Financial Market Weekly

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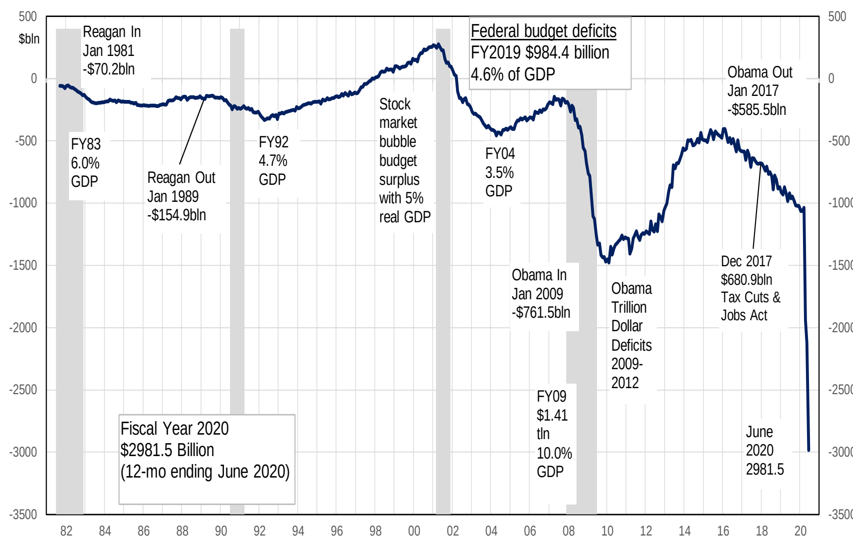
RECORD MONTH FOR THE FEDERAL BUDGET DEFICIT



June was the worst month on record for the Federal budget deficit at $864.1 billion. Sure, it is a big number, but don't be too alarmed, the deficit was also a "record" $738.0 billion in April. The bond market is paying for it, raising the new cash to fund the deficit, but bonds don't seem to have a care in the world from the debt deluge with 10-year Treasury yields closing the week at 0.63%.

The Federal budget deficit was $984.4 billion in fiscal year (FY) 2019, and three quarters of the way through FY2020, the deficit is $2.744.3 trillion. In the Obama trillion-dollar deficit years from 2009-12, the worst year was a little over $1.4 trillion in FY2009.

So what's going on? We would like to make a table to summarize our review of the Federal budget deficit in this week's newsletter to stop the analysis from becoming an on-and-on, blur of words, but we don't know how. We don't think it is possible to simplify what has happened. The flow of Federal deficit red ink from a myriad of government departments and agencies is mind-boggling, and if you are a deficit hawk, you must be secretly glad that, at the moment, Washington looks unable to come to an agreement over a new fiscal stimulus package before going home for the summer.

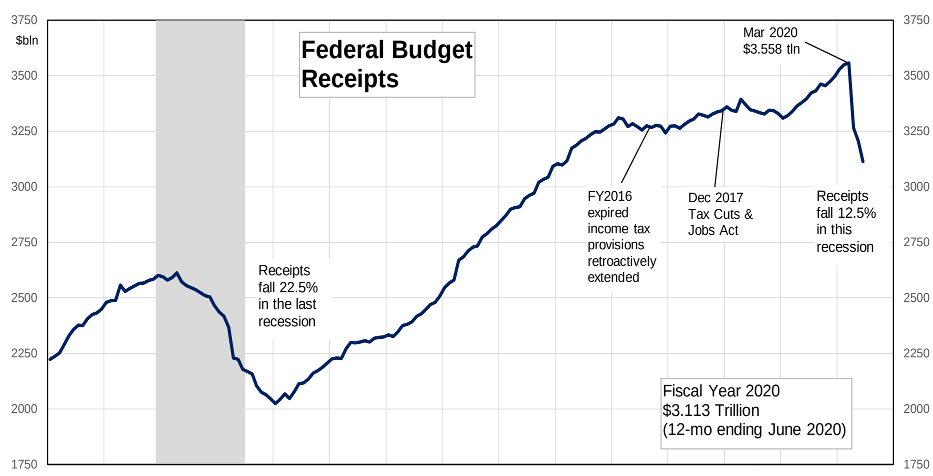
Starting with Washington's Covid-19 response in April, budget outlays soared to almost $1 trillion and are about $600 billion more than in April 2019. The Economic Impact Payments to individuals and families ($1,200 one-time payment) was $217 billion. There were $142 billion in Coronavirus Relief Fund payments to state, territorial, local and tribal governments. There was an extra $146 billion for Medicare and other Department of Health and Human Services programs. Medicare and the Hospital Insurance Trust fund have seen a loss of revenues from the recession and Congress allowed a 20% increase to hospitals for Covid-19 health care.

Also starting in April is the ramp up in unemployment assistance. The State Unemployment Benefits were just $4.165 billion in March and totaled $16.3 billion in the first half of FY20. That changed with $21.220 billion of benefits paid in April, $29.676 billion in May, and $35.212 billion in June for a total of $86.108 billion for the second quarter. Not done from the Department of Labor. There are the new benefits from the Federal Additional Unemployment Compensation Program as part of the Recovery Act (we will see what happens to these when the $600 weekly checks stop at the end of July) and these benefits have paid out $171.5 billion over the months of the second quarter.

