Weekly Economic Review: March 30th – April 3rd, 2020

Top Headline: Saudi Arabia and Russia Set to Meet this Thursday

OPEC and Russia are set to meet this Thursday, after originally being set to meet today, to discuss oil output cuts. OPEC+ is said to be working on a deal to cut production of oil equivalents by roughly 10% of world supply, roughly 10 million barrels per day. Even so, the IEA has warned that a cut of this size would not be sufficient to counter the fall in demand. There are hitches in discussions, as the U.S. has yet to commit to joining the effort, and Russia continues to blame the price collapse on Saudi Arabia. The idea of the U.S. curbing production has long been thought of as impossible, though Texas regulators have considered regulating production. Alternatively, the President has said that if he must impose tariffs on oil imports in order to support domestic energy workers, he would do so. An OPEC source has stated that that American must play a part for a deal to be reached.

Other News

Despite only capturing data through March 13th, the unemployment report released last week showed payrolls fell by 701K, and the unemployment rate jumped from 3.5% to 4.4%. Job losses were heavily concentrated in retail and hospitality, but no sector was spared.

On Tap This Week

Inflation data will be released this week, in addition to consumer credit and sentiment indicators.

Past Week's Releases

Date		Indicator	Period	Prev.	Exp.	Act.	Comment
T	3/31	Consumer Confidence ♦	Mar	132.6 r↑	110.0	120.0	The expectations index drove the decline
W	4/1	ISM Mfg Index	Mar	50.1	45.0	49.1	All key components reflected weakness in the index
W	4/1	Construction Spending	Feb	2.8% r↑	0.6%	-1.3%	Private and public construction spending pulled the index down
W	4/1	EIA Petroleum Status Report	3/27	1.6M	NA	13.8M	Inventories rising
Th	4/2	International Trade	Feb	$-45.5B r↑	$-40.0B	$-39.9B	A great decline in imports in addition to a decline in exports narrowed the deficit
Th	4/2	Initial Jobless Claims ♦	3/28	3.31M r↑	3.3M	6.65M	Claims set a new record for the second consecutive week
F	4/3	Nonfarm Payrolls	Mar	275K r↑	-100K	-701K	Employment report numbers hit record highs and lows, though they only reflect up until March 13th.
F	4/3	Unemployment Rate	Mar	3.5%	3.8%	4.4%	
F	4/3	ISM Non-Mfg Index	Mar	57.3	44.0	52.5	The index's four key components all suggested weakness

Actual < Expected   Actual > Expected   ♦Leading Indicator

Market Activity

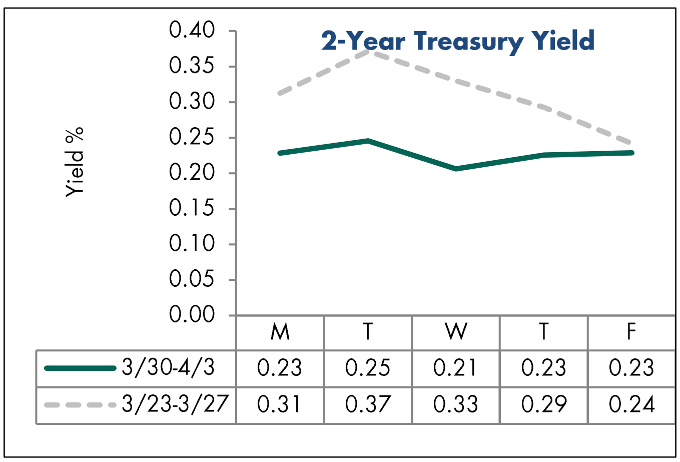
Indicator	Open	Close	ΔWeek	Δ3M
DJIA	21637	21053	-2.70%	-26.48%
S&P 500	2541.5	2488.7	-2.08%	-23.07%
USD*	98.37	100.58	2.25%	3.86%
10-Year Treasury⁺	0.67%	0.59%	-0.08%	-1.19%

