STATE STREET GLOBAL ADVISORS

Weekly Economic Perspectives
May 22, 2020

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C20-15705 | 05/2020 | EXP 12/31/2021

STATE STREET GLOBAL ADVISORS

May 22, 2020
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
US personal income and spending are set to plunge. German retail sales poised for big decline. Unemployment set to rise in Japan.

Contact

Simona Mocuta
Senior Economist
simona_mocuta@ssga.com
+1-617-664-1133

Kaushik Baidya
Economist
kaushik_baidya@ssga.com
+91-806-741-5048

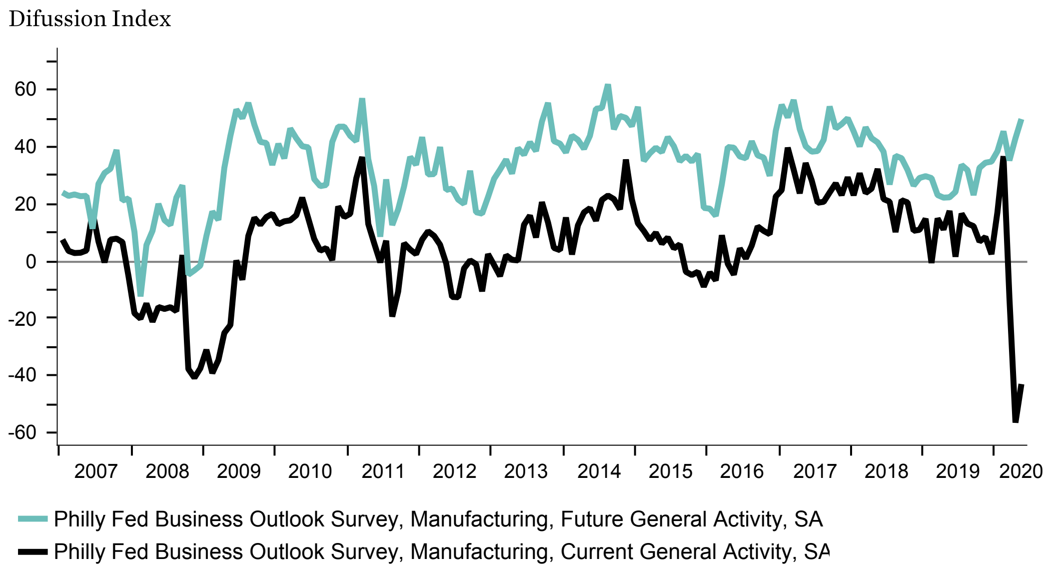
The Economy

A week of incrementally better than expected data but no major surprises. More evidence of short-term deflationary pressures associated with Covid-19.

US

Manufacturing activity is slow getting off the ground again as firms struggle with lack of protective equipment and the challenges of re-engineering production processes with social distancing in mind. Nevertheless, there are some signs of improvement. Following a 30-point rebound in the Empire index last week, the **Philly Fed manufacturing index** rose 13.5 points this week, though only to a dismal -43.1. The details were more encouraging, however, as new orders jumped 45.2 points, shipments jumped 43.8 points, and employment jumped 31.4 points. However, even these massive increases only retraced about half the deterioration over the past two months, so there is a long way to go. On the positive side, expectations about activity six months down the line have held up very well, suggesting that most businesses perceive Covid-19 to be a temporary shock.

Figure 1: Philly Fed Current Activity Still Weak, But Expectations Strong



Sources: Federal Reserve Bank of Philadelphia

The housing sector is down…but definitely not out! Several data updates this week told us that much, including the **National Association of Homebuilders (NAHB) index**. It improved 7.0 points to 37 in May, which is a big move under any circumstances, but even more so at it amounted to a 23% monthly improvement. There were gains across all components, with the more forward looking ones up the most: current sales rose 6, buyer traffic 8, and future sales 10. There was quite a bit of regional variation as conditions improved the most in the West (+12), followed by the South (+8) and the Midwest (+7). By contrast, the Northeast metric deteriorated another 2.0 points, reflective of this region's tighter mobility restrictions. Last month we noted that during the last housing cycle leading to the great recession, the NAHB index first declined to about 30 in the fall of 2006. It did not again exceed 40 until

September 2012, essentially six years later. It looks it won't take it more than two months to cross back above that level this time around.

Having hit a thirteen year high in February, **existing home sales** fell 8.5% in March and another 17.8% in April (expectations had been for a 19.9% drop). The current 4.3 million pace (saar) is the lowest since 2011. Although sales plunged 17.2% y/y in April, earlier strength kept them essentially flat on a y/y basis during the first four months of 2020. The actual number of homes available for sales was little changed, although lower sales caused the market to loosen (though not excessively). Inventory is now 4.1 months' worth of sales, up from 3.4 months in March and the highest since September. Interestingly, the median price was up 7.4% y/y—a retreat from 8.1% in the prior two months but otherwise a very strong gain. We wouldn't be surprised to see this change in the next couple of months, however. Existing sales are recorded at closing so the current statistics reflect deals struck before Covid-19 struck in full force. While mortgage application data suggest demand and sales activity have been resilient, we suspect the market will require lower prices to clear new transactions.

