

Economic data tracker – labor market remains strong

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Trend watch and what's new this week

The total number of new COVID-19 cases in the U.S. decreased (slide 6). In fact, it dropped more than 12% week-over-week, continuing a trend that we highlighted for the past few weeks (slide 9). The rate of hospitalizations ebbed, but the percentage of COVID-19 patients continued to rise (slide 8).

Most of the activity-based data (slides 5 and 7) continued to strengthen this past week. For instance, the truck loading index hit a fresh all-time high in May and temporary staffing continued to rebound. Most of the travel-related data ebbed slightly following the Memorial Day holiday, though hotel occupancy, air passenger counts, and restaurant bookings remained solid compared to their recent trends.

Solid job growth in May highlights U.S. resilience

U.S. payrolls in May increased by 390,000, beating the consensus of 320,000. Meanwhile, the unemployment rate held steady at 3.6% for the third straight month. Yet, some of the internal components of the jobs report ticked lower again in May, signaling that the overheating conditions within the labor market are cooling from a hard boil. On slide 10, we show May's job growth by industry along with average hourly earnings, which fell for the second month in a row.

Inflation remains a headwind, but some cracks appearing

On slide 11, we highlight the recent spike in U.S. crude oil prices. This will undoubtedly reverberate through other prices, including shipping costs and food prices.

On the other side, we revisit lumber prices (slide 12), which have cracked of late. Lumber prices have quickly dropped below \$600 per 1,000 feet from more than \$1,400 less than three months ago.

Housing rolling over

On the "Econ-at-a-Glance" (slide 4), we downgraded all four of the housing trend indicators to negative, indicating that are no longer favorable economic growth, from neutral. This is a direct result of higher interest rates, which have jumped dramatically in 2022.

Nearly every housing-related metric has rolled over in the past few months from construction and mortgage indicators to prospective buyer traffic. For example, new and existing home sales have declined month-over-month for four and three consecutive months, respectively. The exception has been home prices, which have largely continued to climb due to tight supply. Here, too, inventories have started to rise, and price should begin to soften in the coming months. That said, given the extreme lack supply in some U.S. markets, we don't expect to see a big decline in home prices any time soon.

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Economic Commentary – Our take and the bottom line

Our take

We acknowledge the difficulty getting a “clean” read on the U.S. economy. There are most certainly cross currents within the economic data, whereby some data is soft, such as nearly everything associated with housing, and other data is strong, such as travel and service-related metrics. Additionally, several manufacturing gauges, including the ISM Manufacturing survey and new orders for durable goods, strengthened in May from softness in April.

However, the labor market remains firmly in the “strong” camp, as evident in the May jobs report. Aside from strong hiring broadly, it is corroborated by a nearly 50-year low in initial jobless claims and record levels of job openings and quit rates. These are not the hallmarks of a weak economy and nor has the U.S. has ever had a recession while maintaining strong job growth. These are the underpinnings of our “no recession” call for the next 12-months.

That said, some of the internal components of the jobs report ticked lower again in May, signaling that the overheating conditions within the labor market are cooling from a hard boil. For example, average hourly earnings slipped for the second month in a row, though remaining well above pre-pandemic levels. Also, in addition to the job losses within retail trade, we are beginning to see companies shed workers at the sub-industry level. Meanwhile, the unemployment rate and hours worked held steady, and the labor force participation rate continues to grind higher.

The Federal Reserves (Fed) certainly has a challenging task – cool inflation but don’t interrupt the strong recovery. And do it in real time with incomplete data. We feel the Fed can engineer a “soft-ish” landing, as Chair Powell mentioned in recent weeks, which is a euphemism for raising interest rates without triggering a recession. Inflation appears to be peaking based on non-employment data as well as the some of the wage trends. Although elevated compared pre-pandemic levels, this bolsters our case that the easing inflation pressures could give the Fed enough cover to throttle back on rate hikes later in ’22 and into ’23.

Bottom line

We maintain our “no recession” call for the next 12-months. Yet, the cross currents within economic data will continue and contribute to the turbulence within the stock and bond markets, as investors try to parse the data to determine what is a signal and what is noise.



