

### Top Headline: Fed Minutes Signal June Hike

Minutes from the Fed's May meeting indicated that a rate hike at the next meeting in June is almost a near certainty. Specifically, committee members stated that if the economy continues on its current path, "it would likely soon be appropriate for the committee to take another step" in removing policy accommodation. Officials currently have two further hikes (including the one in June) penciled in for this year; however, continued progress in the labor market has the potential to push that higher. Furthermore, debates over how high the "neutral" rate is are now taking center stage. The most recent Summary of Economic Projections shows that the median projection for the neutral rate is 2.9%, which most officials project will be met by the end of next year.

### Other News

On Sunday, Italy's President Sergio Mattarella blocked the formation of a coalition government between the 5 Star Movement and League parties, citing risk to Eurozone membership and stability as primary concerns. The shocking move opens up the possibility of new elections in Italy, which could further entrench the two anti-establishment parties. Market reaction Tuesday morning was swift; Italian bonds sold off sharply and equity markets across the globe were down as investors flocked to safe haven assets such as U.S. Treasuries and the Japanese yen.

### On Tap This Week

This week is highlighted by the employment data for May, along with the second estimate of first quarter GDP.

### Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
W 5/23/18	New Home Sales	Apr	672K r↓	677K	662K	Median new home price declined by 7% in April
Th 5/24/18	Initial Jobless Claims♦	May 19	223K r↑	220K	234K	Claims remain at low level
Th 5/24/18	Existing Home Sales	Apr	5.60M	5.55M	5.46M	Sales down 1.4% y-o-y
F 5/25/18	U. of Mich. Consumer Sentiment	May	98.8	98.8	98.0	Consumer sentiment remains elevated

Actual < Expected

Actual > Expected

♦Leading Indicator

### Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24715	24753	0.15%	-2.20%
S&P 500	2713.0	2721.3	0.31%	-0.95%
USD*	93.69	94.25	0.66%	4.86%
10-Year Treasury†	3.06%	2.93%	-0.13%	0.06%

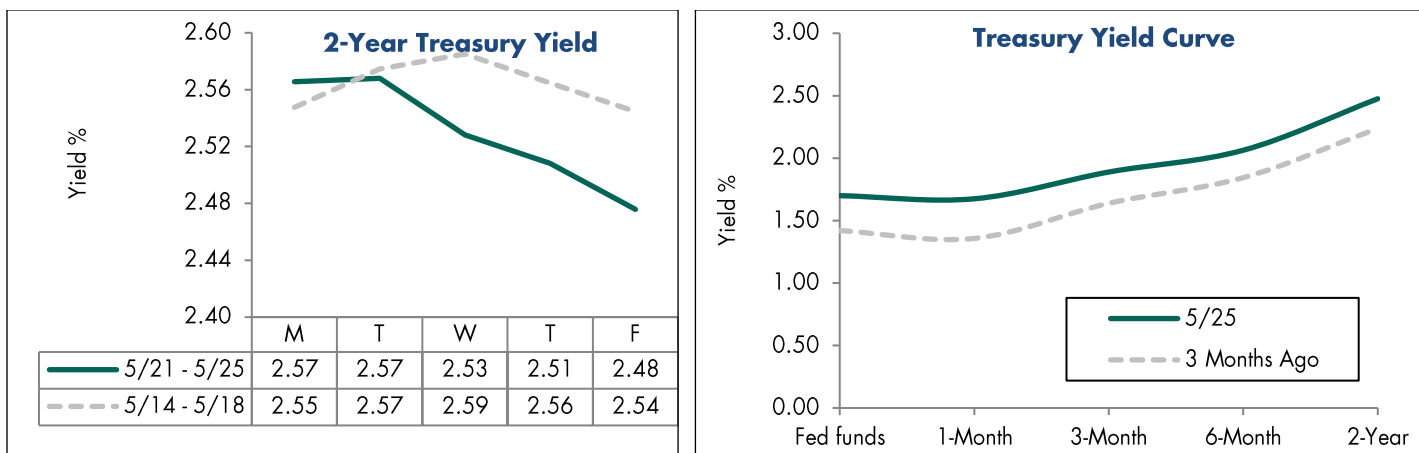
\*ICE U.S. Dollar Index Spot Price

†Absolute change in yield over specified period

### Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 5/29/18	Consumer Confidence	May	128.7	128.6
W 5/30/18	GDP	Q1 2 <sup>nd</sup>	2.3%	2.2%
W 5/30/18	GDP Deflator	Q1 2 <sup>nd</sup>	2.0%	2.0%
Th 5/31/18	Initial Jobless Claims♦	May 26	234K	224K
Th 5/31/18	Personal Income	Apr	0.3%	0.3%
Th 5/31/18	Consumer Spending	Apr	0.4%	0.4%
F 6/1/18	ISM Manufacturing Index	May	58.4	57.3
F 6/1/18	Nonfarm Payrolls	May	164K	190K
F 6/1/18	Unemployment Rate	May	3.9%	3.9%

## Yield Curve Highlights



## Detailed Economic Releases

5/23/2018	Prev.	Exp.	Act.
New Home Sales	672K r↓	677K	662K

New single-family home sales came in well below expectations at 662K in April. Revisions pulled down the prior two months totals by a combined 30,000; however, sales generally remain on an upwards trend. The aggregate stock of new homes for sale rose by 2,000, pushing the inventory-to-sales ratio up from 5.3 to 5.4 months. Prices plummeted by 6.9% to a median of \$312,4000 and were up just 0.4% year-over-year.

**Summary: The pace of new home sales fell back slightly and prices decline.**

5/24/2018	Prev.	Exp.	Act.
Initial Jobless Claims	223K r↑	220K	234K

First time claims for jobless benefits increased by 11,000 in the week ending on May 24<sup>th</sup> to 234,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was up slightly to 219,750. Continuing claims for unemployment benefits, in lagging data for the week of May 12<sup>th</sup>, rose to 1.75 million. The insured unemployment rate, which tends to track the overall jobless rate, held at 1.2%.

**Summary: Continuing claims remain near all-time low point.**

5/24/2018	Prev.	Exp.	Act.
Existing Home Sales	5.60M	5.60M	5.46M

Existing home sales decreased 2.5% to a 5.46 million annualized pace in April. The supply of houses on the market saw an increase to 1.80 million homes. Relative to the pace of sales that leaves the available stock at just 4.0 months, amongst the lowest on record. Prices rose 3.2% to a median of \$257,900, a trend which is likely to accelerate if housing supply remains so tight. Year-over-year, existing home sales are down 1.4%, while the inventory of homes is down by 6.3%.

**Summary: Existing home sales slowed in April.**

5/25/2018	Prev.	Exp.	Act.
University Michigan Consumer Sentiment	98.8	99.0	98.0

The University of Michigan's Consumer Survey index of consumer sentiment decreased to 98.0 in May. Expectations for future conditions declined from 89.5 to 89.1, and the index of current conditions slumped from 113.3 to 111.8. Inflation expectations were soft, with five-year expectations coming in at 2.5% and one-year expectations remaining unchanged.

**Summary: Consumer sentiment fell back slightly, but remains elevated.**

## About Us

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