



Summary

U.S. stocks ended higher on Friday and all the major indices finished in the green for the week. The Dow Jones Industrial Average rose 0.3%, the S&P 500 increased 0.4%, and the NASDAQ edged up 0.1% for the week. The S&P 500 has gained 20.41% since October 2022 and has now entered a bull market.

Last week was a slower week for economic reports. The biggest news was the sharp increase in initial unemployment claims. Claims increased to 261,000 for the week ending June 3, against analyst expectations of

237,000. This is their highest level since November 2021. Continuing jobless claims for the week ending May 27 dropped 38,000 to 1,757,000.

Factory orders increased 0.4% in April from March, well below analysts' expectations of 0.8%. Year-over-year factory orders were up only 0.2%, with orders for durable goods up 4.2% and orders for nondurable goods down 4.4% from a year ago. Wholesale inventories fell 0.1% in April. The ISM Non-Manufacturing Index decreased to 50.3% in May from 51.9% in April while analysts expected it to increase

to 52.3%. The index now stands barely above the dividing line between expansion and contraction (50%).

The trade balance widened in April to a deficit of \$74.6 billion, but less than what analysts expected. Consumer credit increased by another \$23 billion, an increase similar to the March expansion (\$22.8 billion).

The MBA Mortgage Application index fell 1.4% in the week ending June 3, extending the decline for a fourth week as 30-year mortgage rates increased from 6.35% on May 12 to 6.79% on June 2.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Factory Orders (Apr – Mo 10:00)	+0.4%	+0.8%	
ISM Non-Manufacturing Index (May -Mo 10:00)	50.3%	52.3%	
MBA Mortgage Applications Index (06/03 - We 7:00)	-1.4%	NA	Prior: -3.7%
Trade Balance (Apr – We 8:30)	-\$74.6 Bil.	-\$75.3 Bil.	
Consumer Credit (Apr – We 15:00)	+\$23.0 Bil.	+\$21.0 Bil.	
Initial Claims (06/03 – Th 8:30)	261K	237K	Prior: 233K
Continuing Claims (05/27 – Th 8:30)	1,757K	NA	Prior: 1,795K
Wholesale Inventories (Apr – Th 10:00)	-0.1%	-0.2%	
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
Treasury Budget (May – Mo 8:30)	NA	\$176.0Bil	Not available
CPI (May – Tu 8:30)	+0.2%	+0.4%	
Core CPI (May – Tu 8:30)	+0.4%	+0.4%	
MBA Mortgage Applications Index (06/10 - We 7:00)	NA	-1.4%	Not available
PPI (May – We 8:30)	-0.1%	+0.2%	
Core PPI (Feb – We 8:30)	+0.2%	+0.2%	
Retail Sales (May – Th 8:30)	+0.0%	0.4%	
Initial Claims (6/10 – Th 8:30)	251K	261K	
Continuing Claims (6/03 – Th 8:30)	NA	1,757K	Not available
Industrial Production (May – Th 9:15)	+0.1%	+0.5%	
Capacity Utilization (May – Th 9:15)	79.7%	79.7%	
Business Inventories (Apr – Th 10:00)	+0.2%	-0.1%	
U. of Michigan Consumer Sentiment (Jun – Fr 10:00)	60.2	59.2	

*Sources: www.briefing.com and www.federalreserve.gov



Economic Review

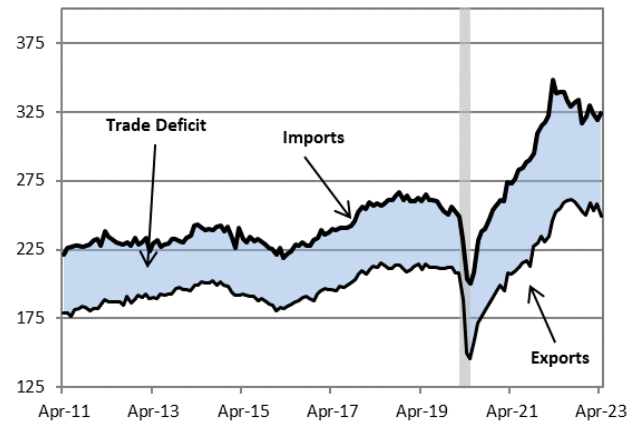
The **TRADE BALANCE** widened in April to a deficit of \$74.6 billion from an upwardly revised \$60.6 in March, which was recalculated with annual revisions to the goods and services series. April exports came in at \$249.0 billion and imports were \$323.6 billion. Imports of automotive vehicles, parts, and engines rose \$2.0 billion. Imports of industrial supply and materials increased \$1.9 billion, and exports of industrial supply and materials decreased \$6.1 billion. We saw a decline in exports of consumer goods (\$1.7 billion) and pharmaceutical preparations (\$0.5 billion). On a Census Basis, the goods deficit with China widened to \$24.2 billion from \$22.6 billion in March. Overall, the report points to a drop in exports, which reflects the weakening demand abroad for U.S. goods.