Wealth

Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Overall	Gross domestic product (GDP)	▲	1Q P: -1.5%	1Q F: -1.5%	Revised downward by 0.1 from -1.4%. Inflation, imports, and inventories punched down real GDP in the first quarter.
	Unemployment rate ^x	▲	May: 3.6%	Jun: N/A	Held steady since March; hard to argue U.S. isn't at full employment.
Jobs	Monthly jobs (nonfarm)	▲	May: 390K	Jun: N/A	Another strong month. The six-month average is 505K.
	Weekly jobless claims ⁺	▲	5/28: 200K	6/4: 206K	It dropped by 11,000 WoW as it hovers near a 50-year low.
	Nonfarm productivity	▲	1Q F: -7.3%	2Q P: N/A	Revised modestly upward from -7.5%. The big decline as supply chain snags persist, and unit labor costs soared 12.6% in 1Q22.
Interest rates	Federal funds rate	▲	0.75% – 1.00%	6/15: 1.25% – 1.50%	We expect another half-point rate hike on June 15. Fed's May meeting minutes suggest it won't be as aggressive if inflation eases.
	10-year U.S. Treasury yield	▼	2.95% [‡]	Flat/down	Rates have jumped about 0.2% in the past week as worries abound. Buckle in – we expect rate volatility will continue for some time.
	10-year AAA GO muni yield	▼	2.45% [‡]	Flat/down	Muni yields have continued to decline sharply in the past three weeks.
	30-year fixed mortgage rate	▼	5.39% [‡]	Flat/down	Bounced near at the highest level since 2009 but has remained under 5.5% for nearly weeks. Higher rates hurt housing affordability.
Inflation	Consumer prices (CPI) ^x	▼	Apr: 0.3%	May: 0.7%	It was the smallest MoM rise in 8 months. Gasoline dropped 6.1% MoM. Still, CPI increased 8.6% YoY, the most since 1981.
	Core CPI	▼	Apr: 0.6%	May: 0.5%	Faster than the consensus of 0.4%, and up from 0.3% in March.
	Producer prices (PPI)	▼	Apr: 0.5%	May: 0.6%	Cooler MoM reading in 7 months. But jumped 11.0% YoY.
	Core PPI	▼	Apr: 0.4%	May: 0.6%	The coolest pace in 6 months. Up 8.8% YoY (was up 9.6% in March).

▲ Good ▼ Bad ⇄ Neutral ⁺Leading indicator ^xLagging indicator [‡]Intraday quote Bloomberg consensus shown

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Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Housing	Existing home sales	▼	Apr: 5.61M	May: N/A	Fell 2.4% MoM, the third straight monthly decline.
	New home sales	▼	Apr: 591K	May: N/A	Big MoM drop of -16.6%, the fourth monthly decline, due to both higher prices and sharply higher mortgage rates.
	New housing starts ⁺	▼	Apr: 1.724M	May: 1.738M	Fell 0.2% MoM; with downward revisions, down for second month.
	New permits ⁺	▼	Apr: 1.832M	May: 1.822M	Down 3.0% MoM. Both single and multifamily were weak.
Business	Durable goods orders ⁺	▲	Apr F: 0.5%	May P: N/A	Business equipment demand remained solid. Core capital goods orders (ex-air & defense) rose 0.3% MoM after very strong March.
	ISM manufacturing	▲	May: 56.1	Jun: N/A	Jumped in May, snapping a two-month slide. It was the 24 th straight month of expansion, which began in June 2020.
	ISM services/non-manufacturing	▲	May: 55.9	Jun: N/A	The pace fell for the second straight month but remains roughly at the pre-pandemic 3-year average and continues to expand.
	Business inventories ^x	▲	Mar: 2.0%	Apr: 1.2%	The largest MoM increase in 3 month. Inventories were depleted by ongoing supply chain issues and transportation bottlenecks.
Consumer	Personal income	▲	Apr: 0.4%	May: N/A	Third straight strong month, buoyed by wage & income growth.
	Personal spending	▲	Apr: 0.9%	May: N/A	Fourth strong month in a row, which belies the widely-held narrative that inflation will smother spending.
	Advance retail sales	▲	Apr: 0.9%	May: 0.3%	Just hit a fresh all-time high and are up 33% from April 2019.
	Consumer sentiment	▼	May F: 58.4	Jun P: 58.4	Inflation worries punched it down to an 11-year low in May.

