

US Macroeconomics

June 3, 2024

Troy Ludtka, Senior US Economist | 212.224.5483 | troy.ludtka@smbcnikko-si.com

SMBC US Forecasts (June 3 - June 7)						
Date	Indicator	SMBC	Market Consensus (Median)	Prior	Range of Est.	Notes:
June 3	ISM Mfg	49.4	49.7	49.2	49.0 - +50.1	Some downside risk. Dallas Fed mfg, Empire mfg, MNI, Philadelphia Fed mfg all decreased on MoM basis.
June 5	ADP employment	190k	180k	192k	120k - +200k	Watch out for JOLTS (06/04). A 4.5% openings rate leads to job losses according to Fed's Waller.
June 5	ISM Services	50.7	51.0	49.4	50 - 52.5	Business Activity and New orders indexes could see a mechanical rebound.
June 7	NFP	234k	180k	175k	120k - +230k	Consensus has underestimated NFP in 5 of last 6 months.
June 7	Private NFP	197k	160k	167k	120k - 200k	Looking for: education and health services +71k, leisure & hospitality +32k, government +37k.
June 7	U3	3.9%	3.9%	3.9%	3.8% - 4.0%	Remember: a 3.9% unemployment rate triggers 50 bp recession rule.
June 7	Average Hourly Earnings	0.3%	0.3%	0.2%	0.2% - +0.4%	

Forecasts subject to change

Source: SMBC Nikko Securities US Economics Forecasts

Indicator	2023	2024	2025	Notes:
GDP YoY	3.1	1.6	1.8	Below-trend '24 growth. Consumer default cycle picks up steam. CC and auto DLQs at 2011 levels!
Fed's Forecast	2.6	2.1	2.0	Longest yield curve inversion on record (10, 2).
Fed Funds (target)	5.38	5.13	3.13	Strong spending + high inflation = Fed cuts pushed back. We expect a Dec cut. Slower liquidity drawdown bc of QT tapering.
Fed's Forecast	5.4	4.6	3.9	Fed stressing patience.
Futures	5.4	5.0	4.2	
Core PCE Inflation	3.2	2.7	2.0	3m annualized CPI supercore = 6.3%. Shelter inflation to slow.
Fed's Forecast	3.2	2.6	2.2	
UST 10 Year	4.0	4.1	4.0	Expect some overshoot in 2024 for treasury yields.
Unemployment	3.7	4.5	4.2	Rising unemployment due to below-trend growth.
Fed's Forecast	3.8	4.0	4.1	<u>Sahm rule suggests 3.9% unemployment leads to recession.</u>

Source: SMBC Nikko, ISM, ADP, BLS, BEA, Federal Reserve, Bloomberg, Haver

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