The **housing starts** data also displayed big regional divergences. Total housing starts plunged 30.2% in April, with single-family starts down 25.4% and multi-family down 40.5%. But while starts declined about 43% in the Northeast and in the West, they were down only 15% in the Midwest and 26% in the South. The retreat in **building permits** was a little less dramatic, but sharp nonetheless as permits declined 20% in April. Unlike starts, there was a bigger decline in single-family permits (-24.3%) than in multi-family (-14.2%), perhaps due to concerns about demand sustainability in the more expensive single-family segment.

Our view of the current housing sector situation is that the intensity of the decline will be of far lesser importance than its duration. With lockdown meaningfully easing over the course of May we expect residential construction activity to reaccelerate over the summer and that the improvement could last well into the cooler season.

The latest **unemployment claims** data were disappointing. Admittedly, initial claims declined for the seventh consecutive week and the prior week data was revised downward. But the improvement was small and still left initial claims at an extremely high 2.44 million level. Even more disappointing was the sharp reacceleration in continuing claims, which increased by 2.5 million to 25.1 million. And yet, this deterioration seemed at odds with sharply improving breadth as more than 30 states saw continuing claims retreat. These many, small, improvements were overwhelmed by puzzlingly large increases in California, Florida, Oregon, Texas, and Washington.

Canada

Headline **consumer price inflation** slipped into negative territory in April, due largely to the pullback in energy prices. Prices declined 0.2% y/y, following a sharp deceleration to 0.9% in March. This is the first negative inflation print since August 2009. Energy prices slumped 23.7%, dragged down by a 39.3% decline in gasoline prices. This was the largest on record—due to restrictions on travel and low global crude prices. Excluding energy, inflation came in at a positive 1.6%, which is still four tenths lower than February. Food prices spiked (+3.4%) as consumers stockpiled groceries; alcohol and tobacco prices rose modestly (+0.5%). Prices for transportation services (-4.4%) and apparels (-4.1%) were hit, due to lower mobility and loss in demand for discretionary items. Measures of core inflation fared much better—as both the trimmed mean and weighted median were unchanged at 1.8% y/y and 2.0% y/y respectively, while the common component measure eased one tenth to 1.6% y/y. On a monthly basis, prices contracted 0.7% m/m, which was tad better than March. One thing of note however, is that several components were imputed from the series due to unavailability of data. Prices for personal care services, travel tours, spectator entertainment, use of recreational facilities, and select sub-components of the air transportation index are more likely than not to go head down once normal services resume, which implies that we are yet to see prices bottoming.

Retail sales fell for the first time in five months, also the sharpest contraction on record. Sales plunged 10.0% to C$47.1 billion in March, as many retailers shut down operations mid-month, curtailed hours and customer flow thinned. Motor vehicles and parts dealers were the most affected, with sales plummeting by 35.6%. Apparels (-51.3%), furniture and home furnishings (-24.5%) and recreational (-23.8%) stores all reported their largest monthly drops on record. In contrast, sales at food and beverage (+22.8%) and general merchandise (+6.4%) stores rose to the highest level on record. However, the disruption at brick and mortar stores played out well for e-commerce sales which soared 40.4% y/y (non-seasonally adjusted). Real sales declined a record 8.2% as well.

The **11-City Teranet house price index** saw yet another increase in April, possibly the last before receding due to Covid related effects. The index rose 5.3% y/y, a ninth consecutive increase and its strongest since May 2018. Prices were up 1.3% from last month. Prices rose in a majority of the metropolitan areas, led by Ottawa (2.4%), Toronto (2.0%), Halifax (1.8%), and Montreal (1.7%).

UK

Purchasing managers' indexes (PMIs) point to a slower rate of activity deterioration in May, but deterioration nonetheless. The manufacturing PMI gained 7.9 points, but only to 40.6. New orders improved 14.2 to 34.5 and output improved 18.7 to 34.9. The services index rose 14.4 points as new orders improved 13.0 (also to 27.8) and employment was up 6.0 (to 32.1). We can't speak about genuine improvement until we see the indexes cross back above 50. Can that happen in June?

Just as in the US, the precipitous **retail sales** decline in seen in March was followed by a much larger one in April. Real retail sales (including fuel) plunged 18.1% as non-food sales collapsed 41.7%. Many categories experienced declines of a similar magnitude, with clothing sales down 50.2% and household goods down 45.4%. Food sales, which surged 10.1% in March, retreated 4.1%. Online sales were the lone winner with an 18.1% increase. Total real sales declined 22.6% y/y in April.

