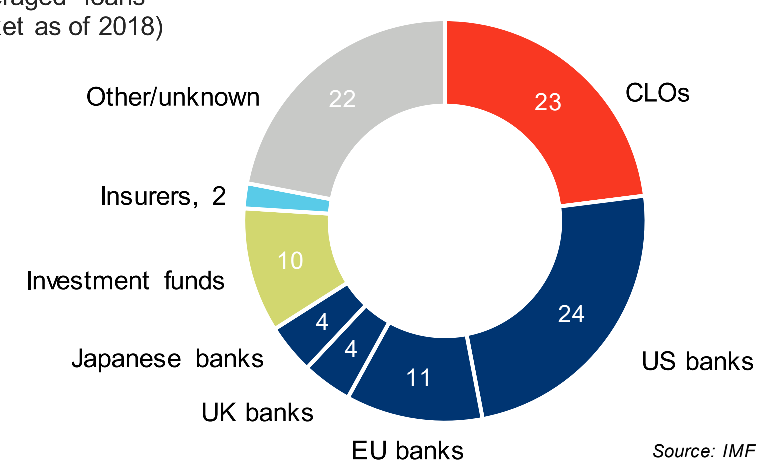
On balance, because of that third point, the Fed is more pessimistic than optimistic about economic prospects.

While there are three main points here, there are really four scenarios. The US outlook depends primarily on whether there is a second wave of infections. But then these two outcomes — with a second wave or without — face the further risk of a bankruptcies in the emerging markets which could spillover onto the US.

American banks own a considerable portion of the trillions of US dollar debt issued by the EMEs, which means even the optimistic case is not without risk of the kind of financial losses that could reach levels consistent with systemic risk. For years, the Fed has picked on the $5 trillion leveraged loan market as one of the riskiest corners of credit. Banks own 43% of these loans, with US banks holding 24%.

Banks own 43% of $5tn global leveraged loans

Global holders of leveraged loans
(percent of $5tn market as of 2018)



Source: IMF

Emerging markets are not the only potential source of financial risk. Participants are worried domestic economic stress could cause financial stress, notably in the banking system. They fear high levels of corporate debt and adverse economic conditions, especially if their worst fears are realized, could lead to widespread defaults and possible bank failures.

The Fed will use upcoming stress tests to test for this particular vulnerability and will instruct bank examiners to instruct banks to take action now to protect themselves in case things get worse. Examiners may be instructed to tell banks to:

1. Build additional capital by limiting dividends and buybacks;
2. Beef up loss models as historical loss models might understate losses in the pandemic context.

From our bank customers, we know this process has already begun, and it can done harm as well as good. Among other decisions 10 years ago, banks were instructed to cease interest payments on trust preferred debt, causing pooled trust preferred securities to crater, wiping out bank capital in the process and destroying access to critical funding for what amounts to perpetuity.

FOMC participants would likely be appalled if they knew their examiners had done something so ham handed, but it is not the first time something like this has happened and it won't be the last. Examiners are often young, inexperienced, and all-too-often view the banks they oversee as adversaries. In a crisis, many feel compelled to find problems and make changes, even — especially — when examining well-run banks where no changes are necessary. As a result, they cause further credit tightening on top of the tightening already happening naturally due to the recession.

The Fed is worried about shadow-bank lenders, too, and will step up monitoring, though there's not much they can do about nonbanks beyond encouraging the FSOC to tighten regulations.

The monetary policy discussion

FOMC participants are pleased they acted so decisively in cutting the fed funds rate to the effective lower bound in March. "Participants also judged that it would be appropriate to maintain the target range for the federal funds rate at its present level until policymakers were confident that the economy had weathered recent events and was on track to achieve the Committee's maximum employment and price stability goals." This guidance was in the FOMC statement after the meeting.

Participants all agreed to continue asset purchases and repo activity.

Some participants want to make forward guidance more explicit. They considered outcome-specific guidance, with a particular unemployment target or inflation target to be reached before the Fed even thinks about raising rates. They also considered time-specific guidance, meaning the FOMC would rule out rate hikes for a specific number of months or years before starting the rate-hike discussion.