Switching to June. In addition to the ongoing unemployment benefit payments, the June budget deficit record of $864.1 billion found a new budget-buster spending source and that comes from, wait for it, the Small Business Administration (SBA) that was finally given something to do after all these years. In June, there was a $511 billion increase in SBA outlays for the Paycheck Protection Program (PPP).

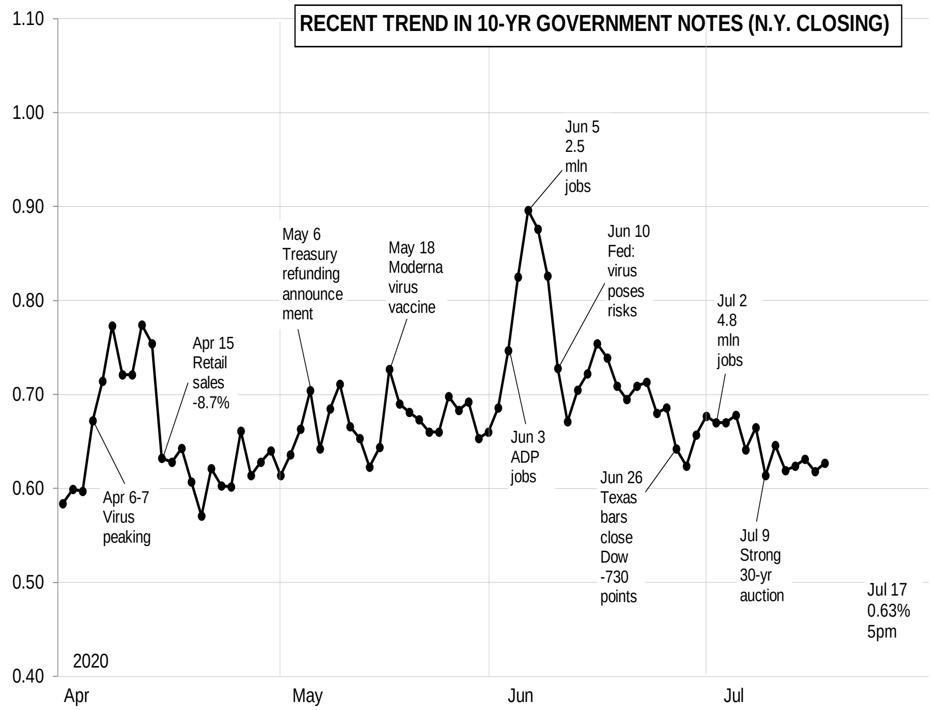
In conclusion, the Federal government's finances are drowing in a pool of red ink and the budget deficit over the last 12 months ending in June is running $2.981 trillion. The only saving grace comes from the delay of Federal income taxes from the normal April 15 due date until July 15. Tax revenues collected in July should add back at least a couple hundred billion dollars. Not as bad as you think then. It's just a number on a piece of paper anyway.

Federal Government Spending ($bln) **Where to cut?**	3 Qtrs FY20 Q4 19-Q2 20	3 Qtrs FY19 Q4 18-Q2 19	Fiscal Year Changes	Fiscal Year % chg	Full Year FY 2019
TOTAL BUDGET OUTLAYS	5,004.372	3,355.971	1,648.401	49.1	4,446.584
Legislative	4.042	3.636	0.406	11.2	4.957
Judicial	6.317	5.957	0.360	6.0	7.959
Agriculture	132.254	115.093	17.161	14.9	150.121
Commodity Credit Corporation	18.195	17.314	0.881	5.1	21.389
Food Stamps	57.457	47.735	9.722	20.4	63.465
Child Nutrition	19.058	19.999	-0.941	-4.7	23.273
Commerce	11.808	8.574	3.234	37.7	11.324
Defense	516.915	487.777	29.138	6.0	653.979
Military Personnel	122.541	119.707	2.834	2.4	156.270
Operation Maintenance	206.566	199.419	7.147	3.6	271.695
Procurement	104.612	91.103	13.509	14.8	124.698
Research Development	73.609	67.664	5.945	8.8	89.281
Military Construction	6.463	5.761	0.702	12.2	7.412
Education	135.857	86.430	49.427	57.2	104.364
Office of Federal Student Aid	104.498	59.529	44.969	75.5	69.397
Energy	23.934	20.745	3.189	15.4	28.936
Health Human Services	1127.768	901.867	225.901	25.0	1213.805
Medicare	697.441	582.003	115.438	19.8	782.548
Medicaid States Grants	334.978	301.941	33.037	10.9	409.421
Homeland Security	47.142	42.619	4.523	10.6	56.327
Housing Urban Development	22.588	17.324	5.264	30.4	29.188
Interior	12.372	10.053	2.319	23.1	13.907
Justice	28.683	25.992	2.691	10.4	35.107
Labor	279.095	26.936	252.159	936.1	35.810
State Unemployment Benefits	102.408	20.989	81.419	387.9	27.205
Fed Additional Unemployment	171.499	0.000	--	--	--
State	22.970	20.540	2.430	11.8	28.000
Transportation	66.151	54.977	11.174	20.3	80.715
FAA	13.713	11.875	1.838	15.5	16.670
Federal Highway Admin.	32.526	29.941	2.585	8.6	45.712
Treasury	1011.799	585.807	425.992	72.7	689.496
TARP	0.548	1.127	-0.579	-51.4	1.453
Coronavirus Relief Fund	149.466	0.000	--	--	--
IRS	412.703	143.927	268.776	--	166.004
Earned Income Credit	53.974	58.152	-4.178	-7.2	59.209
Child Tax Credit	26.148	28.263	-2.115	-7.5	28.898
Economic Impact Payments	279.473	7.230	--	--	
Interest on Public Debt	405.423	456.868	-51.445	-11.3	572.913
Veterans Affairs	160.581	148.948	11.633	7.8	199.573
Corps of Engineers	6.254	4.796	1.458	30.4	6.454
Other Defense Civil Programs	50.645	45.411	5.234	11.5	60.931
Environmental Protection	6.800	6.265	0.535	8.5	8.064
Exec. Office of President	0.305	0.298	0.007	2.3	0.422
International Assistance	16.961	19.589	-2.628	-13.4	23.578
NASA	15.975	14.744	1.231	8.3	20.179
National Science Foundation	5.138	5.081	0.057	1.1	7.255
Personnel Management	78.389	76.876	1.513	2.0	103.138
Small Business Admin.	536.963	0.170	536.793	--	0.456
Social Security Admin.	863.303	822.993	40.310	4.9	1101.833
Retirement Benefits	708.829	669.158	39.671	5.9	888.080
Federal Disability Payments	110.674	110.972	-0.298	-0.3	145.020
Other Independent Agencies	17.712	14.892	2.820	18.9	19.610