The reporting peculiarities around UK labor statistics—specifically the 3-month moving average typical of many top-line series—render them ill-suited for quickly identifying turning points in the data. Thus, we would probably dismiss all the moving average data as not genuinely reflecting the Covid-19 realities. For instance, employment increased by 210,000 during the January-March period, marking the second best print in the last five years. The **unemployment rate** retreated a tenth to 3.9% during that same period, which is quite impressive given that the participation rate moved up a tenth to twin record high of 64.5%. However, the single month data is certainly reflecting the emerging chasm: unemployment claims surged by 856,000 in April and the claimant count unemployment surged 2.3 percentage points to 5.8%, exceeding the Great Recession high. Wage inflation moderated further. Overall average weekly earnings increased by 2.4% y/y in January-March, with regular pay (excluding bonuses) up 2.7% y/y. However, the implications for real income growth are less dire since inflation has also been trending down.

Figure 2: UK Unemployment Claims Soar

Sources: U.K. Office for National Statistics (ONS)

Just as in the US, the Covid-19 outbreak is proving to be deflationary short term shock. Headline **consumer price** inflation decelerated by a sharp 0.7 percentage points (ppts) to a just 0.8% y/y in April, the lowest level since August 2016. Prices declined the most for apparel and household and miscellaneous goods. Somewhat surprisingly, transportation costs were unchanged during the month. Core inflation held up much better, moderating just 0.2 ppts to 1.4% y/y.

Deflationary pressures were equally visible in **producer prices**, which fell 0.7% on the back of a 10.2% plunge in petroleum product prices. These declines left headline PPI inflation at -0.7% y/y, with core inflation at +0.6% y/y.

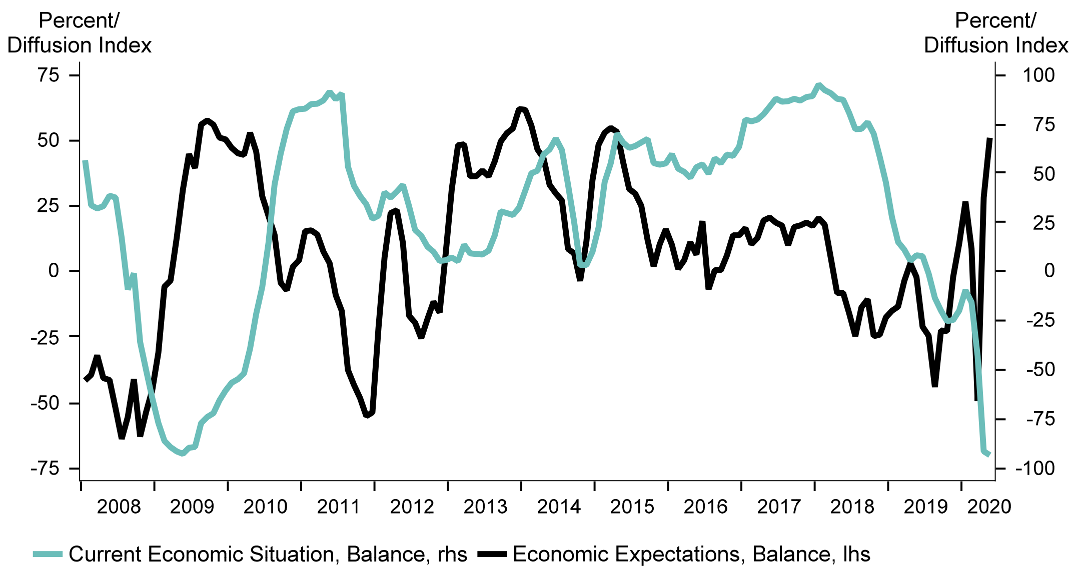
Eurozone

The message from the preliminary May ***eurozone*** **purchasing managers indexes (PMIs)** is encouraging but far from indicating genuine strength. Indeed, activity in both the manufacturing and services sectors continued to contract during the month, though at a much slower pace than in April. The regional **manufacturing PMI** index rose 6.1 points, but only to 39.5. Output jumped 17.3 points, but only to 35.4 and new orders improved 10.4, but only to 29.2. Employment was little changed. Somewhat surprisingly, the German index didn't move much—up 2.3 to 36.8; the French index gained 8.8 to 40.3. We want to see all these numbers move back up above 50 before we can talk about true recovery.

The same is true for the **services PMIs**. Admittedly, the improvement was more pronounced—close to 20 points in both the regional and country indexes—but since occurred from lower initial levels, the service indexes still settled just around 30. A long way still until outright expansion, though it is possible that we might get there as early as June. For now, the eurozone index stands at 28.7, the German index at 31.4, and the French index at 29.4.

The ***German* Zew survey** was a glaring contrast between extremely gloomy assessments of the current economic situation and far stronger expectations about the future. Indeed, while the current situation index dipped another 2.0 points to undershoot the 2009 low, the expectations index surged another 22.8, bringing the two-month gain to over 100 points! At 51.0, it is just shy of the post-GFC high. Is this a "from the worst of times to the best of times" kind of a message?