First-time jobless claims jumped up last week. **INITIAL UNEMPLOYMENT CLAIMS** increased 28,000 to 261,000 for the week ending June 3, bringing the four-week moving average of initial claims to 237,000. This is a 10% increase compared with a year ago when the four-week moving average of initial claims stood at 215,000. Initial claims are a leading indicator. **CONTINUED BENEFITS** for the week ending May 27 were

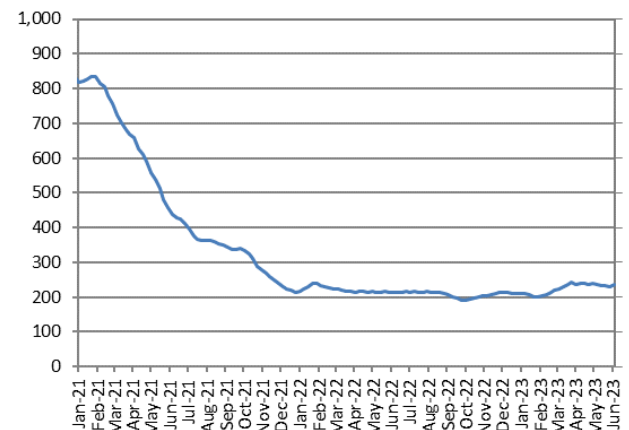
down 38,000 but they are expected to rise following the uptick in initial claims.

Outstanding **CONSUMER CREDIT** topped \$4,860 billion in April, up 6.8% from a year ago. In April, consumers added an additional \$23 billion in outstanding credit. Most of the increase (\$13.5) was related to revolving credit, which now stands at \$1,244 billion. The remaining increase (\$9.5 billion) was in non-revolving credit which now stands at \$3,616 billion. Revolving credit increased at an annual rate of 13.1%, while nonrevolving credit advanced at an annual rate of 3.2%. Consumer spending has remained robust during recent months in spite of high inflation. This report suggests that consumers are relying more on the use of credit cards to maintain their spending activity.

U.S. Trade Balance \$ Billions



Initial Unemployment Claims
Thousands, 4-Week Moving Average



Consumer Credit
Percent Change, Year-Over-Year





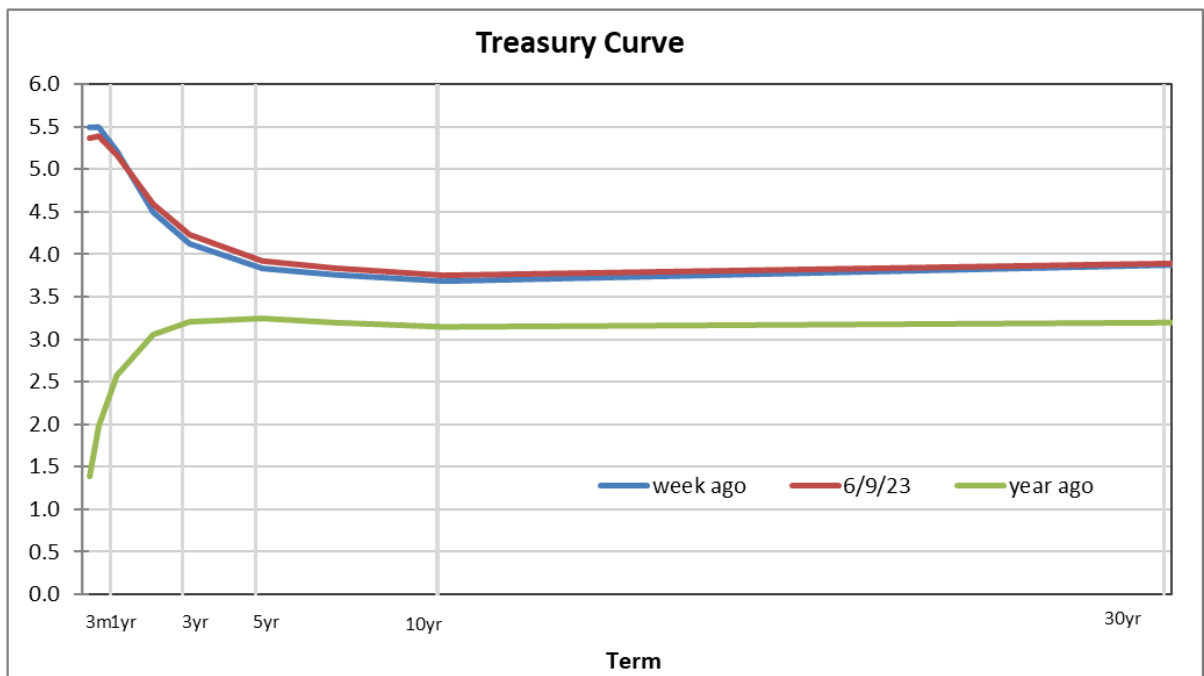
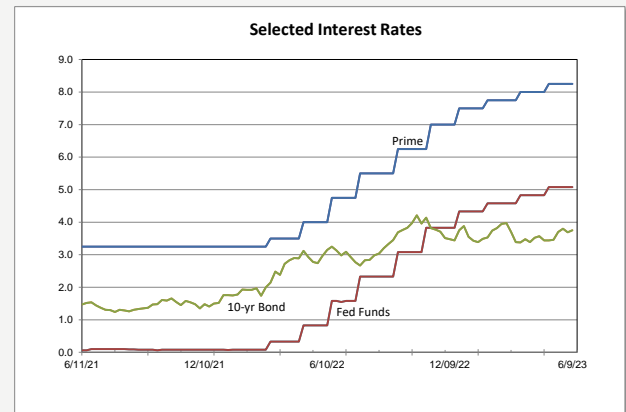
Fed Speeches