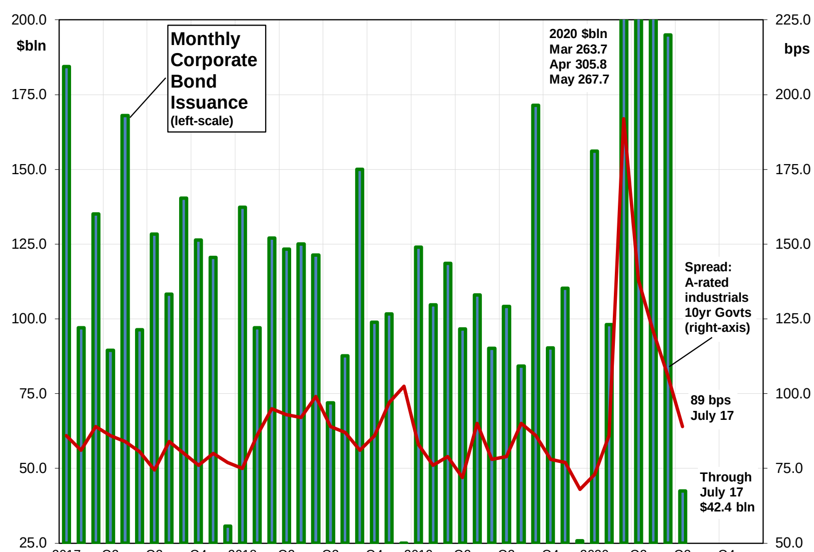
MARKETS OUTLOOK

	28-Jun 2019	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
30-Yr Treasury	2.53	2.11	2.39	1.32	1.41	1.40	1.40	1.50	1.60	1.70
10-Yr Note	2.01	1.67	1.92	0.67	0.66	0.70	0.70	0.80	0.90	1.00
5-Yr Note	1.77	1.55	1.69	0.38	0.29	0.30	0.30	0.40	0.50	0.60
2-Yr Note	1.76	1.62	1.57	0.25	0.15	0.20	0.20	0.20	0.30	0.30
3-month Libor	2.32	2.09	1.90	1.45	0.30	0.30	0.30	0.20	0.20	0.20
Fed Funds Rate	2.50	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25
2s/10s spread	25	5	35	42	51	50	50	60	60	70



10-yr year yields closed at 0.63% this week versus 0.65% last week. Bond yields hit the week's 0.66% highs Monday morning before dropping with stocks in the afternoon. The Dow industrials lost 600 points as tech favorites like Amazon lost ground. Tesla had an exceptional high to low swing from record highs Monday. Price action in the bond market was quiet Thursday and Friday where trading had a summertime feel. All the talk of a slowdown in the economic recovery due to the worsening of the spread of the coronavirus pandemic in states like California, Texas, Florida, and Georgia is having no effect. Some are focusing on whether there will be a consensus on a new fiscal stimulus package in Washington before the unemployed lose those $600 weekly checks at the end of this month.

CORPORATES: MARS, TENGIZCHEVROIL, HEWLETT PACKARD ENTERPRISE



Corporate bond offerings were $12.9 billion in the July 17 week versus $29.6 billion in the July 10 week. On Monday, Mars Inc. sold $2.5 billion 6s/12s/20s/30s. It priced a $400 million 2.45% 30-yr (m-w +20bp) at 115 bps (A1/A). The global candy company (M&Ms, Snickers) will use the proceeds for general corporate purposes and may repay its multicurrency revolving credit facility and/or outstanding term loans. Corporate bond yields (10-yr Industrials rated A2) were 89 bps above 10-yr Treasuries Friday versus 96 bps last week.