Figure 3: German ZEW Index Signals Better Activity Ahead



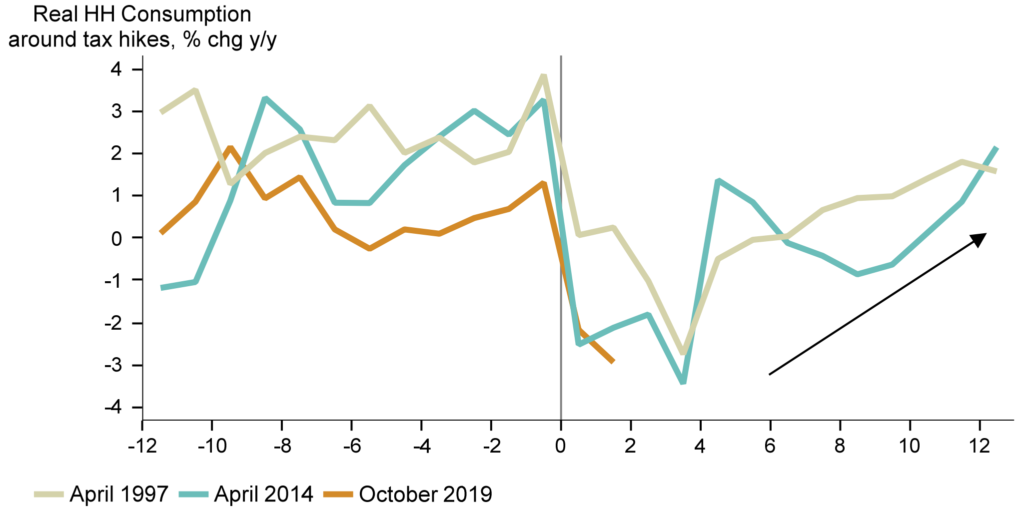
Sources: ZEW (Centre for European Economic Research)

Japan

The **Bank of Japan** held an unscheduled meeting on May 22nd. The BoJ at its April meeting had promised to provide the zero-rate backstop loans to commercial banks. Provisions were announced to fulfill its commitment—banks lending money to businesses impacted by the coronavirus will be provided an equivalent amount of backstop loans at 0%. Thus banks' capacity to lend money is not limited by their capital and other risk-asset restrictions. Also, the BoJ will deduct double the amount of bank loans from the reserves to which NIR is applied. The BoJ provides a 0.1 basis point subsidy by counting the money applicable for IOER. Policy rates were left unchanged, as were corporate and government bond purchase programs.

Preliminary estimates of Japan's **GDP** in the first quarter of 2020 came in at -0.9% q/q (-3.4% annualized), compared to a downwardly revised -1.9% q/q (-7.3% annualized) in the fourth quarter. The fall was lower than anticipated, but the headline figure masks the broad based weakness. The most notable detractor was private consumption which contracted 0.7% q/q, shaving 0.4 percentage points (ppts) off growth. This is especially significant given that consumption had already taken a hit post the hike in consumption tax in October 2019, which induced a 2.9% drop in Q4 expenditure. Consumer confidence and retail sales data had been showing only early signs of recovery when preventive measures heavily impacted spending, particularly on services.

Figure 4: Japanese Consumers Unlikely To Bounce Back Soon



Sources: Macrobond, Japanese Cabinet Office (CaO)

The decline in residential investment was the sharpest in five years, by 4.5%, subtracting 0.1 ppts off GDP. Imports dropped 4.9%, which reflects supply chain disruptions occurring since February; while exports slumped 6.0%. Notably, the loss in inbound tourism weighed heavily on the economy, as evidenced by the 47% drop in services exports. Only government consumption came in positive, at 0.1%, insufficient for a meaningful positive contribution. Looking ahead, the collapse in local as well as global demand are expected to manifest on consumption and exports data. But with the economy already starting to open up, the worst is likely to be behind us. That said, we do not expect output to be back to pre-COVID levels soon.

Headline inflation was down three tenth to 0.1% y/y in April, slightly below consensus. More worryingly, the core measure of **CPI** (excluding fresh food) slipped into negative territory, falling 0.2% y/y, at the lowest since December 2016. The new BoJ core CPI (excluding fresh food and energy) was weaker as well, slowing four tenths to 0.2% y/y. Food inflation surged 2.1%, with fresh food prices surging 6.7% as consumers build up stocks ahead of the Emergency, buoying up the headline figure. Energy inflation went lower further, detracting 4.7%, as commuters avoided public as well as private transportation. Transportation and communication contracted 1.2% as a result. We see a deceleration in inflation extending well into the second half of 2020.

