



## Summary

The U.S. stock market finished lower on Friday and posted losses for the shorter trading week. Markets were closed on Monday due to the new federal holiday, Juneteenth. The Dow Jones Industrial Average dropped 1.7% for the week, while the S&P 500 and the NASDAQ both lost 1.4%.

Last week was a slower week for economic reports. The housing market seems to be on a rebound. Total housing starts surged 21.7% month-over-month to a seasonally adjusted annual rate of 1.631 million. Total building permits increased 5.2% month-over-

month to a seasonally adjusted annual rate of 1.491 million. Existing home sales increased 0.2% month-over-month in May to a seasonally adjusted annual rate of 4.30 million. The MBA Mortgage Applications index was up 0.5% from the week before.

Initial unemployment claims for the week ending June 17 were a bit higher than analysts forecasted at 264,000. The tally for the previous week was also revised upwardly to 264,000. This is the third consecutive week that claims are above 260,000. In the prior months since the beginning of the year,

weekly initial unemployment claims have been between 194,000 and 247,000. Continuing jobless claims for the week ending June 10, decreased 13,000 to 1.759 million. This suggests that workers are not staying unemployed for a long time and employers are still aggressively hiring from the unemployed.

The Conference Board Leading Economic Indicators Index for May continued to fall, although not as much as analysts expected. The Index is still predicting a recession in the near future.

### ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Housing Starts (May – Tu 8:30)	1631K	1400K	
Building Permits (May – Tu 8:30)	1491K	1425K	
MBA Mortgage Applications Index (06/17 - We 7:00)	+0.5%	NA	
Initial Claims (6/17 – Th 8:30)	264K	259K	Prior: 264K revised from 262k
Continuing Claims (6/10 – Th 8:30)	1759K	NA	Prior: 1772K revised from 1775K
Existing Home Sales (May – Th 10:00)	4.30 MUAR	4.28 MUAR	
Leading Indicators (May– Th 10:00)	-0.7%	-0.8%	
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
Durable Orders (Feb – Fr 8:30)	-1.0%	+1.1%	
S&P Case-Shiller Home Price Index	-2.5%	-1.1%	
Consumer Confidence (Mar – Tu 10:00)	103.8	102.3	
New Home Sales (Feb – We 10:00)	665 TUAR	683 TUAR	
MBA Mortgage Applications Index	NA	+0.5%	
Initial Claims (3/25 – Th 8:30)	266K	264K	
Continuing Claims (3/18 – Th 8:30)	NA	1759K	Not available
GDP – Third Estimate (Q4 – Th 8:30)	+1.3%	+1.3%	
GDP Deflator - Third Estimate	+4.2%	+4.2%	
Pending Home Sales	-0.8%	0.0%	
Personal Income (Feb – Fr 8:30)	+0.4%	+0.4%	
Personal Spending (Feb – Fr 8:30)	+0.3%	+0.8%	
PCE Prices (Feb – Fr 8:30)	+0.1%	+0.4%	
PCE Prices – Core (Feb – Fr 8:30)	+0.3%	+0.4%	
U. Michigan Consumer Sentiment (Mar – Fr 10 :00)	63.9	63.9	

\*Sources: [www.briefing.com](http://www.briefing.com) and [www.federalreserve.gov](http://www.federalreserve.gov)