FEDERAL RESERVE POLICY

The Fed meets July 28-29, 2020 to consider its monetary policy. Former Fed Chairs Yellen and Bernanke went before Congress on Friday. They issued a joint statement on the Brookings website about what could be done. The Federal Reserve has done a lot in this recession, but interest rates are already down to zero. The central bank seems to be constrained as the lender of last resort. There are 11 lending facilities at last count, but the last thing companies and consumers need in a recession is a loan that they may struggle to pay back. As far as interest rates, now that rates are down at zero, the focus seems to be on how to issue forward guidance to the public that they will stay down at zero… forever or for a very, very long time, whichever comes first. The promise to keep the Fed funds rate low for a long time should work to keep long-term yields lower. If the guidance doesn't work, the central bank can always buy bonds to reduce yields. The way Yellen and Bernanke put it was the Fed could "implement yield-curve control by targeting medium-term interest rates. It could, for example, target two-year rates by announcing its willingness to buy two-year Treasury notes at a fixed yield." Doesn't sound like there will be a lot of volatility and trends to trade in the Treasury markets in the years ahead.

Selected Fed assets and liabilities

Fed H.4.1 statistical release billions, Wednesday data	15-Jul	8-Jul	1-Jul	24-Jun	Sep 10 2008** pre-LEH
Factors adding reserves					
U.S. Treasury securities	4253.229	4231.355	4213.220	4197.404	479.782
Federal agency debt securities	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1948.388	1911.401	1911.381	1943.441	0.000
Repurchase agreements	0.000	0.000	61.201	70.201	126.750
Primary credit (Discount Window)	5.058	4.846	5.860	6.237	23.455
MMLF	18.635	18.927	20.637	22.889	
PDCF	1.699	1.874	2.486	3.624	
Commerical Paper Funding Facility	10.659	12.802	12.799	12.798	
Paycheck Protection Facility	67.989	67.685	68.133	62.597	
Corporate Credit Facility (CCF)	43.423	42.644	41.940	40.617	
Municipal Liquidity Facility	16.084	16.082	16.081	16.080	
Main Street Lending Program	37.515	37.503	37.502	37.502	
Term Asset-Backed Facility (TALF II)	9.439	8.753	8.753	8.500	
Central bank liquidity swaps	154.850	179.095	225.414	274.963	62.000
Federal Reserve Assets	7007.2	6969.4	7057.2	7131.0	961.7
3-month Libor %	0.27	0.27	0.30	0.28	2.82
Factors draining reserves					
Currency in circulation	1981.644	1977.346	1971.855	1963.978	834.477
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000
Treasury credit facilities contribution	114.000	114.000	114.000	114.000	
Reverse repurchases w/others	0.001	0.001	0.002	0.001	0.000
Reserve Balances (Net Liquidity)	2732.649	2813.296	2863.196	2937.657	24.964
Treasuries within 15 days	58.895	66.114	64.471	64.328	14.955
Treasuries 16 to 90 days	279.380	270.043	250.820	274.008	31.549
Treasuries 91 days to 1 year	633.384	618.085	635.460	605.122	69.272
Treasuries over 1-yr to 5 years	1604.839	1607.239	1597.928	1592.447	170.807
Treasuries over 5-yrs to 10 years	738.129	735.426	732.150	735.883	91.863
Treasuries over 10-years	938.604	934.448	932.391	925.617	101.337

**September 10, 2008 is pre-Lehman bankruptcy of 9-15-08

MMLF: Money Market Mutual Fund Liquidity Facility: loans secured by assets bought by banks from money market funds

PDCF: Primary Dealer Credit Facility: o/n and term funding with maturities to 90 days

CCF: Corporate credit facility: Primary market (PMCCF) and Secondary Market (SMCCF)

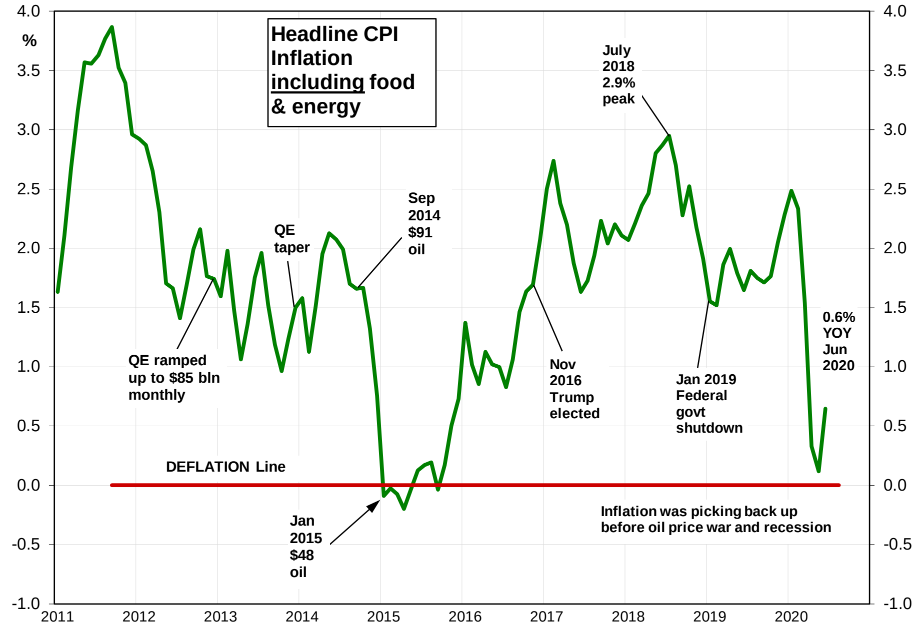
Current Fed officials are doing their best to say interest rates will stay low forever. This week, Philadelphia Fed President Harker said no Fed rate hike until inflation goes above 2%. Fed governor Brainard said this week that "research suggests that refraining from liftoff until inflation reaches 2 percent could lead to some modest temporary overshooting, which could offset the previous underperformance." Looking back over the last twenty-five years, core PCE inflation was only above 2 percent for a few years, 2.1% in 2005, 2.3% in 2006, and 2.2% in 2007. Back then, during the housing bubble, Greenspan and Bernanke pushed interest rates to 5.25%. It sounds like this time the Fed is not even thinking of starting to raise rates from zero until consumer inflation hits 2%. That's their story. That's their "hope this helps" guidance. Rates will be at zero forever. Maybe we should ring up one of the many wealth manager emails we receive and take them up on their offer of attractive rates on 3-year or 5-year credit lines and call them to discuss how to arbitrage that rate against higher cost mortgages. Mortgage rates came down to a new low this week of 2.98%.