Core machinery orders (private sector orders other than for ships and electricity generating equipment) and a leading indicator for capital expenditure surprised on the upside in March, registering a loss of 0.4% versus an expected -6.7%. Total orders actually rose 3.0%, buoyed up by a 17.1% rise in government orders. Manufacturing orders fell by 8.2%, further downgrade from -1.7% in February; but services (excluding orders for ships and from electric power companies) rose 5.3%, due to strong orders from transportation and postal activities sector (+82.0%). Foreign orders, a leading indicator for capital goods exports were down by 1.3%. The Cabinet Office forecasts April-June core orders to fall by just 0.9% from the previous quarter, a tall ask considering the slump in global demand.

Manufacturing and services activities diverged path in May according to the Jibun Bank's survey of **Purchasing Managers' Index**. The Manufacturing PMI fell to 38.4 in May, the lowest since March 2009 from 41.9 in April, while the Services PMI rose slightly by 3.8 points to 25.3 in May. A small improvement, but an improvement nevertheless! As expected, sub-indices were weaker across the board, with new orders and export orders especially frail. Interestingly, most indices in Services saw a weaker decline, apart from employment, where conditions were stronger for Manufacturing firms. Comparing notes with the Tankan survey, it is clear that the mood in Services sector is relatively more upbeat as the economy gradually reopens, but Manufacturing will be reeling under the double whammy of slowing local as well as global demand.

The **tertiary industry index** fell to the lowest on record in March, contracting by 4.2%, sharpest in five months. The decline was led by the usual suspects—living and amusement-related services decreased by 24.8%, transport services by 16.7%, and retail trade by 5.2%. April will be another dampener, but with the economy reopening gradually, data should improve May onwards.

Australia

The **Reserve Bank of Australia** minutes for the meeting convened on May 5th provided little additional information. The most notable announcement was the expansion of breadth of assets considered under repo eligibility to include investment grade corporate bonds. The objective is to improve liquidity and help, "facilitate the smooth functioning of the market." Further caveat was also provided for RBA's risk appetite.

"The proposed approach was consistent with the collateral frameworks of the major central banks, which accept corporate paper under repurchase agreements (repos), and it would not have a material impact on the Bank's risk profile. Members noted that the Bank would not be purchasing corporate paper on an outright basis, but only under repos."

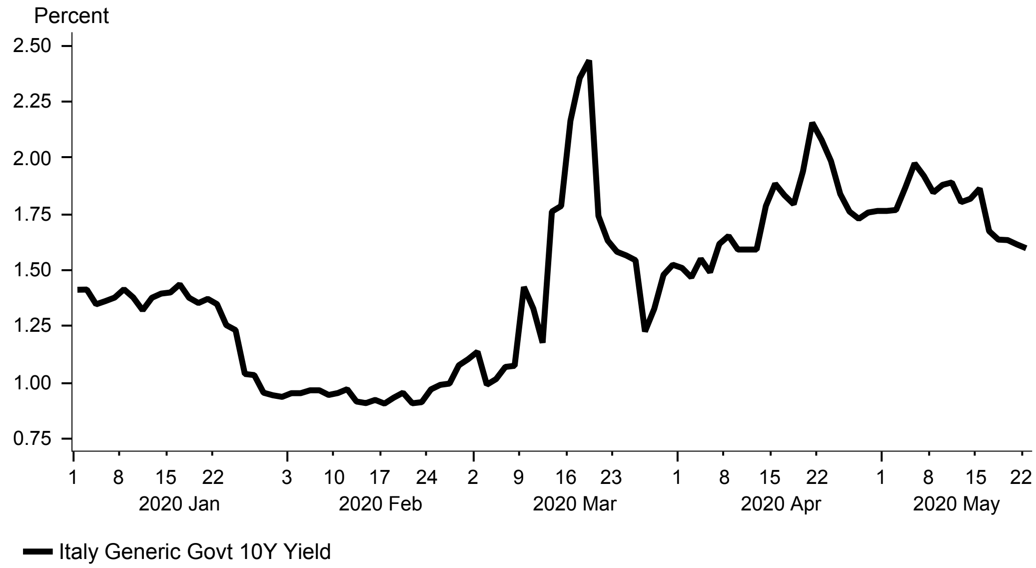
The bank also reiterated its stance to "to maintain the current policy settings and monitor economic and financial outcomes closely." The RBA appeared content with the effects of monetary loosening, noting that "the package had helped to lower funding costs and stabilize financial conditions, and was supporting the economy. The package had also contributed to a significant improvement in the functioning of government bond markets, and the 3-year Australian Government bond yield was at the target of around 25 basis points."

The **new payrolls data** published by the Australian Bureau of Statistics is based on based on the Single Touch Payroll data from the Australian Taxation Office, which enables the exchequer to track wage payments at the source. Estimates showed that jobs contracted by 1.1% for the week ending May 2, in contrast to a 0.9% gain in the previous week. Jobs lost between 14th March and 2nd May now stand at 7.3%. Total wages paid by employers for the week (25th April-2nd May) increased by 0.9, following a 0.5% in the previous week, possibly reflecting that the majority of jobs lost are in lower wages. The accommodation and food services industry is still the most impacted, with close to one out of three jobs eradicated.

