



TheECONOMY

Reopening Rebound?

As a remarkable second quarter comes to a close, we can more clearly see how the COVID-19 pandemic altered economic conditions and influenced the financial markets. The Federal Reserve has utilized most of its toolbox - anchoring the Federal Funds Target Rate to zero, initiating unlimited asset purchases, and launching emergency programs designed to support general financial conditions. For its efforts, the market and economy have made great strides over the past few months.

In June, the five-year Treasury note set a record low yield of 0.27%, reflecting muted expectations for growth, inflation, and the Fed's willingness to raise the Federal Funds Target Rate over the next few years. Owing in no small part to the Federal Reserve's asset purchases, the credit markets experienced a banner quarter as spreads tightened and most benchmarks experienced the best returns in a decade.

With the economy coming back to life, the rebound in activity has been led by consumer services, one of the most virus-impacted sectors of the economy. This fluid situation has called for non-traditional data points to gauge the degree and success of the reopening. For example, credit card spending trends, restaurant reservations, public transportation utilization, and airline passenger traffic have provided useful insight into improved consumer behavior.

After the U.S. economy added 2.5 million jobs in May, an additional 4.8 million jobs were added in June, lowering the unemployment rate to 11.1%. While impressive, the unemployment rate remains far above the pre-pandemic, half-century low of 3.5% set earlier this year. In addition, the recent resurgence of COVID-19 cases will likely reflect in the July labor market data. Given that upwards of 70% of U.S. GDP is derived from consumer spending, the economic outlook will hinge on continued strides in hiring.

Treasury Yields

MATURITY	7/6/20	6/5/20	CHANGE
3-Month	0.145%	0.147%	-0.002%
6-Month	0.158%	0.178%	-0.020%
1-Year	0.152%	0.160%	-0.008%
2-Year	0.157%	0.206%	-0.050%
3-Year	0.186%	0.283%	-0.097%
5-Year	0.302%	0.463%	-0.161%
10-Year	0.676%	0.895%	-0.219%
30-Year	1.439%	1.666%	-0.226%

Source: Bloomberg

Agency Yields

MATURITY	7/6/20	6/5/20	CHANGE
3-Month	0.112%	0.116%	-0.004%
6-Month	0.200%	0.204%	-0.004%
1-Year	0.191%	0.199%	-0.008%
2-Year	0.219%	0.262%	-0.043%
3-Year	0.274%	0.349%	-0.075%
5-Year	0.477%	0.624%	0.147%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

MATURITY	7/6/20	6/5/20	CHANGE
1-Month	0.230%	0.130%	0.100%
3-Month	0.240%	0.200%	0.040%
6-Month	0.280%	0.290%	-0.010%
9-Month	0.400%	0.370%	0.030%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q1 '20	-5.00%
US Unemployment	Jun '20	11.10%
ISM Manufacturing	Jun '20	52.60
PPI YoY	May '20	-2.80%
CPI YoY	May '20	0.10%
Fed Funds Target	July 8, 2020	0.00% - 0.25%

Source: Bloomberg