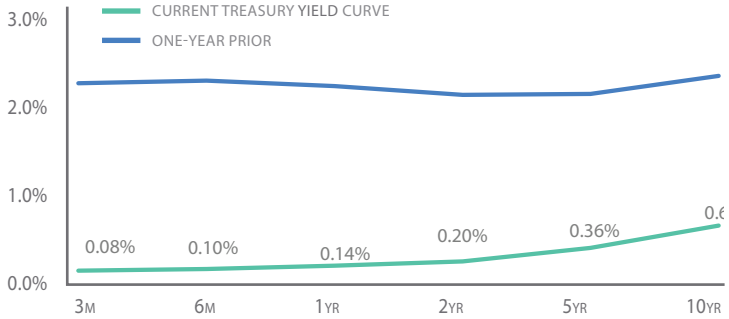
PMA™
ASSET MANAGEMENT

# MARKET UPDATE

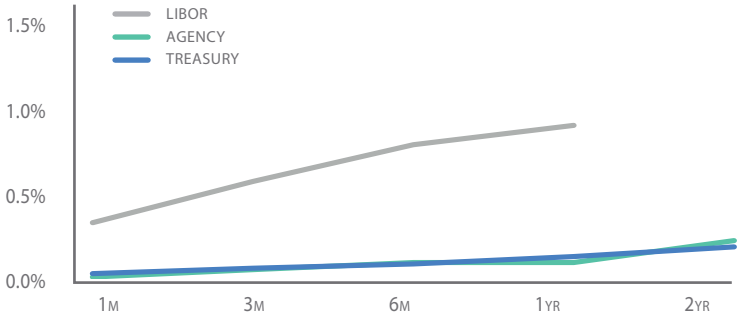
MAY 2020

## Historical Treasury Yield Curve




Source: Bloomberg Finance L.P. 4/30/20

## Indicative Rates




Source: Bloomberg Finance L.P. 4/30/20. Rates do not reflect transaction fees.

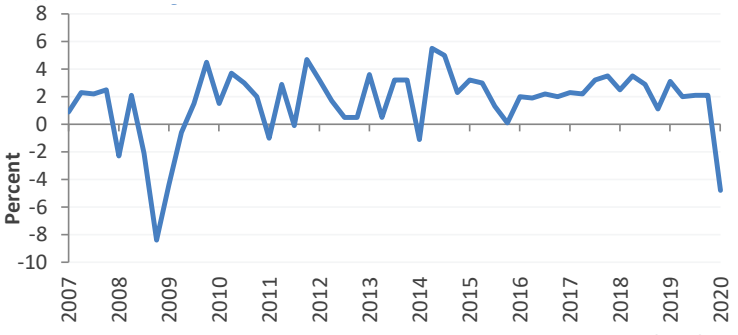
### FEATURED MARKET DATA

## U.S. Recession Likely Begins

Gross Domestic Product, the broadest measure of goods and services produced, shrank 4.8% in the first quarter according to the government's advance estimate. This decline, the largest since the last recession, was caused by initiatives aimed at containing the coronavirus. These responses ramped up in the final few weeks of the quarter. A lack of data late in the quarter may result in revisions to the report and second quarter GDP is expected to be far lower. Personal consumption, the primary driver of U.S. growth, fell at a 7.6% rate, the steepest quarterly drop since 1980. Business spending also declined sharply.

Source: Bloomberg, Wall Street Journal

### QUARTERLY GDP




Source: Bloomberg

### RECENT NEWS

## Markets Rebound in April

U.S. stocks rallied in April despite poor fundamentals including unprecedented levels of unemployment claims. The S&P 500 posted its biggest monthly gain since January 1987 and was up about 30% since the March 23rd low. In our view, the primary drivers of these returns were the enormous monetary and fiscal policy responses which reduced interest rates and improved credit market functioning. This support benefited stocks and reinforces the old adage, "don't fight the Fed." Other market tailwinds included improving coronavirus trends, an economic reopening push and positive coronavirus treatment developments. Markets face numerous risks in the months ahead and we expect heightened market volatility.

Source: Bloomberg

## U.S. Economic Indicators

| Event | Event Date | Period | Survey | Actual | Prior / Revised (R) |
|---|---|---|---|---|---|
| Core CPI (MoM) | 04/10/20 | MAR | 0.1% | -0.1% | 0.2% |
| Core CPI (YoY) | 04/10/20 | MAR | 2.3% | 2.1% | 2.4% |
| Retail Sales Ex. Auto (MoM) | 04/15/20 | MAR | -5.0% | -4.5% | -0.4% |
| Consumer Confidence | 04/28/20 | APR | 87.0 | 86.9 | 118.8 (R) |
| Personal Income | 04/30/20 | MAR | -1.7% | -2.0% | 0.6% |
| Personal Spending | 04/30/20 | MAR | -5.1% | -7.5% | 0.2% |
| ISM Manufacturing | 05/01/20 | APR | 36.0 | 41.5 | 49.1 |
| Change in Nonfarm Payrolls | 05/08/20 | APR | -21.3M | -- | -0.7M |
| Unemployment Rate | 05/08/20 | APR | 16.0% | -- | 4.4% |

*Preliminary.
Source: Bloomberg Finance L.P. 5/4/20

## Contact Information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