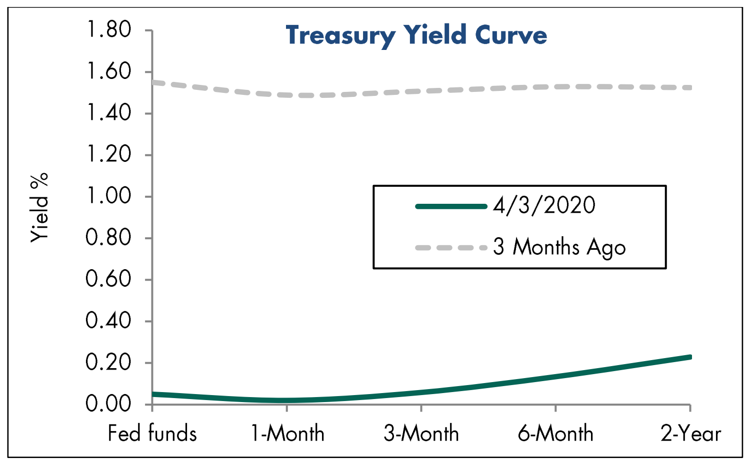
*ICE U.S. Dollar Index Spot Price
⁺Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
T	4/7	Consumer Credit	Feb	$12.0B	$14.0B
Th	4/9	Initial Jobless Claims	4/4	6.65M	5.00M
Th	4/9	PPI	Mar	-0.6%	-0.4%
Th	4/9	Core PPI	Mar	-0.3%	0.0%
Th	4/9	Consumer Sentiment ♦	Apr	89.1	74.7
F	4/10	CPI	Mar	0.1%	-0.3%
F	4/10	Core CPI	Mar	0.2%	0.1%

Yield Curve Highlights





Detailed Economic Releases

3/31/2020	Prev.	Exp.	Act.
Consumer Confidence	132.6 r↑	110.0	120.0

The index fell by roughly ten points in the space of a month to 120.0. The present situation index, reflecting consumers' assessment of current business and labor market conditions, fell from 169.3 to 167.7. The expectations index, which gauges consumers' short-term outlook for income, business and labor market conditions, fell from 108.1 to 88.2. The percent of respondents describing business conditions as "good" was flat at 39.6%, while those describing conditions as bad rose from 10.8% to 11.4%. Those saying jobs were "plentiful" fell from 46.5% to 44.9%, and those saying jobs were "hard to get" was unchanged at 13.9%. The cutoff for results for the index was March 19th.

Summary: The index felt initial shocks from the impact of the coronavirus on the economy, with the expectations component driving most of the decline.

4/1/2020	Prev.	Exp.	Act.
ISM Mfg Index	50.1	45.0	49.1

ISM fell into the contraction zone in March from 50.1% to 49.1%. The new orders index fell 7.6% to 42.2%, the production index fell 2.6% to 47.7%, and the backlog of orders index fell 4.4% to 45.9%. Additionally, the employment index fell by 3.1% to 43.8%, while the supplier deliveries index rose by 7.7% to 65.0%, indicating that the economy and customer deliveries had slowed, likely reflecting supply chain disruptions. Finally, the inventories index rose 0.4% o 46.9%. Six of the eighteen manufacturing industries reported contraction in March, including Petroleum & Coal Products, Textile Mills, Transportation Equipment, Furniture & Related Products, Fabricated Metal Products and Machinery.

Summary: Respondent sentiment reflected weakness in all five key components of the ISM Mfg Index, with new orders, production, backlog of orders, and employment down, and supplier deliveries up.

4/1/2020	Prev.	Exp.	Act.
Construction Spending	2.8% r↑	0.6%	-1.3%

Total construction spending in February fell 1.3% below January's upwardly revised number to $1,366.7 billion, still up 6.0% on the year. Private construction of $1,025.8 billion was down 1.2% on the month, with residential construction down 0.6%, and nonresidential construction down 2.0%. Public construction of $340.9 billion was 1.5% below January's estimate, with educational construction 1.5% down on the month, and highway construction down 1.2% on the month.

Summary: Spending was down in February, stemming from slowdowns in the month in both private and public construction.

4/1/2020	Prev.	Exp.	Act.
EIA Petroleum Status Report	1.6M	NA	13.8M

The EIA provides weekly information on petroleum inventories in the U.S., whether produced within the country or abroad, providing insight into an indicator which helps determine prices of petroleum products. In the week ended 3/27, crude oil inventories rose by 13.8 million barrels to 469.2 million barrels, bringing the level to close to the five year average for the first time this year. Total motor gasoline inventories rose by 7.5 million barrels, bringing them to roughly 4% above the five-year average. Also noted in the report, refineries operated at 82.3% of their operating capacity last week, U.S. crude oil refinery inputs of 14.9 million barrels per day were down 0.9 million barrels per day on the week, and gasoline production was down to 7.5 million barrels per day. Finally, the four-week average of U.S. crude oil imports of 6.3 million barrels per day was down 6.9% on the year.

