

WEALTH MANAGEMENT

**INVESTMENT MANAGEMENT  
AND RESEARCH**



# **Risk Factor Update**

## **May 2020 Economic Trends**

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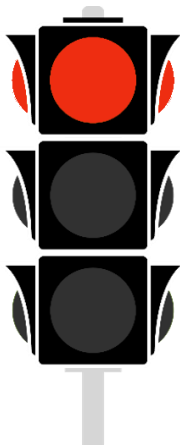
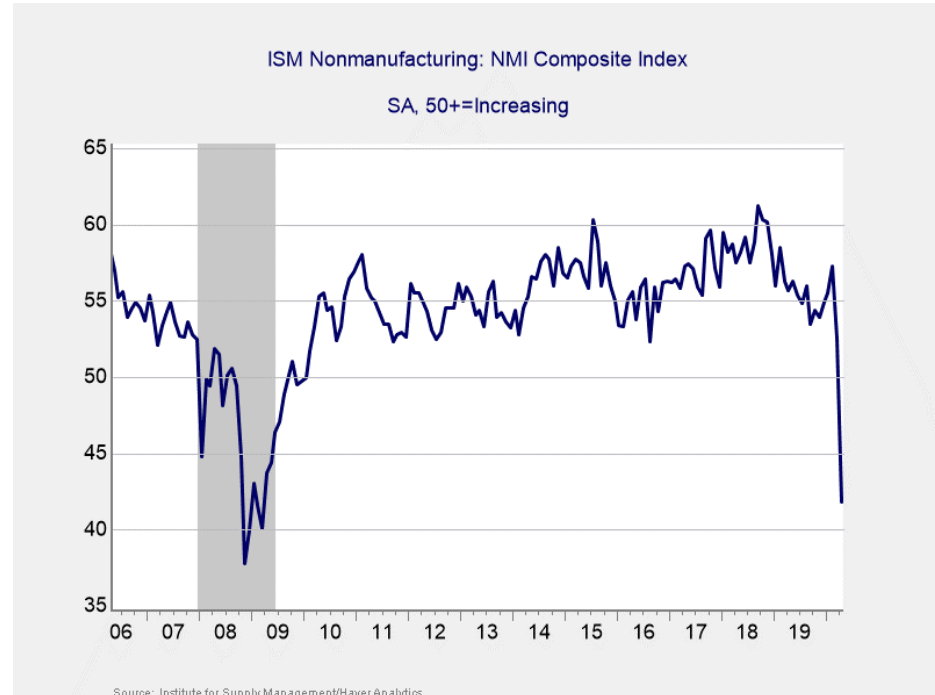
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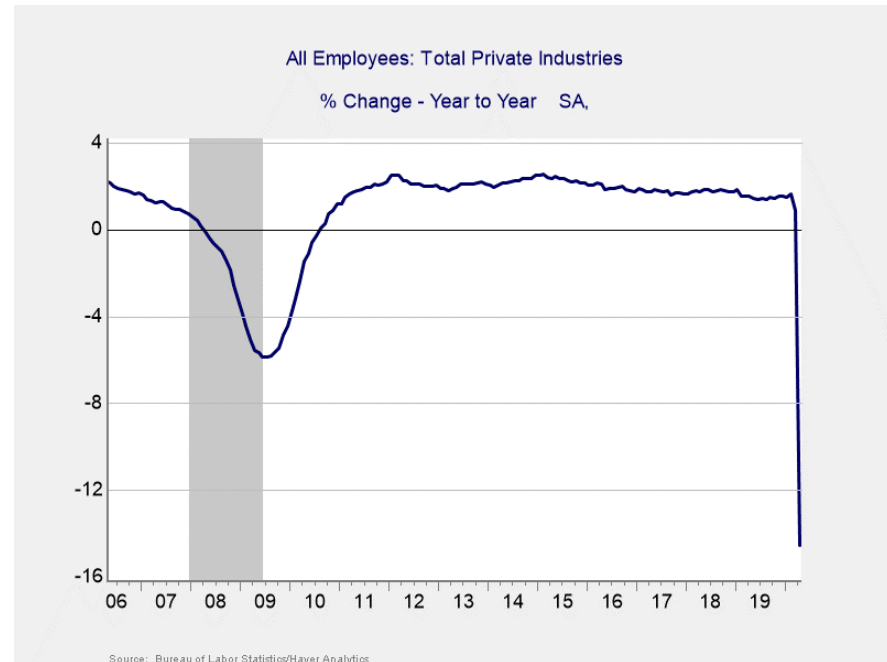
# The Service Sector

- This indicator fell from 52.5 in March to 41.8 in April.
- This result was better than economist estimates for a drop to 38.
- Despite the better-than-expected result, this drop brought the index to its lowest level in more than a decade.