U.S. Treasury New Cash Needs and Fed Treasury Purchases (QE)
Monthly Changes ($ billions)
Fiscal Year (FY) Ending September 2020

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Total FY 2020
Fed QE	67.808	73.007	80.364	80.246	64.952	504.312	993.047	138.093	87.892	55.825	2,145.5
New Cash	166.8	112.5	50.9	38.5	199.8	238.7	1368.6	699.2	685.2	82.2	3,642.4
Bills	79.1	59.0	-98.2	-12.5	160.3	92.8	1344.3	628.2	449.7	42.5	2,745.2
Coupons	87.6	53.4	149.2	51.1	39.5	145.8	24.2	71.0	235.5	39.7	897.0
Federal Reserve's 11 Lending Facilities (month-end outstanding)					0	58.352	94.641	136.343	204.607	205.443	
Central bank liquidity swaps (month-end outstanding)					0.044	206.051	438.953	448.946	274.963	154.850	

OTHER ECONOMIC NEWS THIS WEEK

Don't be fooled by today's jump in CPI prices. Inflation isn't going anywhere. (Tuesday)



Breaking economy news. Headline CPI inflation jumped 0.6% in June and core CPI inflation bounced back 0.2% after an unprecedented three straight monthly declines in March, April and May. Our advice is don't be fooled by today's jump in CPI prices as the longer downturn in the economy from the coronavirus second wave all but guarantees that inflation isn't going anywhere. Inflation is unlikely to reappear on the radar screens of Federal Reserve officials for years. On a year-to-year basis, headline CPI inflation is 0.6% and core CPI inflation is up 1.2%. Food at home stands out as it is 5.6% higher than last year. Food away from home is surprisingly firmer the last two months even as the bars and restaurants that are open have seating limitations due to the social-distancing guidelines. Food away from home is up 3.1% the last twelve months.

Core inflation prices got a boost from auto insurance rates. Medical care services are up as well and are 6.0% higher than a year ago. Apparel prices jumped 1.7% in June even if they are still down 7.3% from last year so it is still a good time to buy a new suit to impress your co-workers. The cost of the roof over your head is still hanging in there unlike the bursting of the housing bubble a decade ago in the Great Recession. Shelter prices rose 0.1% in June and are 2.4% higher than last year levels. Shelter prices were down on a year-to-year basis for much of 2010 although by less than 1.0%.

		Monthly Percent Changes			YOY %
Weight	CPI inflation	Apr 2020	May 2020	Jun 2020	Jun 2020
100.0	Total	-0.8	-0.1	0.6	0.6
14.2	Food	1.5	0.7	0.6	4.5
7.9	Food at home	2.6	1.0	0.7	5.6
5.7	Energy	-10.1	-1.8	5.1	-12.6
79.0	Ex-food & energy	-0.4	-0.1	0.2	1.2
3.7	New vehicles	0.0	0.3	0.0	-0.2
2.5	Used cars/trucks	-0.4	-0.4	-1.2	-2.8
2.7	Clothing	-4.7	-2.3	1.7	-7.3
1.6	Medical care goods	-0.1	0.1	0.2	1.3
33.5	Shelter	0.0	0.2	0.1	2.4
4.9	Transportation	-4.7	-3.6	2.1	-7.0
7.3	Medical care services	0.5	0.6	0.5	6.0

Net, net, inflation is back in June after three months of being in decline. There may be much uncertainty on the future path of the economy, but there is no uncertainty about the inflation outlook. Consumer inflation will remain low for the foreseeable future, except for a few Covid-19 price shocks from items in high demand like food at home, as the pandemic has literally turned the country's way of doing things upside down. Borrowers can look forward to low interest rates for years into the future as low inflation could keep an easy-money Fed policy in place for the next decade.

The economic downturn is going to last longer with the second wave of the coronavirus pandemic spreading across the nation and this extended period of weak growth and soft demand will keep the inflation genie locked in her bottle for longer as well. Stay tuned. Story developing.

