

# June 2, 2025

## Financial Services Group

Author:

### Economic Review



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- The Labor Department reported that **initial jobless claims** rose more than expected last week, with gains in both initial and continuing jobless claims. First time claims in regular state programs recorded 240,000 for the week ending May 24<sup>th</sup>, after the prior week's report of 226,000. The four-week moving average declined to 230,750 from 231,000 the prior week. Continuing claims, a proxy for people who are already receiving benefits and still cannot find a job, increased 26,000 to 1,919,000 for the week ending May 17<sup>th</sup>. This is the highest level since November 2021, though the level is only about 50,000 higher than the average of the last 6 months. The gain suggests that workers who have been laid off are having a harder time finding a new job. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, increased to 1.3% from 1.2%.
- The Commerce Department reported **durable goods orders**, which are bookings for goods and materials meant to last at least three years, declined sharply in April. This follows a period of time where businesses front-loaded purchases ahead of tariffs. The report also shows that businesses have no desire to commit to long-term expansion plans given elevated uncertainty and volatility around trade policy. Orders dropped 6.3% in April after gaining 7.6% in March. **Excluding transportation**, durable orders gained 0.2% in April after declining 0.2% the prior month. The non-military capital goods orders excluding aircraft, a proxy for business investment, decreased 1.3% in April after climbing 0.3% in March. The ratio of inventory to shipments dropped to 1.95 from 1.96 in March.
- The Federal Housing Finance Agency reported the **house price index** of purchase-only homes declined 0.1% in March after remaining unchanged in February. The year-on-year change in the house price index was 3.7% in March. The HPI is estimated using repeated observations of housing values for single-family homes on which at least two mortgages were originated and subsequently sold to Freddie Mac or Fannie Mae. The use of repeat transactions on the same unit helps to control for differences in the quality of the houses.
- The **S&P CoreLogic CaseShiller home price index** fell 0.12% in March after gaining 0.40% in February. The index increased 4.07% from the same month in 2024. This is the first drop in prices in two years. This index includes homes of all prices, while the sample for the FHFA index is based only on confirming mortgages, which leaves out much of the upper end of the housing market. The index tracks changes in the value of homes in 20 metropolitan regions.
- The Conference Board's **consumer confidence index** rebounded sharply in May from a near five-year low as the outlook for the economy and labor market improved amid a truce on tariffs. The index recorded a 98.0 in May from a downwardly revised 85.7 reading in April, previously reported as 86.0. The measure of expectations for the next six months surged to 72.8 in May from 55.4 in April. The present situation index increased to 135.9 in May from 131.1 the previous month.
- The **FOMC Minutes** for the May 6<sup>th</sup>-7<sup>th</sup> suggest policymakers agreed on a cautious approach to monetary policy amid elevated uncertainty regarding trade, fiscal, regulatory and immigration policies. Tariffs were expected to boost inflation "markedly" this year and drive the unemployment rate above its estimated natural rate. The policymakers saw the odds of a recession as "almost as likely as the baseline forecast", which already includes lower growth from previous projections.
- The second estimate by the Commerce Department of the 1<sup>st</sup> quarter **gross domestic product** indicated the US economy shrank at the start of the year due to weak consumer spending and impacts from trade. Consumer spending, the economy's primary growth engine, advanced 1.2%, down from an initial estimate of 1.8% and the weakest pace in almost two years. Net exports subtracted nearly 5% points from the GDP calculation, slightly more than the first projection and the largest on record. **Gross domestic product** contracted at an 0.2% annualized rate in the 1<sup>st</sup> quarter, higher than the previous estimate of -0.3%. **Personal consumption**, which accounts for about 70% of the economy, fell to a 1.2% annualized pace compared to earlier estimates of 1.8%. The core PCE

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deflator, which is closely watched by the Fed, was 2.5%, lower than the earlier estimates of 2.7%. The **GDP price index** gained 3.7% in the 1<sup>st</sup> quarter.