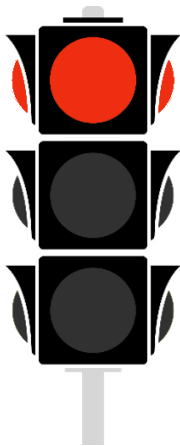
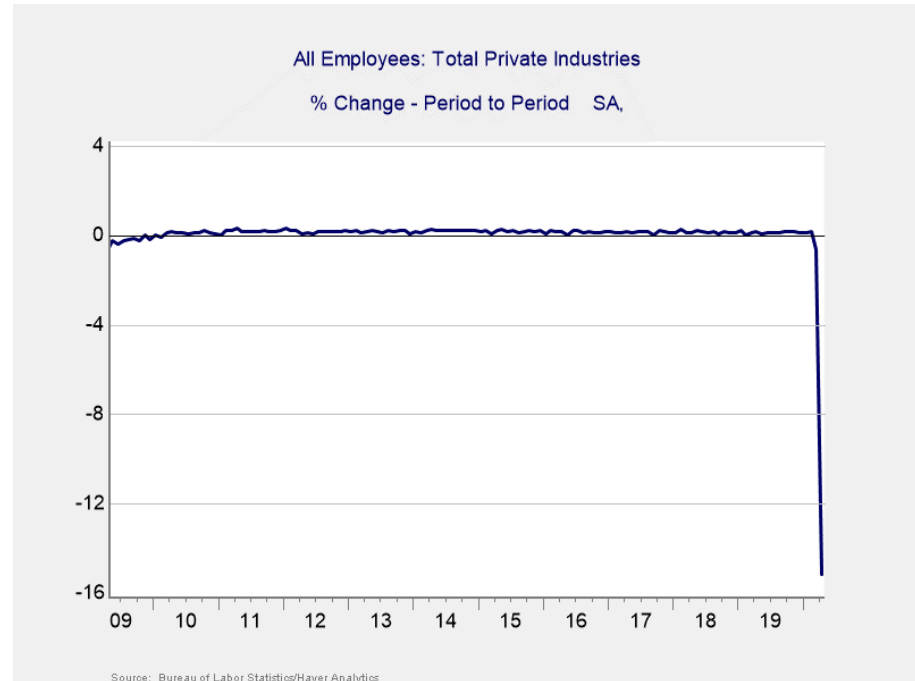
# Private Employment: Annual Change

- 20.5 million jobs were lost in April.
- This result was better than economist estimates for 22 million lost jobs.
- April represents the worst single month for American job losses since the Second World War.



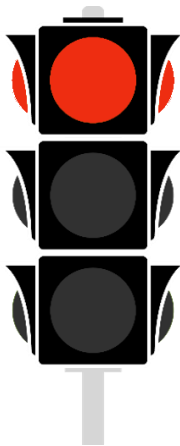
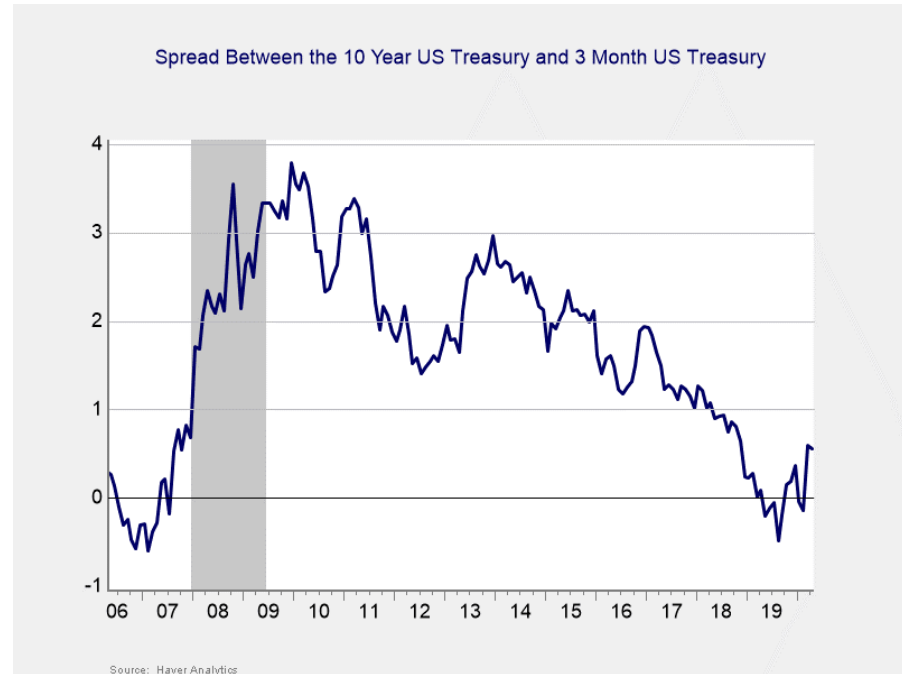
# Private Employment: Monthly Change