Summary: The report clearly reflects increasing inventories as a consequence of low demand. Low demand stems from coronavirus keeping people at home and under social distancing guidelines, at a time when Saudi Arabia and Russia are increasing production. The two countries are set to meet this Thursday, however, and are said to be coming to an agreement to reduce production.

4/2/2020	Prev.	Exp.	Act.
International Trade	$-45.5B r↑	$-40.0B	$-39.9B

The trade deficit fell from January's upwardly revised $45.5B to $39.9B. Exports were down $0.8 billion on the month, while imports were down $6.3 billion on the month. The goods deficit fell by $5.9 billion to $61.2 billion, while the services surplus fell by $0.4 billion to $21.3 billion. The goods and services deficit fell by $1.3 billion over the last three months to $44.7 billion. Exports of goods were up by $1.0 billion, thanks to increases in industrial supplies and materials, and automotive vehicles, parts and engines, and despite a drop in consumer goods. Exports of services were down $1.7 billion, as travel, financial services and transport declined. Finally, imports of goods fell by $5.1 billion, with capital goods and industrial supplies down.

Summary: The deficit narrowed due to a fall in exports offset by a greater decline in imports, with both the goods deficit and services surplus declining as well.

4/2/2020	Prev.	Exp.	Act.
Initial Jobless Claims	3.31M	3.3M	6.65M

In the week ended March 28th, initial jobless claims totaled 6.65M, following an upward revision of the previous week's claims to 3.31M. The four-week moving average was up 1.61M from the previous week to 2.61M. Continuing claims for the week ended March 21st were 3.029M and up by 1.245M on the week. The four-week moving average of 2.053M was up 327,250.

Summary: Initial jobless claims were up by a record amount, after setting a record in the previous week.

4/3/2020	Prev.	Exp.	Act.
Nonfarm Payrolls	275K r↑	-100K	-701K
Unemployment Rate	3.5%	3.8%	4.4%

Nonfarm payroll employment fell by 701K in March, and the unemployment rate rose to 4.4%. Employment in leisure and hospitality fell by 459K, specifically in food services and drinking places. Significant declines were also seen in health care (-43K) and social assistance (-19K), professional and business services (-52K), retail trade (-46K), and construction (-29K). The 0.9% increase in the unemployment rate is the largest one-month jump since January 1975, with the number of unemployed increasing from 1.4 million to 7.1 million. Additionally, those reporting being on temporary layoff more than doubled to 1.8 million, while those reporting having permanently lost their jobs rose from 177K to 1.5M. The unemployment rate stood at 4.0% for adult men, 4.0% for adult women, 14.3% for teenagers, 4.0% for whites, 6.7% for blacks, 4.1% for Asians, and 6.0% for Hispanics. The labor force participation rate fell by 0.7% to 62.7%, and the number of people employed part time for economic reasons who would have preferred full-time employment increased by 1.4 million in March to 5.8 million. The average hourly earnings for all employees on private nonfarm payrolls rose by $0.11 to $28.62, with a year-on-year increase of 3.1%.

Summary: Despite only capturing data up until March 13th, the employment report reflected 701K payroll losses stemming from the coronavirus and attempts to control the spread of the virus. The 0.9% jump in the unemployment rate was the largest one-month jump since 1975.

4/3/2020	Prev.	Exp.	Act.
ISM Non-Mfg Index	57.3	43.0	52.5

The non-manufacturing index fell from 57.3 but remained above the contractionary zone at 52.5, reflecting growth albeit at a slower rate. The business activity fell 9.8% to 48.0%, reflecting contraction for the first time since July 2009. Additionally, the new orders index fell by 10.2% to 47.2%, the employment index fell by 8.6% to 47.0%, and supplier deliveries index was up 9.7% to 62.1%. The significant increase in the supplier deliveries index, suggesting slower deliveries, reflected supply-chain problems related to the coronavirus.

Summary: The non-manufacturing index expanded for another consecutive month, though all indicators implied declining strength.

About Us

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