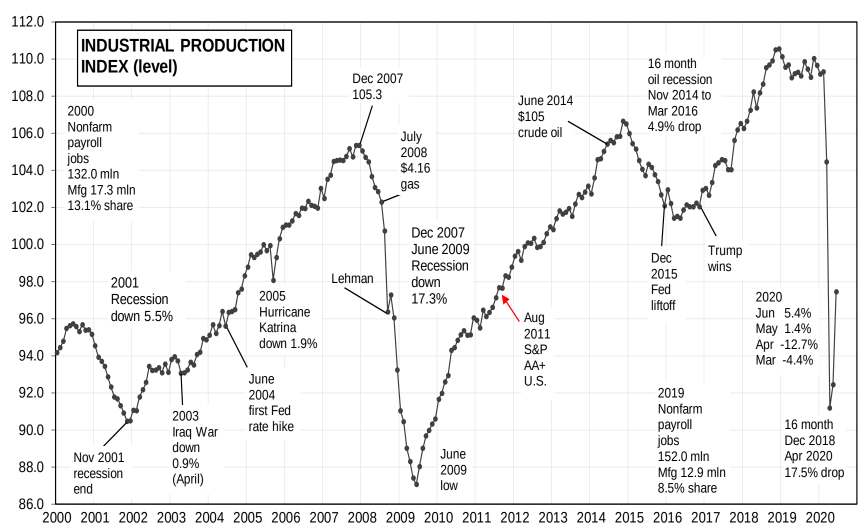
Moderna vaccine paves the way for more factory gains this year too (Wednesday)

Breaking economy news. Buy stocks. Markets are flying high this morning with the positive Moderna virus vaccine news at 5pm ET last night. There was no market reaction to the Federal Reserve's own economic statistic, industrial production, that was released this morning at 915am ET. Industrial production jumped 5.4 percent in June although it is still 10.9 percent short of output levels in February before Covid-19 shut down the economy. The Federal Reserve is saying that the second quarter fell 42.6 percent at an annual rate which is the most severe drop since right after production stood down after World War II. 42.6% is something to keep in mind when the second quarter real GDP figures are due out on Thursday, July 30 at 830am ET. In the breakdown, mining output is still falling down 2.9% in June and down 16.9% from last year. Manufacturing production rose 7.2% in June, but is still 11.1% below February. The risk for our recovery forecast is that future gains will be muted in the months to come if the second wave spread of the coronavirus is not halted.

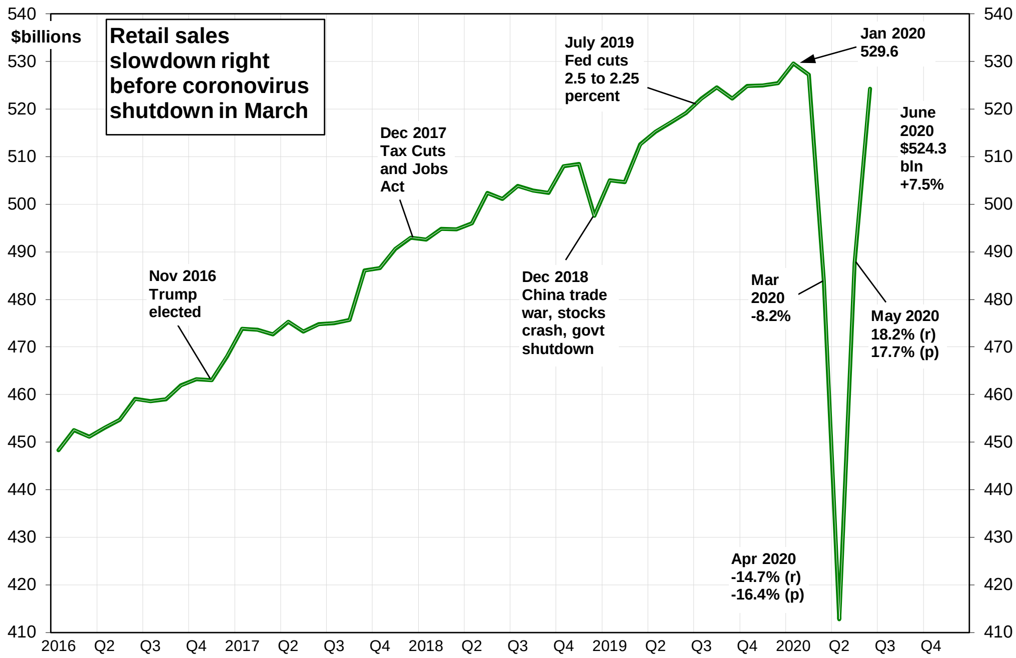
Net, net, the wheels are spinning again for manufacturing and factory output is climbing higher, but we don't think this means that all American industries are going to be bigger and better than before. Industrial production peaked for this cycle one and a half years ago way back in December 2018. Manufacturing production, that cuts out mining (oil & gas drillers) and utility output, peaked for this cycle way back in December 2018.

Recently, there was some eureka euphoria on the part of purchasing manager survey respondents saying the worst of the negative coronavirus pandemic effect was over, but get a grip, manufacturing was already in recession last year due to the China-U.S. trade war uncertainty and the troubles seen by the oil & gas drilling industry. The global depression in economies has sunk world trade to rock-bottom levels seen way back before the forces of globalization and cheaper supply chain inputs came to the fore and if U.S. factories can no longer export their goods to the rest of the world then it will be a long road to recovery for America's manufacturers.