The Market This Week

Italian bond yields ended the week noticeably lower as the joint French-German proposal for a €500 billion recovery fund boosted investor sentiment.

Figure 5: Italy Generic Govt 10Y Yield



Sources: Bloomberg, Macrobond

Equities: A week of solid and broad-based stock market gains.

Bonds: Italian bond yields decline sharply on eurozone recovery fund optimism.

Currencies: The dollar eases a bit.

Commodities: Another very good week for oil.

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Stock Markets					10 Year Bond Yields			Currencies		
Country	Exchange	Last	%Ch Week	%Ch YTD	Last	BP Ch Week	BP Ch YTD	Last	%Ch Week	%Ch YTD
US	S&P 500®	2951.55	3.1%	-8.6%	0.66	2	-126	99.743	-0.7%	3.5%
Canada	TSE 300	14905.9	1.8%	-12.6%	0.51	-4	-119	1.3986	-0.9%	7.7%
UK	FTSE®	5993.28	3.3%	-20.5%	0.17	-6	-65	1.2173	0.5%	-8.2%
Germany	DAX	11073.87	5.8%	-16.4%	-0.49	4	-30			
France	CAC-40	4444.56	3.9%	-25.7%	-0.03	-1	-15	1.0904	0.8%	-2.8%
Italy	FTSE® MIB	17316.29	2.8%	-26.3%	1.60	-27	19			
Japan	Nikkei 225	20388.16	1.8%	-13.8%	0.00	0	1	107.61	0.5%	-0.9%
Australia	ASX 200	5497.027	1.7%	-17.8%	0.87	-4	-50	0.6538	1.9%	-6.9%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	34.56	9.7%	-48.0%	-51.2%
Gold	US $/troy oz	Bloomberg	1735.22	-0.5%	14.4%	36.3%

Source: Bloomberg®

Week in Review (May 18–May 22)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 18					
US	NAHB Housing Market Index (May)	34	37	30	Big regional variations.
JN	GDP (Q1, prelim, q/q)	-1.1%	-0.9%	-1.9%(↓)	Consumption to go from bad to worse.
JN	Tertiary Industry Index (Mar, m/m)	-3.7%	-4.2%	-0.7%(↓)	April will be another dampener.
Tuesday, May 19					
US	Building Permits (Apr, m/m)	1000	1074	1356(↑r)	Down…but not out!
US	Housing Starts (Apr, m/m)	900	891	1276(↑r)	Down…but not out!
UK	ILO Unemployment Rate (Mar)	4.3%	3.9%	4.0%	Not true representation of current reality.
UK	Average Weekly Earnings (Mar, 3m y/y)	2.7%	2.4%	2.8%	Not too bad, given the circumstances.
GE	ZEW Investor Expectations (May)	30.0	51.0	28.2	Driven by improved expectations.
JN	Industrial Production (Mar, final, m/m)	-3.7%(p)	-3.7%	-0.3%	Output at a seven year low.
AU	RBA Meeting Minutes				RBA to accept IG corp bonds under repo facility.
Wednesday, May 20					
US	FOMC Meeting Minutes				Worried about second wave, on watch.
CA	CPI (Apr, y/y)	-0.1%	-0.2%	0.9%	Dragged into deflation by lower energy prices.
CA	Teranet/National Bank HPI (Apr, y/y)	na	5.3%	3.8%	Not really reflective of current situation.
UK	CPI (Apr, y/y)	0.9%	0.8%	1.5%	Covid-19 is a deflationary shock near-term.
EC	CPI (Apr, final, y/y)	0.4%(p)	0.3%	0.7%	Covid-19 is a deflationary shock near-term.
JN	Core Machine Orders (Mar, m/m)	-6.7%	-0.4%	2.3%	Services orders remained strong.
Thursday, May 21					
US	Initial Jobless claims (May 16, thous)	2425	2438	2687(↓)	Still very high…
US	Continuing claims (May 9, thous)	24250	25073	22548(↓)	Disappointing reacceleration.
US	Leading Index (Apr, m/m)	-5.7%	-4.4%	-7.4%(↓)	Horrendous, but better than it's been.
US	Existing Home Sales (Apr, m/m)	-19.9%	-17.8%	-8.5%	Mortgage applications suggest a better May.
US	Philadelphia Fed Business Outlook (May)	-40.0	-43.1	-56.6	The details were stronger.
UK	Manufacturing PMI (May, prelim)	37.2	40.6	32.6	We really need to see this move past 50.
UK	Services PMI (May, prelim)	24.0	27.8	13.4	Still utterly dismal.
EC	Manufacturing PMI (May, prelim)	38.0	39.5	33.4	We really need to see this move past 50.
EC	Services PMI (May, prelim)	25.0	28.7	12.0	Still dismal, we need to get back above 50.
GE	Manufacturing PMI (May, prelim)	39.4	36.8	34.5	We really need to see this move past 50.
GE	Services PMI (May, prelim)	26.0	31.4	16.2	Still dismal, we need to get back above 50.
FR	Manufacturing PMI (May, prelim)	36.0	40.3	31.5	We really need to see this move past 50.
JN	Manufacturing PMI (May, prelim)	na	38.4	41.9	Worsening due to slower demand…
JN	Services PMI (May, prelim)	na	25.3	21.5	…services improve as economy re-opens.
JN	Trade Balance Adjusted (Apr, ¥ bil.)	-719.3	-996.3	-380.9(↓)	Exports decline even as imports recover.
Friday, May 22					
CA	Retail Sales (Mar, m/m)	-10.5%	-10.0%	0.3%	Most components saw record drop in sales.
UK	Retail Sales (Apr, m/m)	-15.5%	-18.1%	-5.2%(↓)	Down 22.6% y/y.
UK	GfK Consumer Confidence (May, prelim)	na	-34	-33	Seems to have found a bottom.
JN	BoJ Monetary Policy Decision	na	-0.1%	-0.1%	Meeting convened to honor April commitment.
JN	CPI (Apr, y/y)	0.2%	0.1%	0.4%	Core CPI slipped into negative.