▲ Good ▼ Bad ⇄ Neutral ⁺Leading indicator ^xLagging indicator [‡]Intraday quote Bloomberg consensus shown

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U.S. activity-based data matrix

Indicator	Relative trend	What we're watching
Back to office	▼	Dipped modestly for a second straight week to 43.0 (pre-pandemic indexed to 100). Top cities are Austin (59), Houston (56), and Dallas (51); bottom are San Francisco (34) San Jose (34). While the trend has steadily improved, it remains less than half of pre-pandemic levels, which is not conducive for overall growth.
TSA air passenger throughput	▲	Weekly passengers fell 1.7% WoW to 15.3 million, just 5.1% below the 2019 weekly average of 16.1M. Passenger counts fell 9.9% from the same week in May '19 but are 24.5% above the same week in May '21.
OpenTable restaurant bookings	▲	Slipped to -1.1% compared to pre-pandemic levels from +0.5%. Top positive states were led by Nevada (+23%) and Oklahoma (+20%); bottom were New York (-41%) and Massachusetts (-36%). Top cities were San Antonio (+26%) and Las Vegas (+19%); bottom were Minneapolis (-61%) and Philadelphia (-50%).
Google mobility	▲	Parks soared to +50%, highest since the last week of July '21. 7-day averages relative to 2020: Residential +4%, Grocery/Pharmacy 0%, Transit -20%, Workplaces -28%, Retail/Restaurant/Recreation -7%.
Hotel occupancy	▲	Occupancy slipped to 66.5% but remains above the 5-year average. The average daily rate was \$151.73, up 22.2% from the same week in May '19, while revenue per available room was \$100.97, up 26.2% from May '19.
Freight (rail/truck/ship)	▲	Truck loading rose 0.5% MoM in May, a fresh all-time high, and the 4 th monthly rise. Rail carloads rose 1.4% WoW, the largest in 4 weeks, and rose 2.5% in May. Container traffic at the top 5 U.S. ports fell 5.1% in April.
Staffing index	▲	Jumped to 106.6, it's highest level since mid-December 2021, from the prior week reading of 105.9. The low for this cycle was 59.6 set in April 2020.
Apartment rental prices	↔	Rent index rose to 0.996 in April from 0.846 in March, but down from 1.23 in February. While prices are significantly above pre-pandemic levels, rental growth clearly peaked during the second half of 2021.

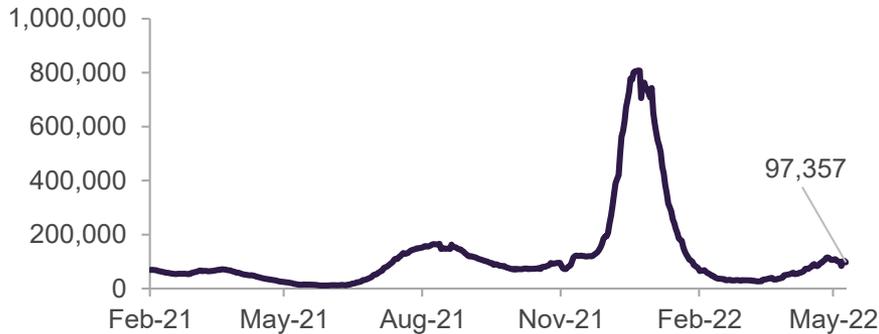
Trend relative to whether it is favorable for economic growth:

▲ Positive ▼ Negative ↔ Neutral / Mixed

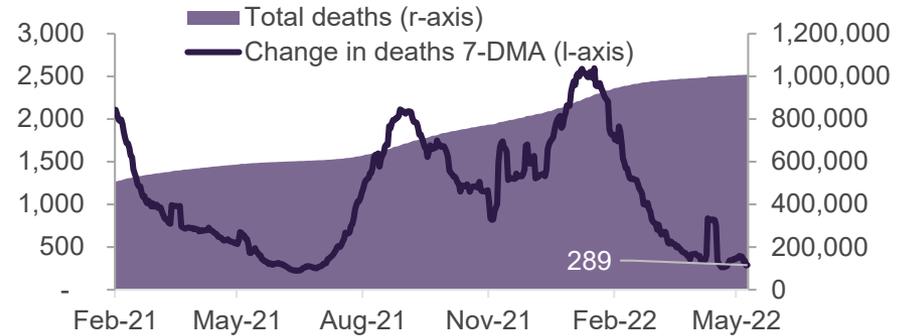
Sources: Truist IAG, Bloomberg, Kastle Back to Work Barometer, Transportation Security Administration, OpenTable, Google COVID-19 Community Mobility Report, STR/CoStar, American Staffing Association, Zillow. Week-over-week and year-over-year change are abbreviated as WoW and YoY, respectively.

U.S. COVID-19 watch – New cases and death rate declining, but hospitalizations continue modestly rising

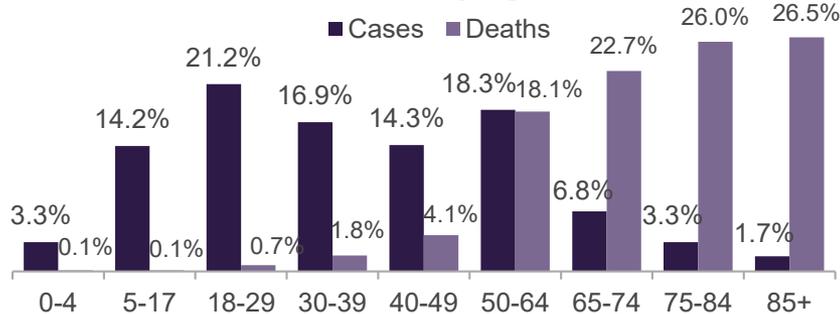
New confirmed cases 7-day moving average



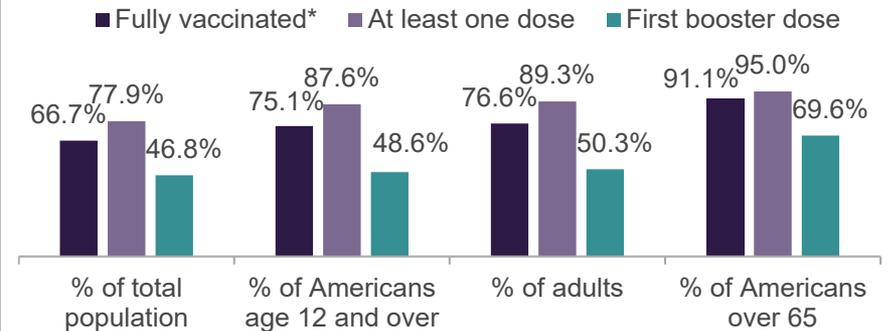
U.S. COVID-19 deaths



U.S. COVID-19 percentage of cases and deaths by age



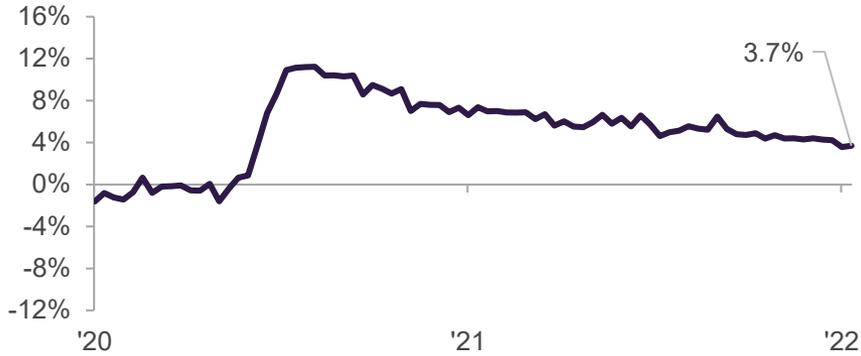
U.S. vaccinations (percentage of population)