# Economic Review

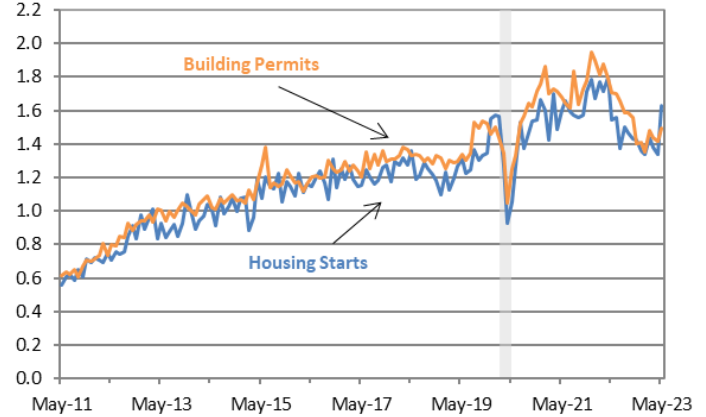
Construction has been showing signs of a rebound in recent months. Total new HOUSING STARTS and BUILDING PERMITS were up 21.7% and 5.2%, respectively, month-over-month. Overall, multi-unit housing starts were up 27% to a seasonally adjusted annual rate of 634 thousand, while single-unit homes were up by 18.5% to a seasonally adjusted annual rate of 997 thousand. The increase was not equal across regions. New single-unit housing starts were up 59.1% in the Midwest, 21.0% in the South, and 8.8% in the Northeast, but declined by 4.1% in the West month-over-month. We expect construction to pick up in the West soon. New building permits were up 14.5% in the West compared with 3.3% in the South. Building permits were unchanged in the Northeast compared with the previous month and they were 0.9% down in the Midwest.

The Conference Board LEADING ECONOMIC INDICATORS index decreased 0.7% in May from the month before. The U.S. Leading Index has declined in each of the last fourteen months and continues to point to weaker economic activity ahead. The Conference Board has revised the second quarter 2023 GDP

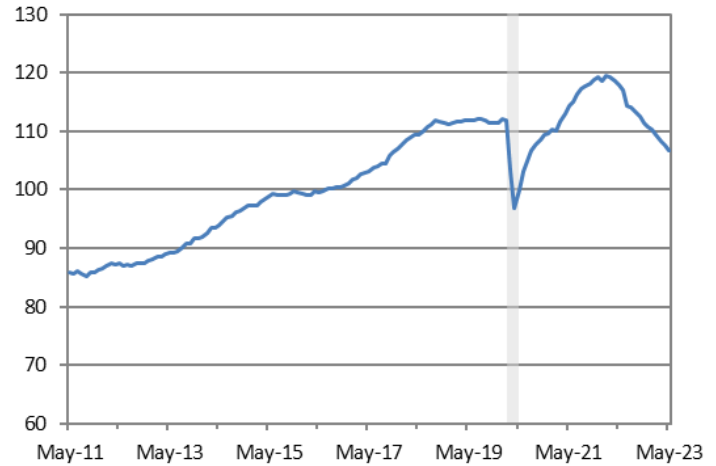
forecast from negative to slightly positive, but they still expect the U.S. economy to contract over the Q3 2023 to Q1 2024 period.

INITIAL UNEMPLOYMENT CLAIMS were unchanged at 264,000 for the week ending June 17, bringing the four-week moving average of initial claims to 255,750. This is the highest number of first-time jobless claims since November 13, 2021. On the other hand, the four-week moving average of CONTINUED BENEFITS for the week ending June 10 was down 7,500 to 1,770,000. The key takeaway from the report is that initial jobless claims have remained elevated (third straight week above 260,000), suggesting that there is some loosening in the labor market, although the level of initial claims remains well below average levels north of 375,000 seen in all recessions since 1980.

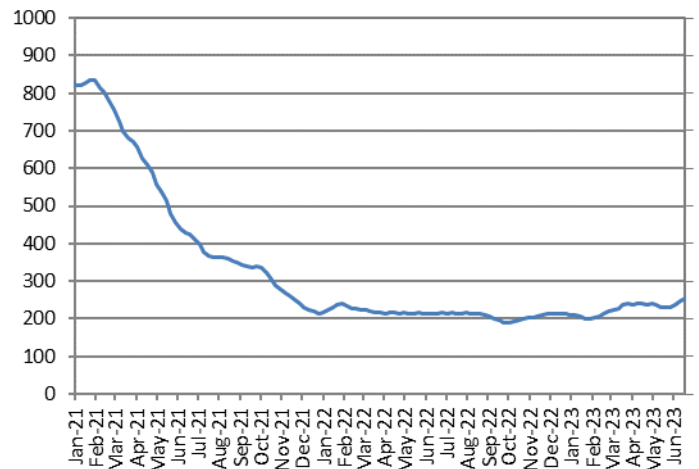
**Total Housing Starts and Permits**  
Million Units, Annualized Rate



**Index of Leading Indicators**



**Initial Unemployment Claims**  
Thousands, 4-Week Moving Average





## Fed Speeches

In the Semiannual Monetary Policy Report to the Congress, Chair Jerome Powell explained the reasons behind the Federal Open Market Committee's (FOMC) decision to maintain the target range for the federal funds rate at 5 to 5-1/4 percent.