Percent changes			Industrial Production June 2020		
Apr	May	Jun	YOY		Weight
-12.7	1.4	5.4	-10.8	Total Index	100.0
-15.9	3.8	7.2	-11.2	Manufacturing	75.3
-6.8	-6.1	-2.9	-16.9	Mining	14.2
1.9	-3.5	4.2	0.6	Utilities	10.4
			Manufacturing payroll jobs 12.1 million -743K YOY 10.4% of Private Payroll Jobs		



Consumer spending surges back, but for how long with millions out of work (Thursday)



Breaking economy news. Retail sales in June and the latest weekly unemployment claims. Jobless claims were exactly 1.300 million in the July 11 week, 1.503 million not seasonally adjusted in a time when seasonal factors don't work well because the economy has never experienced a downturn of this magnitude. There are still 32 million out of work and collecting unemployment compensation in the June 27 week which remains a puzzle as the number of unemployed behind the June 11.1% unemployment rate is just 17.750 million.

Retail sales continue their climb back to the January all-time high at a faster clip than forecasters expected and incredibly the sales level in June is just 1.0% short of the best economy in 50 years spending level at the start of 2020. At the worst point of the pandemic recession lockdown, retail sales in April were down 22.1 percent from the January peak. It is looking more like real GDP in the second quarter will fall only 30 percent or so when the results are released on Thursday, July 30.

Net, net, retail purchases are up at the shops and malls across America but consumer spending can't keep climbing for long when it is held back by the heavy weight of 32 million jobless workers without a dime in the world. The job losses are simply staggering which makes us wonder if the statistical mills down in Washington can measure what is happening out there in the country with any accuracy at all. The worst is over for the economy, and the recession is clearly finished, but the labor market is going to be in slow recovery mode for the next few years.

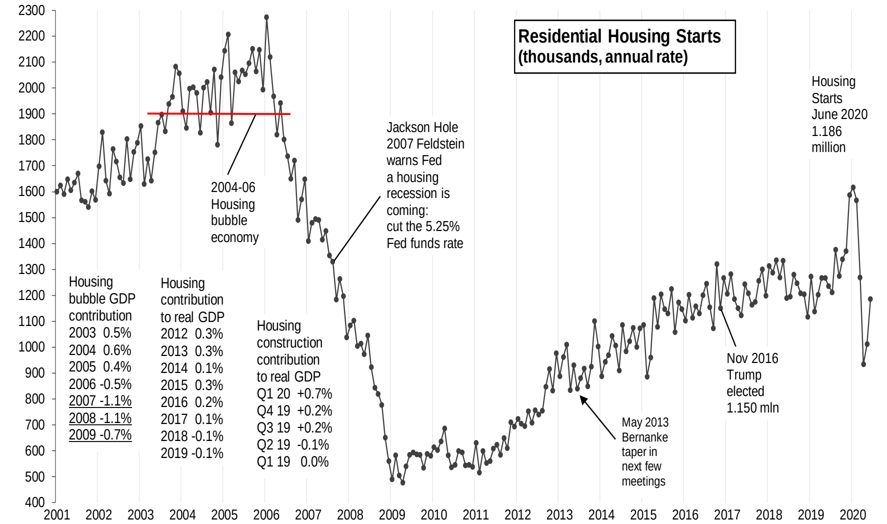
Retail spending, actual dollars, each month

	$million Jun 2020	% to Total	Percent Changes % Jun	May	Year/year
Total Retail Sales	524,306	100.0	7.5	18.2	1.1
Motor vehicles/parts	110,236	21.0	8.2	48.7	7.5
Furniture/furnishings	9,575	1.8	32.5	79.1	-3.5
Electronics/appliances	7,048	1.3	37.4	36.5	-12.7
Building materials/garden	36,699	7.0	-0.3	12.2	17.3
Food & beverage	71,775	13.7	-1.2	2.2	12.4
Health/personal care	28,318	5.4	3.5	1.5	-5.7
Gasoline stations	33,625	6.4	15.3	11.9	-19.1
Clothing/accessories	17,099	3.3	105.1	176.7	-23.2
Sporting goods, books	8,257	1.6	26.5	78.0	20.6
General merchandise	61,048	11.6	2.7	5.9	2.5
Department stores	10,086	1.9	19.8	36.2	-10.6
Miscellaneous retailers	10,397	2.0	17.7	16.4	-7.7
Nonstore retailers (internet)	82,804	15.8	-2.4	7.2	23.5
Eating & drinking places	47,425	9.0	20.0	31.5	-26.3

The road ahead for the consumer looks a little foggy and uncertain to say the least. July spending faces the headwinds of states closing back down due to the second wave of the coronavirus. August spending is in doubt because those extra $600 a week unemployment checks stop at the end of July. Summer time spending of consumers could cool down in a hurry if these headwinds aren't offset by action from Washington government officials to throw a life preserver to the tens of million out of work. Stay tuned. Story developing.

Residential housing construction short of best economy in 50 years (Friday)

Breaking economy news. Residential housing construction. Permits for construction bounced last month and now housing starts have rebounded as well. Housing starts rose 17.3 percent in June to 1.186 million at an annual rate, but activity is still short of construction of 1.617 million in January and 1.567 million in February before the pandemic shut down the economy and sent permits and starts tumbling.