Source: for data, Bloomberg®; for commentary, SSGA Economics.

Week Preview (May 25–May 29)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 25				
GE	GDP (Q1, final, q/q)	-2.2%(p)	0.0%	
GE	IFO Business Climate (May)	78.3	74.3	
JN	Leading Index (Mar, final)	83.8(p)	91.9	This should be the bottom.
Tuesday, May 26				
US	FHFA House Price Index (Mar, m/m)	0.6%	0.7%	
US	S&P CoreLogic 20-City Index (Mar, m/m)	0.3%	0.5%	
US	Consumer Confidence (May)	87.0	86.9	Might there be a positive surprise here?
US	New Home Sales (Apr, thous)	490	627	
GE	GfK Consumer Confidence (Jun)	-19	-23.4	
JN	All Industry Activity Index (Mar, m/m)	-3.9%	-0.6%	Services still a major dampener.
Wednesday, May 27				
US	Fed Beige Book Report			
FR	Consumer Confidence (May)	na	95	
Thursday, May 28				
US	Initial Jobless claims (May 23, thous)	na	2438	
US	Continuing Claims (May 16, thous)	na	25073	
US	GDP (Q1, second, q/q saar)	-4.8%(p)	2.1%	
US	Durable Goods Orders (Apr, prelim, m/m)	-18.0%	-14.7%	Aircraft orders important to watch.
US	Pending Home Sales (Apr, m/m)	-15.0%	-20.8%	
US	Kansas City Fed Manf. Activity (May)	na	-30	
GE	Retail Sales (Apr, m/m)	-10.0%	-4.0%(↑r)	
IT	Consumer Confidence (May)	na	---	
AU	Private Capital Expenditure (Q1, q/q)	-2.8%	-2.8%	Capex intentions will be hit by COVID disruptions.
Friday, May 29				
US	Personal Income (Apr, m/m)	-7.0%	-2.0%	Could there be a positive surprise here?
US	Personal Spending (Apr, m/m)	-12.6%	-7.5%	
US	U of Mich Cons Sentiment (May, final)	73.7(p)	71.8	Sentiment looks to have bottomed.
CA	GDP (Mar, m/m)	na	0.0%	Slump expected.
UK	Nationwide House Prices (May, m/m)	na	0.7%	
FR	GDP (Q1, final, q/q)	-5.8%(p)	-0.1%	
FR	Consumer Spending (Apr, m/m)	na	-17.9%	
IT	GDP (Q1, final, q/q)	-4.7%(p)	-0.3%	
JN	Unemployment Rate (Apr)	2.7%	2.5%	Resilience shown in March was rather surprising!
JN	Industrial Production (Apr, prelim, m/m)	-5.1%	-3.7%	
JN	Retail Sales (Apr, m/m)	-6.8%	-4.6%(↓)	Slump expected.
JN	Consumer Confidence (May)	19.1	21.6	The recovery ensues?
AU	Private Sector Credit (Apr, m/m)	0.6%	1.1%	All eyes on recovery of housing credit.

Source: for data, Bloomberg®; for commentary, SSGA Economics.