*The economy is facing headwinds from tighter credit conditions for households and businesses, which are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. In light of how far we have come in tightening policy, the uncertain lags with which monetary policy affects the economy, and*

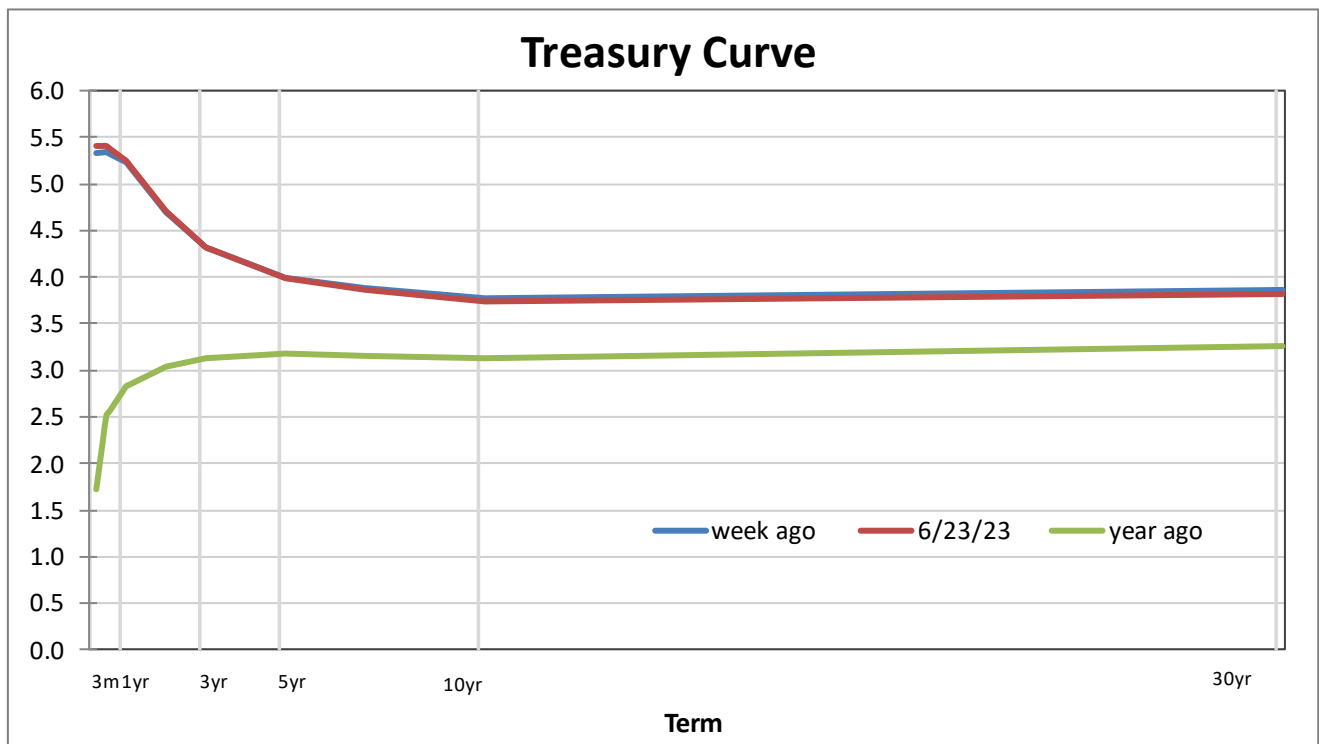
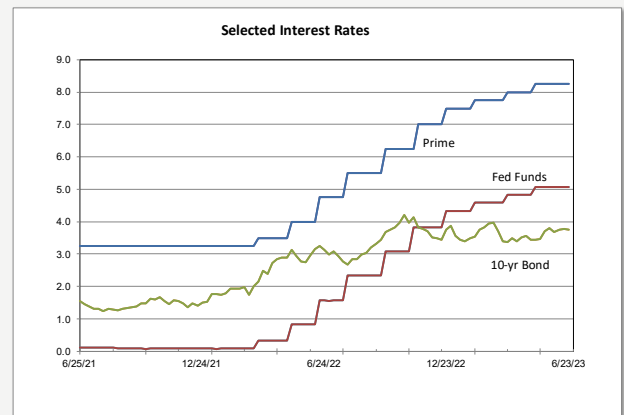
*potential headwinds from credit tightening, the FOMC decided last week to maintain the target range for the federal funds rate at 5 to 5-1/4 percent and to continue the process of significantly reducing our securities holdings.*