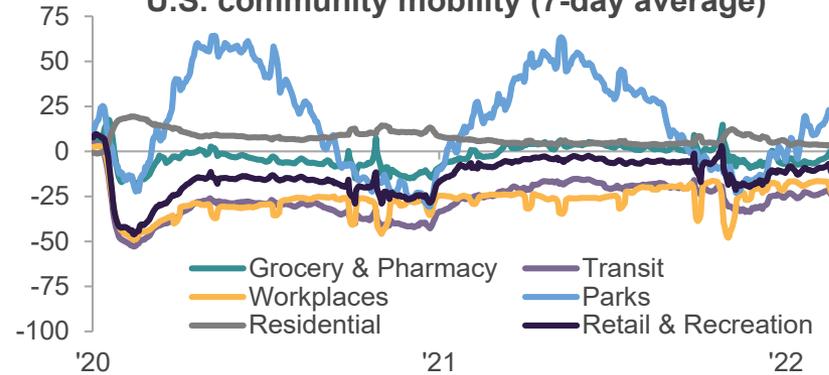
Sources: Truist IAG and the following additional sources respectively: Top left and right, Bloomberg, Johns Hopkins University through June 2, 2022. Data for 50 U.S. states plus American Samoa, Washington D.C., Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands. 7-day moving average (DMA). Top left, bottom right: Centers for Disease Control & Prevention (CDC), through June 2, 2022. *Fully vaccinated is defined as receiving two doses on different days (regardless of time interval) of the two-dose mRNA series or receiving a single-dose vaccine regimen.

Activity-based trends remain solid through May

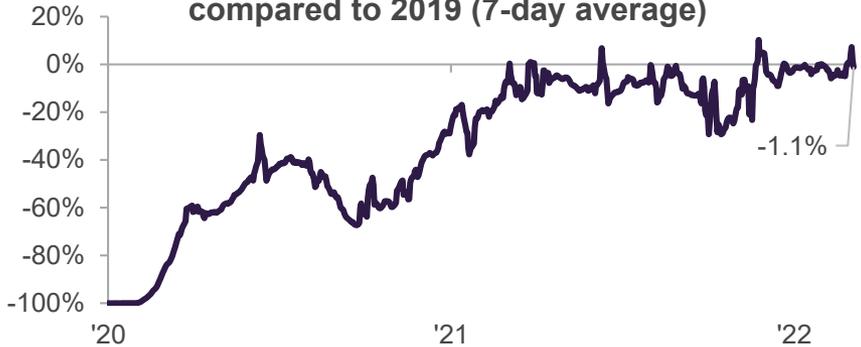
NY Fed weekly economic index



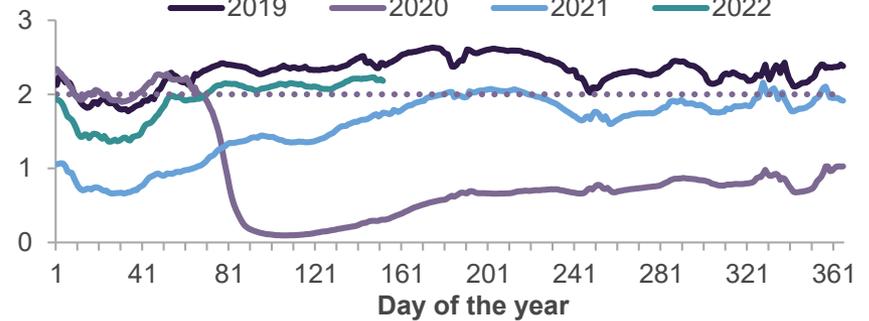
U.S. community mobility (7-day average)



OpenTable bookings % change compared to 2019 (7-day average)



TSA checkpoint traveler throughput (7-day average, in millions)