This is, of course, a throwback to the early years of recovery when the FOMC pledged to leave rates at the effective lower bound for a "considerable period." It took a while for that language to affect the market — it was new and traders were skeptical — but it would likely work much better this time as the Fed has now made a similar promise and — more importantly — built up considerable credibility by keeping it.

One reason participants decided against both forms of conditional guidance at the April meeting is that there be new guidance coming soon. "Several participants observed that the completion, most likely later this year, of the monetary policy framework review, together with the announcement of the conclusions arising from the review, would help further clarify the Committee's intentions with respect to its future monetary policy actions."

We already know what the review will find and what the guidance is likely to be. The Fed has contributed to the long-running decline in rates and inflation by tightening too soon. Rates must be lower for longer, or L-4-L, as Ben Bernanke likes to write. Before the pandemic, Chair Powell assured us the review would be wrapped up and the results released around mid-year.

It may be delayed now, and delayed or not, the Fed has missed the optimal window to implement an L-4-L strategy. That should have happened in 2015. Still, while the missed opportunity of keeping rates low when there was actually upward inflation pressure is a tragedy, there is one upside to completing the review in the midst of a deep recession. The skeptics on the committee are a lot less likely to stand in the way. Who among them is so scared of excessive growth and, as a result, excessive inflation, they will block reform now?

Participants also discussed possible modifications to the asset purchase program. Purchases could be increased to drive longer-term yields lower. The Fed could also engage in yield-curve control, a program where short and medium-term yield targets are set and enforced with asset purchases.

This is important and worth clarifying. The Fed is already buying Treasuries and Agency MBS. In March and early April, they bought in aggressive quantities. In the minutes, however, they spell out that this is not yet QE. Since March, the Fed explained these purchases were intended to ensure the proper functioning of the markets, initiated because broker-dealers could not make markets in off-the-run Treasuries, causing bid-ask spreads to skyrocket. The most important, most liquid market in the world was not functioning efficiently.

The proposal at the April meeting was to transform this buying program from one intended to restore liquidity into one that would further support the economy by pulling rates lower. It might take the form of old-fashioned QE, buying securities with the intention of pulling down longer-term yields, or it could take the form of yield curve control, where explicit yield targets would be announced and enforced with purchases. In April, the FOMC opted to hold both options in their back pocket in case they need something later.

There was no discussion of negative rates, not even to rule them out. The possibility never even came up.

Bottom line: it's worse than you think

The Fed's economic forecast is considerably bleaker than the consensus. If you are an optimist, take note. The Fed is far better connected and informed than the rest of us. They could be wrong, of course, but probabilities are in their favor. The Fed's concern stretches beyond the prospect of economic damage. The staff and FOMC participants are braced for financial crisis, too.

The severity of the outcome depends on the virus and lockdowns. If states open up and can continue relaxing social distancing in a steady way, the economy will recover in just a few years. If there are waves of COVID, however, requiring new lockdowns and reimposition of social distancing, there will be considerably more job losses, more business failures and economic weakness stretching years longer. In this case, the risk of financial crisis rises significantly, too.

If the economy suffers a severe setback, the Fed has mapped out four responses. They can provide explicit guidance ruling out rate cuts for a specific number of years or until unemployment falls or inflation rises to a target. They could restart QE or yield curve control. They can modify or expand existing lending programs. And, they can pressure Congress to spend still more to support companies — and jobs — until a vaccine is found and enough people are vaccinated to allow a lasting recovery.

– Chris Low, Chief Economist

Appendix: The SOMA manager's briefing

We cut this section In the interest of brevity, but on reflection decided to put it back in as an appendix because there is useful information here. Lorie Logan, the manager of the Fed's System Open Market Account and trading desk, is uniquely positioned to know what's happening in the markets. In April, she not only provided color on trading conditions, she also briefed the FOMC on traders' expectations, some of which were revealed in the minutes.