Chair Power emphasized the FOMC commitment to bring inflation down to 2 percent and hinted at further interest rate hikes in 2023 to reach this goal:

*Nearly all FOMC participants expect that it will be appropriate to raise interest rates somewhat further by the end of the year.*

## Financial Markets

U.S. stocks lost ground last week as the Dow Jones Industrial Average dropped 1.7%. The S&P 500 and the NASDAQ both lost 1.4%. The indices are still up from 4 weeks ago. Treasury yields were higher for short-term securities and lower for long-term securities. They were unchanged for 5 years notes. Oil prices dropped 3.4% and ended the week at \$69.25 per barrel. The U.S. dollar gained 1.8% against the Japanese yen and 0.4% against the euro last week.





## Interest Rate Forecast\*

The Federal Open Market Committee (FOMC) left the federal funds rate target at 5.00% to 5.25% at the Fed's June policy meeting. In the statement released following the June meeting, the FOMC said, "recent indicators suggest that economic activity has continued to expand at a modest pace. 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 <sup>nd</sup> Qtr '23	8.15	5.00	4.97	5.17	4.12	3.54	3.79	6.38
3 <sup>rd</sup> Qtr	8.25	5.13	5.10	5.32	4.50	4.08	4.10	6.58
4 <sup>th</sup> Qtr	8.25	5.13	5.10	5.29	4.80	4.65	4.50	6.62
1 <sup>st</sup> Qtr '24	8.25	5.13	5.10	5.26	5.10	5.15	5.10	6.72
2 <sup>nd</sup> 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 6/16/2023	As of 6/9/2023	Weekly Change	4-Week Change	13-Week Change
<b>MONEY MARKETS (Changes in BPs)</b>					
Prime	8.25	8.25	0	0	25
LIBOR Index Base Rate (1Month)	5.15	5.15	0	(1)	31
Fed Funds (Wed close)	5.07	5.08	(1)	(1)	24
<b>TREASURIES (BE) (Changes in BPs)</b>					
3 Months	5.41	5.34	7	7	67
6 Months	5.41	5.35	6	(3)	65
1 Year	5.25	5.24	1	0	93
2 Years	4.71	4.70	1	17	95
5 Years	3.99	3.99	0	7	58
10 Years	3.74	3.77	(3)	(6)	36
30 Years	3.82	3.86	(4)	(14)	18
<b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b>					
2-Year Muni	2.91	2.94	(3)	(16)	48
5-Year Muni	2.60	2.64	(4)	(16)	34
10-Year Muni	2.53	2.57	(4)	(23)	22
30-Year Muni	3.55	3.59	(4)	(17)	15
30-Year Conventional Mortgage	6.67	6.69	(2)	10	25
<b>MARKET INDICATORS (Changes in %)</b>					
DJIA	33,727.43	34,299.12	(1.7)	1.9	4.6
S&P 500	4,348.33	4,409.59	(1.4)	3.4	9.5
NASDAQ	13,492.52	13,689.57	(1.4)	4.0	14.1
CRB Futures	292.18	300.66	(2.8)	1.3	3.1
Oil (WTI Crude)	69.25	71.70	(3.4)	(3.5)	4.6
Gold	1,920.08	1,956.80	(1.9)	(1.4)	(2.8)
Yen / Dollar	141.86	139.40	1.8	2.8	7.5
Dollar / Euro	1.09	1.09	(0.4)	1.5	1.2



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