- The pace of month-over-month job growth dropped sharply in April, with the number of jobs falling by more than 15 percent.
- The unemployment rate increased to a post-war high of 14.7 percent, against expectations for an increase to 16 percent.



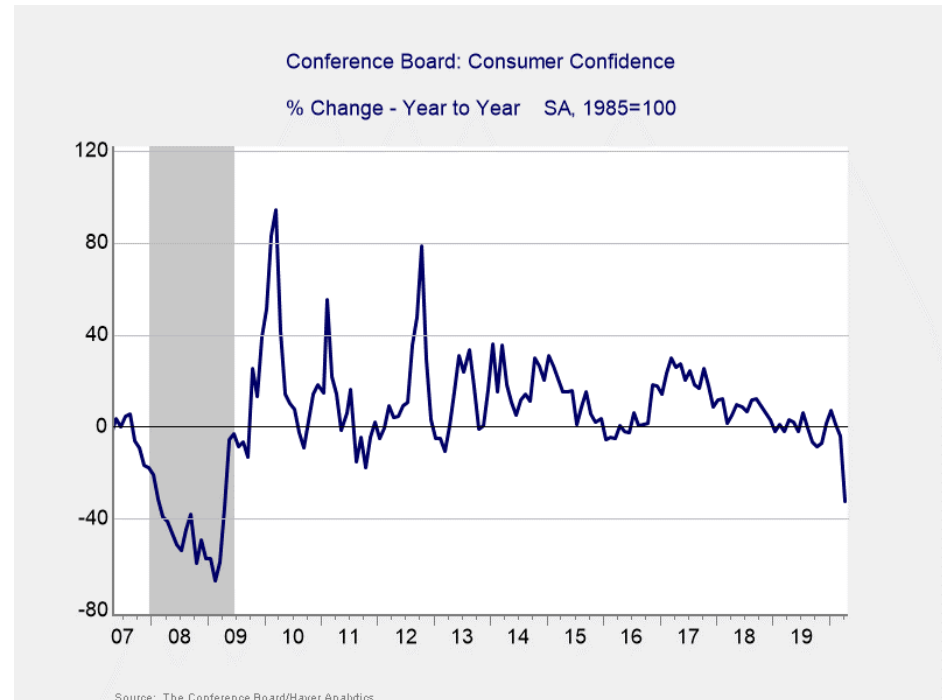
# Yield Curve (10-Year Minus 3-Month Treasury Rates)

- The yield curve re-inverted in January through February, and un-inverted again in March, and remained un-inverted in April.
- The 3-month Treasury yield remained largely range bound, falling from 0.11 percent at the end of March to 0.09 percent at the end of April.



# Consumer Confidence: Annual Change

- Consumer confidence fell from a downwardly revised 118.8 in March to 86.9 in April.
- This drop represents the worst monthly decline since oil was embargoed in 1973.
- Hopes for a V-shaped economic recovery will likely hinge on a swift rebound in consumer confidence and spending figures.



# Conclusion: Economy Likely in Recession

- The overall picture is of an economy that is turning down sharply from headwinds created by the current anti-coronavirus measures.
- This is a swift change from the first two months of the year, where we saw largely improving economic data.
- The worsening fundamentals in April point to a continued slowdown until further progress is made in containing the coronavirus and returning closer to pre-pandemic activity levels.
- Both on a monthly and year-over-year basis, the reports point toward an economy that is likely in the midst of a recession.



# Disclosure

*Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results. Diversification does not assure a profit or protect against loss in declining markets. All indices are unmanaged, and investors cannot invest directly in an index. The information contained herein is provided for informational purposes only and is based upon sources believed to be reliable. No guarantee is made as to the completeness or accuracy of the information.*