After noting much calmer financial markets thanks to "swift and forceful action taken by the Federal Reserve, coupled with strong fiscal measures," Logan briefed FOMC participants on traders' responses to the Fed's primary dealer survey.

Traders expected a sharp economic decline in the first half and saw various rates of recovery in the second half. All expected the fed funds rate would be at the effective lower bound for the next couple of years. Traders have pretty much ruled out a negative fed funds rate, but many expected the Fed would eventually lengthen forward guidance. That's important, because it was likely on participants' minds when they discussed modifying forward guidance later.

Asked about risks, traders expressed concern about the economic outlook, and in particular their uncertainty in the outlook. They emphasized three potential problem areas:

1. Default risk in the corporate credit market
2. Financial pressures in emerging markets caused by weak commodity prices
3. A likely increase in delinquencies in home mortgages that would burden bank and non-bank lenders

Logan noted short-term funding rates remained high despite a set of funding programs initiated by the Fed, but she also noted futures suggested these rates would soon subside. She was right. They have subsided with 1-month LIBOR down 15bp since the meeting.

Logan warned the fed funds rate had drifted near the bottom of the target range and suggested the FOMC might want to consider a technical hike, presumably of a few basis points, in the IOER to lift fed funds back to the middle of the range. This would have been consistent with policy decisions earlier this year when fed funds drifted down in the range. Logan noted, however, the fed funds rate is at little risk of trading below zero, and therefore at little risk of falling out of the range, because the Federal Home Loan Banks, the biggest lenders in the fed funds market, can always park money at the Fed at a rate of zero.

Later, participants decided to leave the IOER alone, suggesting the technical adjustments made in the past were done to protect the range rather than fine-tune the fed funds rate.

The risks identified by traders are market risks, not economic risks, and are limited to securitized debt and corporate credit. What's missing is the risks to bank loan portfolios and asset managers — loans to oil companies, farmers, and EMEs, for instance — identified by the FOMC. Traders' understanding has likely evolved in the month since the Fed collected this information, but Logan's contribution to the minutes underscores the too-narrow risk awareness of the trading community in the early weeks of the pandemic.

The Week Ahead

This Week's Numbers

		CONSENSUS				
		PRIOR	HIGH	LOW	MEDIAN	FHN
Tuesday, May 26	Conf. Board Consumer Confidence - May	86.9	104.0	74.0	87.3	**90.0**
	New Home Sales - Apr	627k	592k	400k	493k	**502k**
	New Home Sales MoM - Apr	-15.4%	-5.6%	-36.2%	-21.5%	**-20.0%**
Thursday, May 28	GDP Annualized QoQ - 1Q S	-4.8%	-4.5%	-5.2%	-4.8%	**-4.8%**
	Personal Consumption - 1Q S	-7.6%	-4.8%	-7.6%	-7.4%	**-7.5%**
	Durable Goods Orders - Apr P	-14.7%	3.2%	-35.0%	-18.0%	**-20.0%**
	Durables Ex Transportation - Apr P	-0.4%	-5.0%	-36.5%	-14.0%	**-15.0%**
	Cap Goods Orders Nondef Ex Air - Apr P	-0.1%	-5.2%	-10.0%	-8.7%	**-10.0%**
	Initial Jobless Claims - May 23	2,438k	2,200k	1,500k	2,000k	**2,200k**
	Continuing Claims - May 16	25,073k	--	--	--	**25,200k**
	Pending Home Sales MoM - Apr	-20.8%	-12.0%	-25.0%	-15.0%	**-20.0%**
Friday, May 29	Advance Goods Trade Balance - Apr	-$64.2b	-$50.0b	-$70.0b	-$64.8b	**-$65.0b**
	Wholesale Inventories MoM - Apr P	-0.8%	0.7%	-2.0%	-0.7%	**-0.5%**
	Personal Income - Apr	-2.0%	8.5%	-21.5%	-6.5%	**-7.0%**
	Personal Spending - Apr	-7.5%	-5.8%	-22.0%	-12.8%	**-15.0%**
	PCE Deflator MoM - Apr	-0.3%	-0.5%	-0.7%	-0.7%	**-0.8%**
	PCE Deflator YoY - Apr	1.3%	0.5%	0.3%	0.4%	**0.2%**
	PCE Core Deflator MoM - Apr	-0.1%	-0.2%	-0.7%	-0.3%	**-0.5%**
	PCE Core Deflator YoY - Apr	1.7%	1.2%	1.0%	1.1%	**1.0%**