- The National Association of Realtors reported the **index of pending home re-sales** decreased in April by the most since September 2022. Sales fell in all four regions with the West experiencing the biggest drop. The number of contract signings decreased 6.3% in April after gaining 5.5% in March. Pending home sales are based on houses under contract as reported by over 100 multiple listing services and 60 large real estate brokers. A sale is listed as pending when a seller accepts a sales contract on a property. Pending sales are a leading indicator in the housing sector as they reflect contracts signed, as opposed to actual closed and final sales.
- The Commerce Department reported **personal income** gained 0.8% in April after gaining 0.7% the prior month. **Personal spending** climbed 0.2% in April after climbing 0.7% in March. Income growth is solid, while real spending slowed after consumers had loaded up on purchases earlier in the year to front-run tariffs. Prices rose modestly in categories with heavy exposure to imports from China, whereas disinflation in services partially offset those price increases. Monthly **PCE inflation** climbed 0.1% in April after remaining unchanged the previous month and year-on-year PCE declined to 2.1%. The **core PCE Deflator**, the preferred inflation gauge by the Federal Reserve, climbed 0.1% in April, bringing the year-on-year gain to 2.5%. **Disposable income**, or the money left over after taxes, increased 0.8% in April. The savings rate climbed to 4.9% from 4.3% in March.
- The Commerce Department reported the **goods trade deficit** narrowed in April as imports plunged after many buyers front-loaded their purchases in February and March in front of threatened tariffs. The deficit decreased 46.0% to \$87.6 billion in April after March's surge. **Exports** increased 3.4% in April to \$188.5 billion and **imports** decreased 19.8% to \$276.1 billion.
- The Commerce Department reported **wholesale inventories** remained unchanged in April at \$906.9 billion. Year-on-year wholesale inventories have climbed 2.1%. **Retail inventories** decreased 0.1% in April to \$803.5 billion, with year-on-year inventories up 3.5%.
- The **University of Michigan's final index of consumer sentiment** remained unchanged in May after falling for four straight months and long-term inflation expectations retreated as concerns about the economy eased after the rollback of China tariffs. The final sentiment index for the month remained unchanged at 52.2 in May. The long-term inflation expectations dropped to 4.2% from 4.4% the prior month. The one-year-ahead inflation expectations edged higher to 6.6% in May from 6.5% in April. The **index of current conditions** decreased to 58.9 from 59.8 the prior month while the **index of expectations** climbed to 47.9 from 47.3.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased 1.2% last week after dropping 5.1% the prior week. **Refinancing** applications declined 7.1% to 634.1 from 682.5 the prior week. **Home purchase mortgage applications** increased 2.7% to 162.1. Refinancing made up 34.6% of applications with an average loan size of \$281,900, while purchases average loan size is \$441,200. The **average contract rate** on a 30-year fixed-rate mortgage increased to 6.98% from 6.92% the previous week.

Source: Bloomberg Finance L.P.

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### BOND MARKET REVIEW

Rates decreased last week after strong Treasury auctions and indications that inflationary pressures are receding. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 3.90%, 4.00%, 4.40% and 4.93%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 6, 44, 53, and 103 basis points respectively.

### Economic/Events Calendar

Monday	June 2	May ISM Manufacturing (49.5)	9:00 Central
		Apr Construction Spending (0.2%)	9:00 Central
Tuesday	June 3	Apr Factory Orders (-3.2%)	9:00 Central
		Apr Factory Orders Ex Transportation (0.2%)	9:00 Central
		Apr JOLTS Job Openings (7,100k)	9:00 Central
Wednesday	June 4	May 30 <sup>th</sup> MBA Mortgage Applications	6:00 Central
		May ADP Employment Change (110k)	7:15 Central
		May ISM Services Index (52.1)	9:00 Central
		Fed Releases Beige Report	13:00 Central
Thursday	June 5	May 31 <sup>st</sup> Initial Jobless Claims (235K)	7:30 Central
		Apr Trade Balance (-\$66.1b)	7:30 Central
		1 <sup>st</sup> Qtr Nonfarm Productivity (-0.8%)	7:30 Central
		1 <sup>st</sup> Qtr Unit Labor Costs (5.7%)	7:30 Central
Friday	June 6	May Change in Nonfarm Payrolls (125k)	7:30 Central
		May Unemployment Rate (4.2%)	7:30 Central
		May Labor Force Participation Rate (62.6%)	7:30 Central
		May Avg Hourly Earnings-YOY (3.7%)	7:30 Central
		Apr Consumer Credit (\$11.5b)	14:00 Central

Source: Bloomberg Finance L.P.

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