Activity was up sharply in the Northeast (114.3%), the Midwest (29.3%), and the South (20.2%). The West was down 7.5% to 294 thousand as an offset to the huge jump in May (76.7%) and also due to the second wave of the coronavirus hitting many western states hard.

Net, net, the recovery in residential housing construction is still short of the best economy in 50 years at the start of 2020. All signs were flashing green at the beginning of June for residential housing construction with the states reopening and mortgage rates to finance home purchases at record lows.

But now there are storm clouds on the horizon for the housing recovery with the second wave of the coronavirus pandemic shutting some areas of the country back down and the fiscal stimulus from Washington coming to a halt for millions of Americans which may cool the outlook for construction on the part of home builders and bring about new caution on the part of home buyers.

Residential housing construction is off the lows, but it looks like a full return to the stronger levels of activity earlier this year before the pandemic lockdown of the economy in March is going to be delayed as new social distancing measures will keep new home buyers on the sidelines for now.

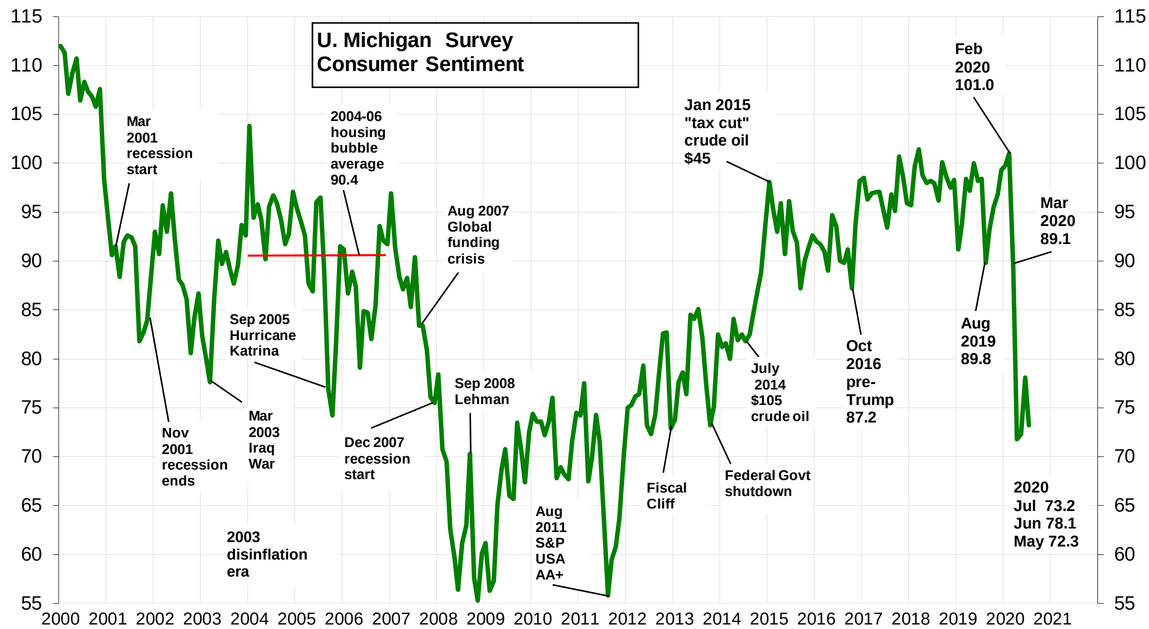
Housing Starts Total, Single-Family, Multi-Family

	United States			Northeast		Midwest		South		West	
000s	Total	1 unit	Multi	Total	1 unit	Total	1 unit	Total	1 unit	Total	1 unit
Jun 20	1186	831	350	105	72	181	122	606	445	294	192
May 20	1011	709	295	49	34	140	95	504	397	318	183
Jun 19	1235	865	359	111	47	182	122	635	483	307	213
% Chgs											
Jun/May	17.3	17.2	…	114.3	111.8	29.3	28.4	20.2	12.1	-7.5	4.9
Jun/Jun	-4.0	-3.9	…	-5.4	53.2	-0.5	0.0	-4.6	-7.9	-4.2	-9.9

Sharp reversal in consumer sentiment in July calls recovery into question (Friday)

Breaking economy news. Consumers aren't as confident as we thought, and maybe many of the purchases made recently were just pent-up demand buying after the coronavirus pandemic lock down that won't last. Consumer sentiment fell 4.9 points to 73.2 in July after rising 5.8 points to 78.1 in June.

Net, net, the sharp reversal in consumer sentiment in July calls into question the recent recovery in consumer spending at the shops and malls. If consumers follow their hearts and keep their pocketbooks closed, it is looking like the new worries caused by the coronavirus shutdowns in many states are going to keep them at home in July and the sharp rebound trend in retail sales the last two months is in jeopardy. You can't have a recovery from recession without the consumer, and right now, consumer confidence is almost back to the lows made in April. It couldn't be more jarring the difference between the down-and-out trend of consumer sentiment and the skyward trend of retail spending at shops and malls. Our bet is retail sales will collapse in August once those $600 weekly unemployment checks go away. Bet on it.



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