Review

Economic data was light, but Chair Powell and his FOMC colleagues shaped headlines throughout the week. Following last week's webinar hosted by the Peterson Institute, Powell appeared on *60 Minutes* then testified to the Senate Banking Committee on how the Fed is allocating credit made available through the CARES Act. Wednesday's FOMC minutes shed light on how the FOMC will likely adjust forward guidance through implementation of a new tool: yield curve control.

- **April's FOMC minutes reveal** there was no discussion about negative rates from FOMC participants, but the SOMA manager, Lorie Logan, discussed the possibility the effective fed funds rate — the actual overnight interest costs executed by banks, which trades between the Fed's upper and lower target range — could trade below zero. After the Fed's aggressive actions in mid-March, the effective rate has fallen to 5bp, just above the Fed's zero lower bound.

  Logan offered two ways to prevent a negative rate:

  1. The Committee could raise the per-counterparty limit on overnight reverse repo operations. The Committee granted the Chair discretion to temporarily raise the limit, as noted near the bottom of the meeting minutes.
  2. Logan said some Desk survey participants expected the Fed to increase the rate on excess reserves to nudge the effective federal funds rate up a few basis points, to the middle of the target range, as it had done in the past.

  Logan noted, "Market functioning issues could arise over time with overnight rates at very low levels," but concluded there is little risk the rate would move below the target. Moreover, the ultra-low rate did not prevent market functioning and trading volumes remained robust. In the end, the FOMC opted to leave the IOER alone for now.

Participants considered adopting more explicit forward rate guidance. Outcome-based guidance ties policy to a target for the unemployment rate or inflation rate. Date-based guidance would commit the Fed to leaving the rate unchanged for a period of time. Asked when the Fed might provide explicit guidance in a call with the New York Association of Business Economists on Thursday, Vice Chair Clarida replied, "We are really in an uncharted situation now. My own sense is that we'll begin to get a better sense of the scenario and the trajectory the economy is on in early fall."

The FOMC also discussed the asset purchase program. The Fed could adopt a traditional QE approach, buying assets to lower yields on longer-term maturities, or it could adopt yield curve control, announcing and enforcing specific yield targets much as the Bank of Japan has done with the 10-year JGB for the last four years.

From the minutes:

> "**A few participants**[1] also noted that the balance sheet could be used to reinforce the Committee's forward guidance regarding the path of the federal funds rate **through Federal Reserve purchases of Treasury securities on a scale necessary to keep Treasury yields at short- to medium-term maturities capped at specified levels for a period of time**."