There were no speeches, testimony, or interviews by Federal Reserve officials last week relevant to monetary policy.

This is due to the Federal Open Market Committee meeting this week.

Financial Markets

The Dow Jones Industrial Average inched up 0.3% last week, the S&P 500 gained 0.4% while the NASDAQ increased only 0.1%. Yields on Treasury bills lost some of the gains from last week, while yields of Treasury notes and bonds increased slightly. The 3-month yield decreased 13 basis points (bps) to 5.37%, the 10-year yield increased 6 bps to 3.75% and the 30-year yield increased 1 bps to 3.89%. Oil prices continued to recede, ending the week at \$70.38 per barrel. After posting strong gains in the preceding weeks, the U.S. dollar traded lower against the Japanese yen and the euro. The greenback lost 0.4% against the yen and the euro gained 0.4% against the dollar last week.





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) raised the federal funds rate target to 5.00% to 5.25% at the Fed's May policy meeting. In the statement released following the May meeting, the FOMC said, "Economic activity expanded at a modest pace in the first quarter. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains

elevated. The U.S. banking system is sound and resilient. Tighter credit conditions for households and businesses

are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The

Committee remains highly attentive to inflation risks."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
2 nd Qtr '23	8.15	5.00	4.97	5.17	4.12	3.54	3.79	6.38
3 rd Qtr	8.25	5.13	5.10	5.32	4.50	4.08	4.10	6.58
4 th Qtr	8.25	5.13	5.10	5.29	4.80	4.65	4.50	6.62
1 st Qtr '24	8.25	5.13	5.10	5.26	5.10	5.15	5.10	6.72
2 nd Qtr	8.08	4.96	4.94	5.05	5.14	5.26	5.35	6.65

* Forecast as of May 26, 2023

FINANCIAL MARKET SUMMARY

	As of 6/2/2023	As of 5/26/2023	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	8.25	8.25	0	0	50
LIBOR Index Base Rate (1Month)	5.11	5.16	(6)	1	31
Fed Funds (Wed close)	5.08	5.08	0	0	50
TREASURIES (BE) (Changes in BPs)					
3 Months	5.37	5.50	(13)	12	36
6 Months	5.39	5.50	(11)	23	22
1 Year	5.17	5.22	(5)	42	27
2 Years	4.59	4.50	9	61	(1)
5 Years	3.92	3.84	8	47	(4)
10 Years	3.75	3.69	6	29	5
30 Years	3.89	3.88	1	11	19
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.95	2.96	(1)	26	12
5-Year Muni	2.65	2.65	0	31	7
10-Year Muni	2.58	2.57	1	24	3
30-Year Muni	3.60	3.59	1	15	4
30-Year Conventional Mortgage	6.71	6.79	(8)	36	(2)
MARKET INDICATORS (Changes in %)					
DJIA	33,876.78	33,762.76	0.3	1.7	6.2
S&P 500	4,298.95	4,282.37	0.4	4.2	11.3
NASDAQ	13,259.14	13,240.77	0.1	7.9	19.0
CRB Futures	288.86	287.63	0.4	1.4	(0.4)
Oil (WTI Crude)	70.38	71.91	(2.1)	(1.3)	(11.8)
Gold	1,975.00	1,948.54	1.4	(1.8)	5.7
Yen / Dollar	139.97	140.59	(0.4)	3.8	3.1
Dollar / Euro	1.07	1.07	0.4	(0.9)	1.0



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