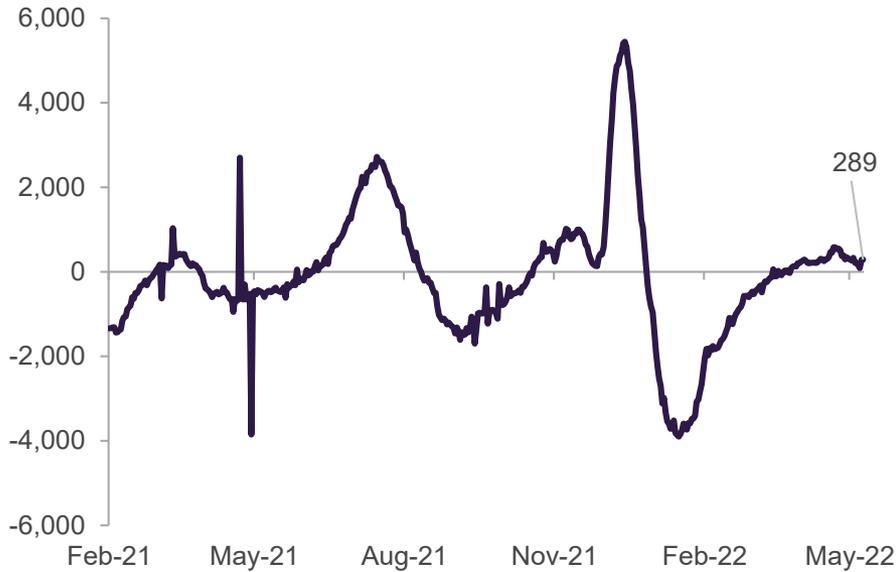


Sources: Truist IAG and the following additional sources respectively: Top left: Bloomberg, NY Federal Reserve Weekly Economic Index through May 28, 2022. Top right: (U.S. Community Mobility) Google COVID-19 Community Mobility Reports 7-day average through May 30. Bottom left: Bloomberg, OpenTable 7-day average through June 1. Bottom right: Bloomberg, Transportation Security Administration (TSA) 7-day average through June 2.

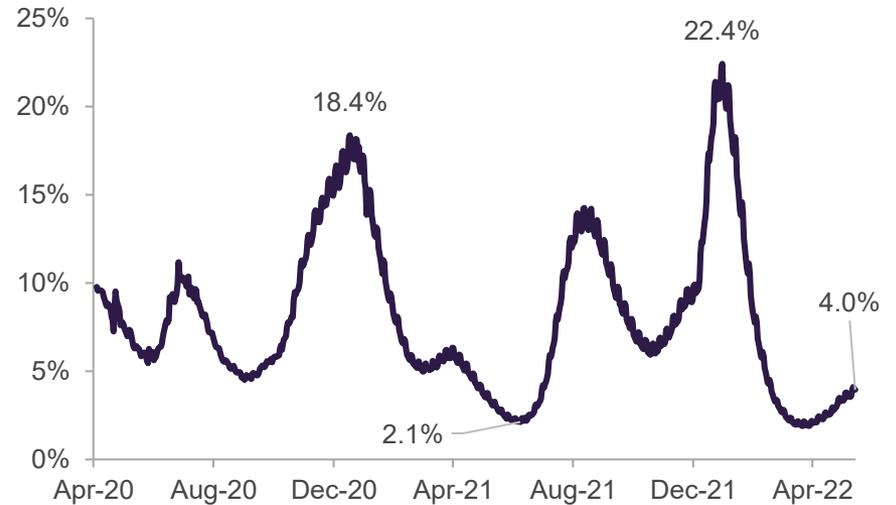
The pace of U.S. hospitalizations slipping, but percentage of beds still creeping higher

The pace of COVID-19 hospitalizations has slipped in the past week. Yet, the total number of COVID-19 hospitalizations has continued to inch higher along with the percentage of COVID-19 patient hospitalizations.

Change in hospitalizations (7-DMA)