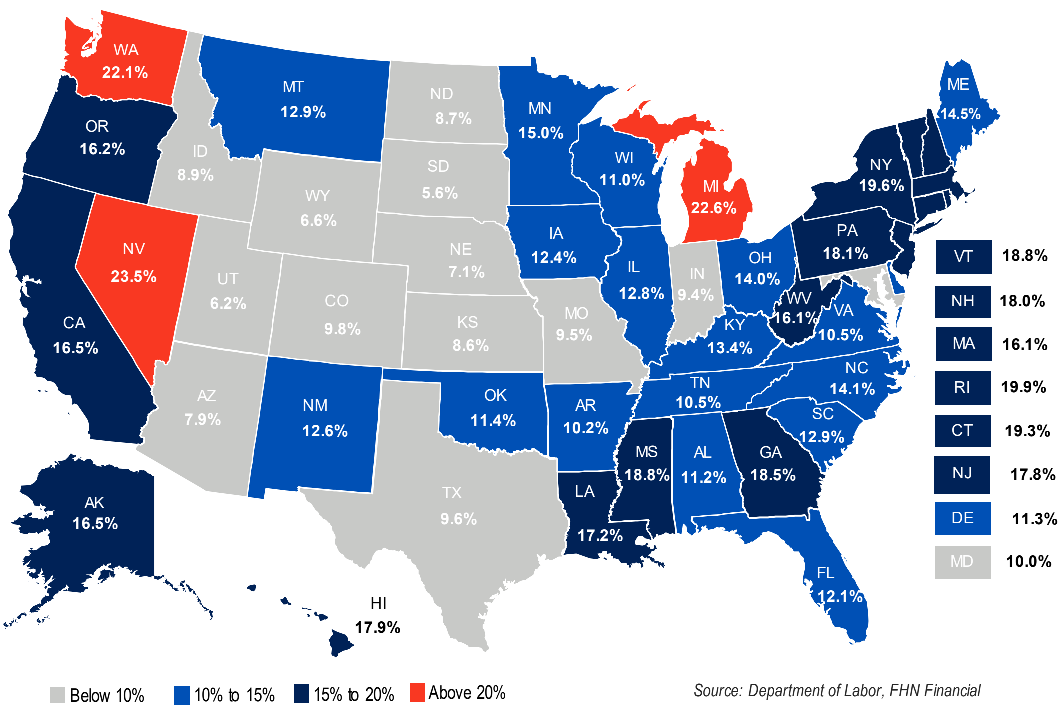
- **Chair Powell**'s Senate Banking testimony centered on how the Fed is progressing to restore credit flows to the economy. Questions from Senate Banking Committee members followed party lines. Republicans congratulated Powell and Mnuchin on jobs well done, particularly under increased political pressure and health risks of the pandemic. Democrats encouraged Powell to endorse the House's $3T Heroes Act of which $1T goes to state and local governments. Powell demurred from endorsing specific legislation, but agreed more aid is a good idea.

  Powell focused his message on preventing small business insolvencies, but noted not all will be saved. He said the longer the economy remains closed, the more businesses will fail. Small businesses are fundamental to job creation and account for about 50% of American jobs, and Powell has underscored over the last few weeks the importance of preserving the job-creating machine. He also highlighted the long-term economic consequences of keeping the economy closed longer, noting long periods of unemployment weigh on people's careers — people's skills atrophy and business contacts grow stale — and weigh on the economy as people become discouraged and leave the workforce. (These comments were echoed by FOMC participants in the April Fed minutes.)

[1] Likely including Governors Richard Clarida and Lael Brainard, and Minneapolis Fed President Neel Kashkari, all of whom advocate yield curve control.

Secretary Mnuchin explained that backstopping Fed assistance risks taxpayer losses. The Fed and Treasury are trying to avoid excessive losses. The Main Street facility poses the greatest risk. “Our intention is that we expect to take some losses on these facilities. That’s our base case scenario,” Mnuchin said. Senator Warner pushed the Secretary and Chair Powell to be more aggressive with Main Street lending: “These are extraordinary times and I hope you will lean into this as much as possible,” he said. Senator Warren called the Main Street facility a “half trillion dollar slush fund,” and pressed Secretary Mnuchin to promise to make any company participating pledge not to cut any jobs. The Secretary demurred. It’s unlikely either Senator intended to undermine the program, but these exchanges sent the clear message to Powell and Mnuchin they will suffer Congressional ire if Main Street has insufficient reach or excessive losses.

- **Last week, 2.438 million more people filed for unemployment insurance**. That takes the total number of Americans tapping states for unemployment payments since COVID lockdowns started to 38.64 million people. The number receiving unemployment payments rose from 22.5 million to 25 million. The unemployment rate jumped in many states from a 50-year low of 3.5%, to an 80-year high, or double-digit rates in most states.



The Atlanta Fed’s GDPNow forecast is currently tracking -41.9% for the second quarter.

