



TheECONOMY

Anticipation of a More Normal Summer

The topic of inflation has been garnering attention in financial markets and the news. With supply chain bottlenecks, increases in commodity prices, and a tightening labor market, one could posit that the inflation narrative was bound to find its way into the conversation. The consumer price index (CPI) report for May registered 5.0%, compared to April's 4.2% and marking the largest year-over-year increase since August 2008. How inflation plays out in the near-to-medium term and whether these factors are transitory remains to be seen.

That said, there are many reasons to be optimistic; the unemployment rate ticked down to 5.8% in May, an improvement of 0.30% from April's 6.1% that came as a result of total nonfarm payroll numbers increasing by 559k in May as reported by the U.S. Bureau of Labor Statistics. The jobs print also had noteworthy gains in leisure and hospitality, increasing by 292k with approximately two-thirds of the increase driven by food services and bars (+186k), both of which have been negatively impacted throughout the pandemic. These figures are significantly improved from the April 2020 report yet remain below pre-COVID-19 levels.

On May 13, the Centers for Disease Control (CDC) announced that fully vaccinated people no longer need to wear a mask or social distance in any setting, most notably indoor locations. The relatively unexpected announcement from the CDC resulted in many state and local governments and private companies rushing to update their protocols. Overall, businesses such as leisure and hospitality have seen a surge in traffic as consumers steadily embrace the new mask guidelines and prepare for the summer season. As of June 7, 2021, the CDC reports that 53% of the U.S. adult population (18 years or older) has been fully vaccinated while 63.7% of adults have received at least one dose. The increased vaccination rates, new mask and social distancing guidelines, and pent-up demand should all assist in a much-desired recovery.

Treasury Yields

MATURITY	6/7/21	5/7/21	CHANGE
3-Month	0.021%	0.005%	0.016%
6-Month	0.033%	0.028%	0.005%
1-Year	0.046%	0.041%	0.005%
2-Year	0.155%	0.145%	0.010%
3-Year	0.309%	0.289%	0.020%
5-Year	0.793%	0.774%	0.019%
10-Year	1.569%	1.577%	-0.008%
30-Year	2.247%	2.277%	-0.030%

Source: Bloomberg

Agency Yields

MATURITY	6/7/21	5/7/21	CHANGE
3-Month	-0.011%	-0.016%	0.005%
6-Month	0.036%	0.034%	0.002%
1-Year	0.056%	0.060%	-0.004%
2-Year	0.153%	0.145%	0.008%
3-Year	0.330%	0.316%	0.014%
5-Year	0.816%	0.809%	0.007%

Source: Bloomberg

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

MATURITY	6/7/21	5/7/21	CHANGE
1-Month	0.040%	0.060%	-0.020%
3-Month	0.070%	0.120%	-0.050%
6-Month	0.100%	0.160%	-0.060%
9-Month	0.150%	0.190%	-0.040%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q1 '21	6.40%
US Unemployment	May '21	5.80%
ISM Manufacturing	May '21	61.2
PPI YoY	Apr '21	9.50%
CPI YoY	May '21	5.00%
Fed Funds Target	Jun 07, 2021	0.00% - 0.25%

Source: Bloomberg