U.S. percentage of hospital beds occupied by COVID-19 patients

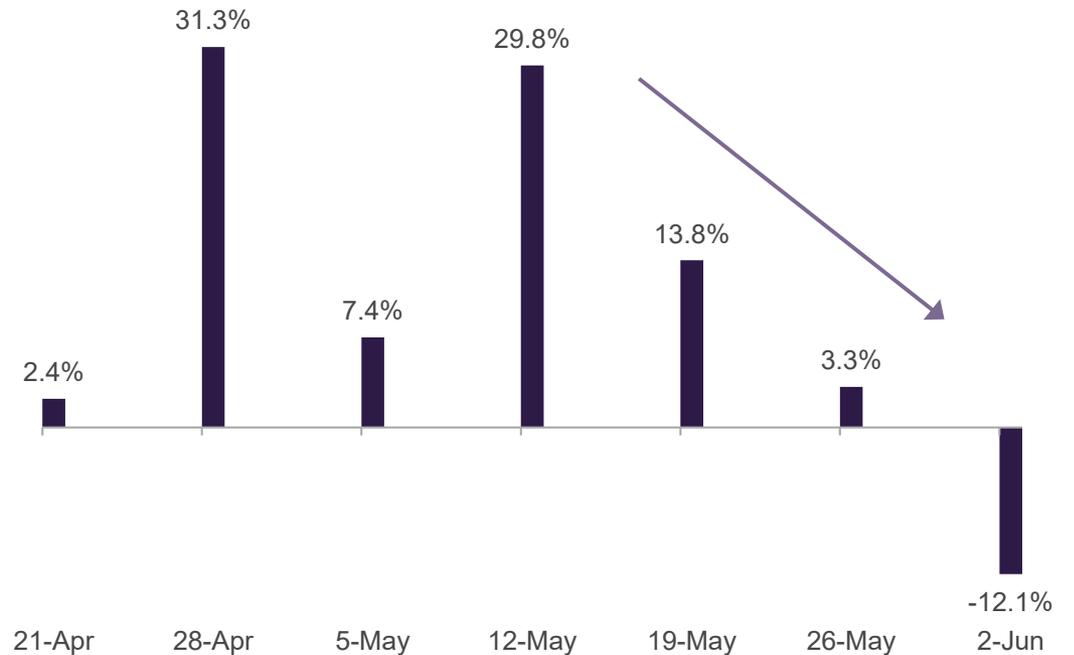


Sources: Truist IAG, Bloomberg, Department of Health & Human Services; daily data through June 2, 2022. 7-day moving average (7-DMA).

Pace of new U.S. COVID-19 cases down sharply

The total number of new COVID-19 cases in the U.S. has stalled as the weekly pace dropped dramatically in past four weeks. The week-over-week change has fallen by 11,751, or a decrease of 12.1%, compared to increasing nearly 30% for the week of May 12.

Weekly change in 7-DMA of new COVID-19 cases

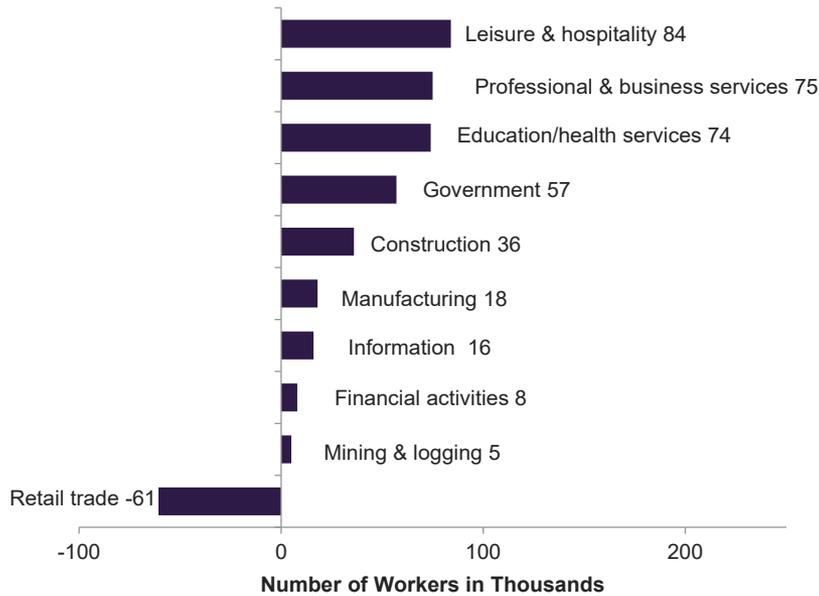


Sources: Truist IAG, Bloomberg, Johns Hopkins University; 7-day average (7-DMA) based on daily data through June 2, 2022.

Solid job growth continued in May, but overheating fading

Overall job growth remained solid in May, gaining 390,000 jobs. Retail trade lost 61,000 jobs in May, more than half (32,700) were at general merchandise stores, which includes Walmart and Target. Some of the internal components of the jobs report ticked lower again in May, signaling that the overheating conditions within the labor market are cooling from a hard boil. For example, average hourly earnings slipped for the second month in a row, though remaining well above pre-pandemic levels.