Next week’s biggest economic releases are revised second quarter GDP on Thursday, which include a first look at Q1 corporate profits. Also Thursday, another 2 million initial claims are expected, and April durable goods orders will be released. On Friday, April personal income and spending along with PCE and Core PCE are due.

Preview

Note: ★ = High Impact Event

All times Eastern

Saturday, May 23

★ China: China's National People's Congress began May 22 in Beijing. *The Financial Times* reported the official agenda, released Thursday, including a proposal to "improve" national security protections in Hong Kong, but did not detail specifics of the planned change. *The FT* wrote that China is preparing to impose national security legislation on Hong Kong in a show of force likely to exacerbate tensions between the US and China. During a press briefing, NPC spokesman Zhang Yesui said, "In light of the new circumstances" in Hong Kong, improvements to its national security framework are "highly necessary." (Through May 28.)

Monday, May 25

★ US: Markets closed for Memorial Day Holiday

★ UK: Markets closed for Spring Bank Holiday

- Canada: Bank of Canada Governor Poloz gives his last speech as governor, on monetary policy in unknowable times.
- 2:00am – Germany: GDP – Q1 F (Q1 A: -2.2% q/q; Con: -2.2% q/q)
- 4:00am – Germany: IFO Business Climate – May (Last: 74.3; Con: 78.6)
- 4:30am – Hong Kong:
  - Exports – Apr (Last: -5.8% y/y; Con: -4.2% y/y)
  - Imports – Apr (Last: -11.1% y/y; Con: -8.2% y/y)

Tuesday, May 26

★ US: The New York Stock Exchange partially reopens the floor to a limited number of brokers. They will be required to wear facemasks and avoid public transportation.

★ Australia: Australian Prime Minister addresses National Press Club. He is expected to discuss the state of the economy as it reopens and diplomatic tensions with Beijing. China slapped tariffs and restrictions on Australian imports after the Australian government expressed support for an international investigation into the source of the coronavirus.

- EU: ECB chief economist Philip Lane takes part in the Institute for International Finance's live-stream on "The EU, COVID-19, and the Future of Financial Services." (Through May 27)
- Mexico: Luz Maria de la Mora, Undersecretary for Foreign Trade in Mexico's Ministry of the Economy, takes part in a webinar discussion of the United States-Mexico-Canada Agreement (USMCA). The agreement goes into effect in July.
- 12:30am – Japan: All Industry Activity Index – Mar (Last: -0.6% m/m; Con: -3.9% m/m)
- 2:00am – Japan: Machine Tool Orders – Apr F (Apr P: -48.3% y/y)

★ 2:00am – Germany: Gfk Consumer Confidence – June (Last: -23.4; Con: -18.0)

- 8:30am – US: Chicago Fed National Activity Index – Apr (Last: -4.19)

★ 9:00am – US:

  - House Price Purchase Index – Mar (Last: 0.7%; Con: 0.6%)
  - S&P CoreLogic CS – Mar

- ★ 10:00am – US:
  - Conference Board Consumer Confidence – May (Last: 86.9; Con: 87.3)
  - New Home Sales – Apr (Last: 627k; Con: 493k)
  - New Home Sales – Apr (Last: -15.4% m/m; Con: -21.5%)
- ★ 10:30am – US: Dallas Fed Manufacturing Activity – May (Last: -73.7; Con: -61.5)
- ★ 9:30pm – China: Industrial Profits – Apr (Last: -34.9% y/y)

Wednesday, May 27

- EU: The European Commission is scheduled to release a proposal for a recovery fund to mitigate the economic damage of the pandemic.
- US: Saint Louis Fed President James Bullard takes part in a webinar to discuss the coronavirus impacted economy.
- 1:30am – France:
  - Consumer Confidence – May (Last: 95; Con: 92)
  - Manufacturing Confidence – May (Last: 82; Con: 85)
- ★ 7:00am – US: MBA Mortgage Applications – May 22 (Last: -2.6%)
- 10:00am – US: Richmond Fed Manufacturing Index – May (Last: -53; Con: -40)
- ★ 2:00pm – US: The Fed releases its Beige Book.