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year %Change in Target				
		Dec	Jan	Feb	Mar	Apr
US	Target: PCE price index 2.0% y/y	1.6	1.8	1.8	1.3	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.2	2.4	2.2	0.9	-0.2
UK	Target: CPI 2.0% y/y	1.3	1.8	1.7	1.5	0.8
Eurozone	Target: CPI below but close to 2.0% y/y	1.3	1.4	1.2	0.7	0.3
Japan	Target: CPI 2.0% y/y	0.8	0.7	0.4	0.4	0.1
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	2.2	2.2	2.2	

Source: Macrobond

Key Interest Rates

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	#####	Mar-20	Apr-20
US (top of target range)	2.50	2.50	2.25	2.00	1.75	1.75	1.75	1.75	1.75	0.25	0.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	0.25	0.25
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.10	0.10
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03	-0.07	-0.04	-0.03	-0.07	-0.06
Australia (OCR)	1.28	1.02	1.00	1.00	0.76	0.75	0.75	0.75	0.75	0.43	0.25

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3
Canada	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8
UK	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4
Eurozone	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9
Germany	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0
France	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5
Italy	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Japan	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1
Australia	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year %Change						PPI Year/Year %Change				
	Dec	Jan	Feb	Mar	Apr		Dec	Jan	Feb	Mar	Apr
US	2.3	2.5	2.3	1.5	0.3		1.4	2.1	1.3	0.7	-1.2
Canada	2.2	2.4	2.2	0.9	-0.2		0.5	0.6	-0.3	-2.4	
UK	1.3	1.8	1.7	1.5	0.8		0.8	1.0	0.5	0.3	-0.7
Eurozone	1.3	1.4	1.2	0.7	0.3		-0.6	-0.7	-1.4	-2.8	
Germany	1.5	1.7	1.7	1.4	0.9		-0.2	0.2	-0.1	-0.8	-1.9
France	1.5	1.5	1.4	0.7	0.3		0.7	0.2	-0.6	-2.1	
Italy	0.5	0.5	0.3	0.1	0.0		-2.1	-2.3	-2.7	-3.6	
Japan	0.8	0.7	0.4	0.4	0.1		0.9	1.5	0.8	-0.4	-2.3
Australia	1.8	2.2	2.2	2.2			1.4				

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter %Change						Year/Year %Change				
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20		Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
US	0.8	0.5	0.5	0.5	-1.2		2.7	2.3	2.1	2.3	0.3
Canada	0.2	0.9	0.3	0.1			1.5	2.0	1.6	1.5	
UK	0.7	-0.2	0.5	0.0	-2.0		2.0	1.3	1.3	1.1	-1.6
Eurozone	0.5	0.1	0.3	0.1	-3.8		1.4	1.2	1.3	1.0	-3.2
Germany	0.5	-0.2	0.3	-0.1	-2.2		1.0	0.3	0.7	0.4	-2.3
France	0.4	0.3	0.3	-0.1	-5.8		1.3	1.5	1.5	0.9	-5.4
Italy	0.2	0.1	0.1	-0.3	-4.7		0.2	0.4	0.5	0.1	-4.8
Japan	0.6	0.5	0.0	-1.9	-0.9		0.8	0.9	1.8	-0.7	-2.2
Australia	0.5	0.6	0.6	0.5			1.7	1.6	1.8	2.2	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change						Year/Year %Change				
	Dec	Jan	Feb	Mar	Apr		Dec	Jan	Feb	Mar	Apr
US	-0.4	-0.5	0.1	-4.5	-11.2		-0.8	-0.9	-0.3	-4.9	-15.0
Canada	0.1	0.4	-0.1				-0.9	-0.1	0.7		
UK	-0.2	-0.1	-0.1	-4.2			-2.2	-3.1	-3.4	-8.2	
Germany	-1.7	2.5	0.3	-9.2			-5.0	-1.5	-1.8	-11.4	
France	-2.3	0.9	0.8	-16.2			-2.9	-3.0	-1.7	-17.3	
Italy	-2.7	3.6	-1.0	-28.4			-3.4	-0.6	-2.3	-29.3	
Japan	0.2	1.9	-0.3	-3.7			-6.5	-2.4	-3.7	-6.8	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	#####	Mar-20	Apr-20
US	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4	14.7
Canada	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5	5.6	7.8	13.0
UK	3.8	3.9	3.8	3.8	3.8	3.8	3.9	4.0	3.9		
Eurozone	7.5	7.6	7.5	7.5	7.4	7.4	7.3	7.3	7.3	7.4	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.8
France	8.5	8.5	8.5	8.4	8.3	8.2	8.2	8.1	7.9	8.4	
Italy	9.8	9.9	9.6	9.8	9.6	9.5	9.6	9.5	9.3	8.4	
Japan	2.3	2.3	2.3	2.4	2.4	2.2	2.2	2.4	2.4	2.5	
Australia	5.3	5.3	5.3	5.2	5.3	5.2	5.1	5.3	5.1	5.2	6.2

Source: Macrobond

Current Account Balance as a % of GDP (Seasonally Adjusted)

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4	
Canada	-2.2	-2.7	-3.4	-3.0	-2.8	-2.6	-1.8	-2.8	-3.0	-1.2	-1.7
UK	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6	
Eurozone	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4	
Germany	8.3	7.0	8.6	8.6	8.5	7.6	6.5	7.4	7.8	7.6	8.1
France	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.5	-0.5	-0.8	-0.8	-1.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	

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Exp. Date: 05/22/2021