Monthly change by major industry group (in thousands)



Average hourly earnings (change year over year)

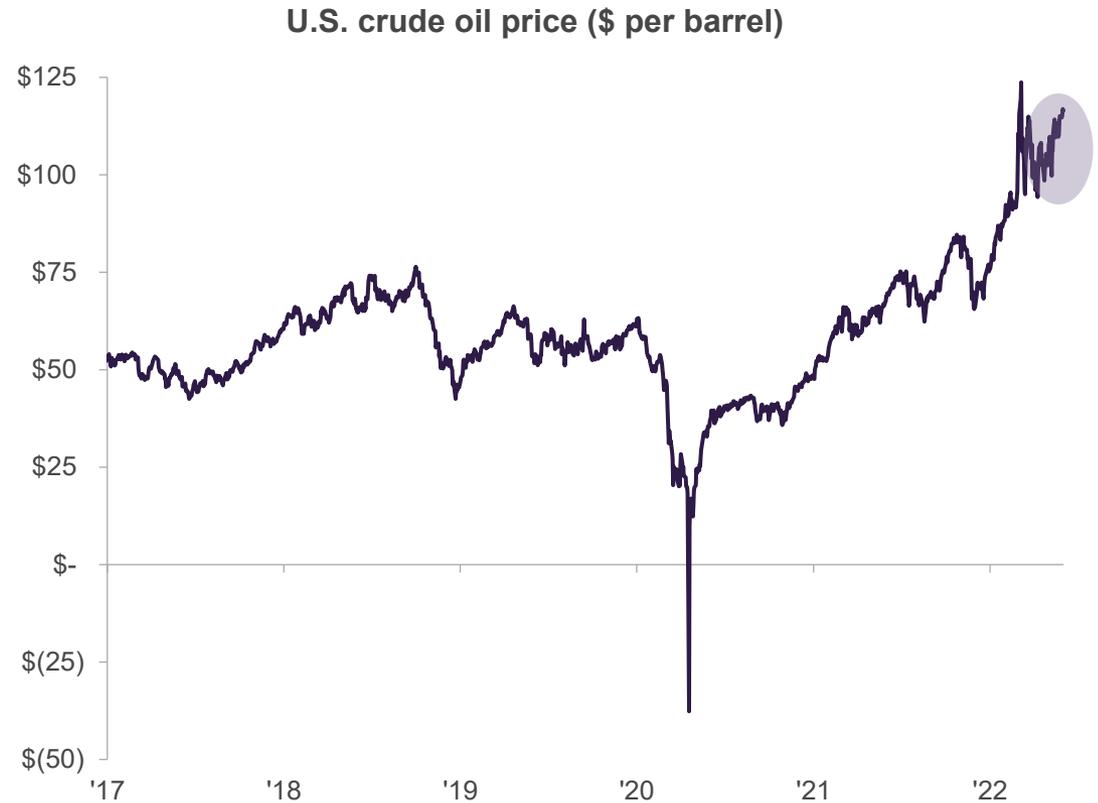


Data sources: Truist IAG, Bloomberg, Bureau of Labor Statistics

Crude oil price climbing again in sympathy of European sanctions on Russia

U.S. crude oil prices neared \$120 per barrel this week despite word that Organization of the Petroleum Exporting Countries Plus (23 of the world's largest oil-exporting countries) would begin pumping more crude oil in July and August.

Investors appear more concerned that the European Union approved new sanctions targeting Russian crude oil. It bans shipments of Russian crude oil via tankers by sea in six months and refined petroleum products in eight months.



Source: Truist IAG, Bloomberg. West Texas Intermediate crude oil; daily data through June 2, 2022.

Lumber price cracks as rollercoaster continues

The extreme swings in lumber prices has continued. With most home construction-related metrics down for the past three months, lumber prices have dropped below \$600. That more than \$50 below the May 2018 price of \$651, which was the pre-pandemic all-time high, but up roughly 45% from the price in late 2019.

Lumber price (\$ per 110,000 board feet)



Source: Truist IAG, Bloomberg, Chicago Mercantile Exchange. Random length futures contract for 110,000 board feet for lengths between 8' and 20' softwood 2 x 4s, the type used for rehabbing and construction. Daily data through June 1, 2022.

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