Thursday, May 28

- China: Premier Li Keqiang gives the closing speech at the National People's Congress.
- US: New York Fed President John Williams participates in a virtual discussion hosted by Stony Brook University's College of Business. (FOMC Voter)
- ★ 5:00am – EU:
  - Economic Confidence – May (Last: 67.0; Con: 70.6)
  - Consumer Confidence – May F (May P: -18.8)
- 8:00am – Germany: CPIH – May P (Last; 0.8% y/y; Con: 0.5% y/y)
- ★ 8:30am – US:
  - Initial Jobless Claims – May 23 (Last: 2.438m; Con: 2.000m)
  - Continuing Claims – May 16 (Last: 25.07m)
  - GDP – Q1 S (Q1 P: 4.38% q/q; Con: -4.8% q/q)
  - Preliminary reading of first quarter GDP showed the economy shrinking at the fastest pace since 2008. The second estimate will give more clarity and show the impact on Q1 corporate profits.
  - Personal Consumption – Q1 S (Last: -7.6% q/q; Con: -7.4% q/q)
  - Core PCE – Q1 S (Last: 1.8% q/q)
  - Durable Goods Orders – Apr P (Last: -14.7% m/m; Con: -18.0% m/m)
  - Durables Goods Orders Ex Transportation – Apr P (Last: -0.4% m/m; Con: -14.0% m/m)
  - Capital Goods Orders Nondefense Excluding Aircraft – Apr P (Last: -0.4% m/m; Con: -14.0% m/m)
  - Capital Goods Shipments Nondefense Excluding Aircraft – Apr P (Last: -0.2% m/m)
- 10:00am – US: Pending Home Sales – Apr (Last: -20.8% m/m; Con: -15.0% m/m)
- 11:00am – US: Kansas City Fed Manufacturing Activity – May (Last: -30)

- 7:50pm – Japan:
    - Industrial Production – Apr P (Last: -3.7% m/m; Con: -5.3% m/m)
    - Industrial Production – Apr P (Last: -5.2% y/y; Con: -10.6% y/y)

Friday, May 29

★ 2:00am – Germany: Retail Sales – Apr (Last: -5.6% m/m; Con: -10.0% m/m)

- 2:45am – France:
    - GDP – Q1 F (Q1 A: -5.8% q/q; Con: -5.8% q/q)
    - CPIH – May P (Last: 0.4% y/y; Con: 0.3% y/y)
- 4:00am – Italy: GDP – Q1 F (Q1 A: -4.8% q/q; Con: -4.8% q/q)
- 5:00am – EU: CPI – May (Last: 0.4% y/y; Con: 0.1% y/y)

★ 8:30am – US:
- Advance Goods Trade Balance – Apr (Last: -$64.2b; Con: -$64.8b)
- Wholesale Inventories – Apr P (Last: -0.8% m/m; Con: -0.70% m/m)
- Retail Inventories – Apr (Last: -2.0% m/m)
- Personal Income – Apr (Last: -2.0% m/m; Con: -6.5% m/m)
- Personal Spending – Apr (Last: -7.5% m/m; Con: -12.8% m/m)
- Real Personal Spending – Apr (Last: -7.3% m/m)
- PCE Deflator – Apr (Last: -0.3% m/m; Con: -0.7% m/m)
- PCE Deflator – Apr (Last: 1.3% y/y; Con: -.4% y/y)
- PCE Core Deflator – Apr (Last: -0.1% m/m; Con: -0.3% m/m)
- PCE Core Deflator – Apr (Last: 1.7% y/y; Con: 1.1% y/y)

★ 9:45am – US: MNI Chicago PMI – May (Last: 73.7; Con: 74.0)

★ 10:00am – US: University of Michigan Consumer Sentiment – May F (May P: 73.7; Con: 74.0)

– Rebecca Kooshak, Economic Analyst