VOLUME 5
MAY 2020

MAYBERRY INVESTMENTS LIMITED

ECONOMIC SUMMARY

UNITED STATES

GROSS DOMESTIC PRODUCT

Real gross domestic product (GDP) declined at an annual rate of 5% for the first quarter of 2020 according to the second estimate released by the Bureau of Economic Analysis (BEA). However, for the fourth quarter of 2019, real GDP had a 2.1% growth.

The downward movement in real GDP for the first quarter reflected negative contributions from personal consumption expenditures (PCE), non-residential fixed investment, exports, and private inventory investment. This movement was partly offset by a positive contribution from residential fixed investment federal government spending, and state and local government spending. Moreover, imports decreased.

Notably, the decline in PCE was due to decreases in services, led by health care as well as food services and accommodations. The decrease in non-residential fixed investment was mainly attributable to a decrease in equipment, led by transportation equipment. Meanwhile, the decrease in exports primarily reflected a decline in services, led by travel.

"Current dollar GDP decreased 3.5%, or $191.6 billion, in the first quarter to a level of $21.54 trillion. In the fourth quarter, GDP increased 3.5%, or $186.6 billion," according to BEA.

In the first quarter of 2020, the price index for gross domestic purchases went up 1.7% when compared to a similar rising by 1.4% in the fourth quarter of 2019. In addition, the PCE price index increased 1.3% relative to an increase of 1.4%. With the exception of the food and energy prices, the PCE price index climbed 1.6% versus an increase of 1.3%.

UNEMPLOYMENT

Total nonfarm payroll employment increased by 2.5 million in May, as the rate of unemployment decreased to 13.3%, according to a report by the U.S. Bureau of Labour Statistics (BLS). This improvement was attributable to a limited resumption of economic activity that had been curtailed in March and April due to the coronavirus (COVID-19) pandemic and efforts to contain it. BLS mentioned that, "rose sharply in leisure and hospitality, construction, education and health services, and retail trade. By contrast, employment in government continued to decline sharply."

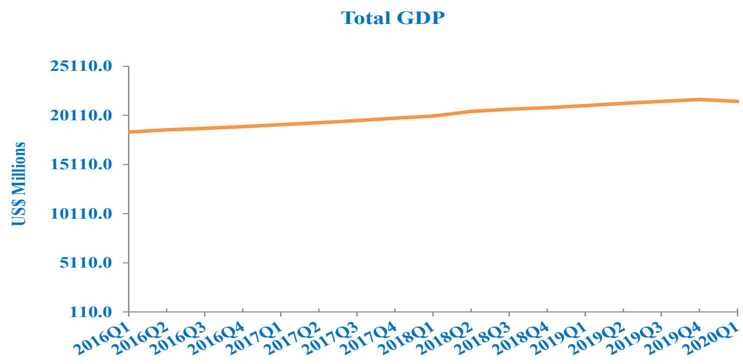
Leisure and hospitality increased by 1.2 million in May 2020. Almost half of the gain in total nonfarm employment occurred in the food services and drinking places which rose by 1.4 million. However, employment in the accommodation industry declined in May by 148,000 jobs. Employment in construction rose by 464,000 in May. Notably, employment in education and health services climbed by 424,000 jobs in May. Employment in health care rose by 312,000, private education increased by 33,000 and social assistance rose by 78,000 jobs over the month. Whereas, employment in professional and business services added 127,000 jobs, retail trade went up by 368,000 jobs, manufacturing increased by 225,000 jobs while other services rose by 272,000 jobs in May. Employment in financial activities increased by 33,000 jobs and wholesale trade (21,000). Whereas, government employment decreased by 585,000 jobs in May, employment in transportation, and warehousing (-19,000), mining lost 20,000 jobs and information lost 38,000 jobs.

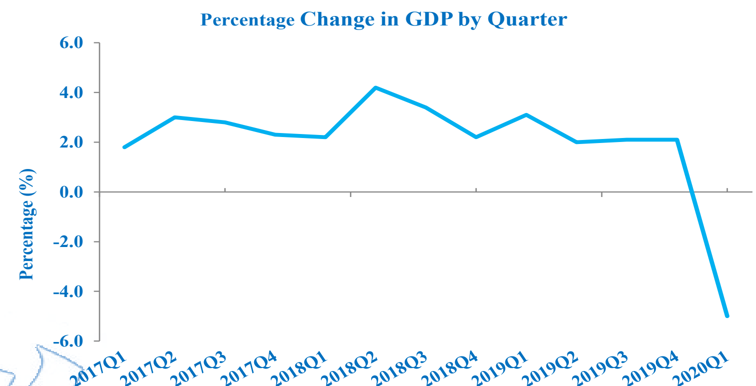
Notably, BLS stated, "the number of unemployed persons who were on temporary layoff decreased by 2.7 million in May to 15.3 million, following a sharp increase of 16.2 million in April. Among those not on temporary layoff, the number of permanent job losers continued to rise, increasing by 295,000 in May to 2.3 million."

In May, the number of unemployed persons decreased by 2.1 million to 21.0 million, while the number of long-term unemployed (those jobless for 27 weeks or more) increased by 225,000 to 1.2 million. Notably, the total number of persons classified as long-term unemployed, accounted for 5.6% of the unemployed. However, number of unemployed persons who were jobless less than 5 weeks decreased by 10.4 million in May to 3.9 million.

The labour force participation rate for May rose by 0.6 percentage point to 60.8%, while the employment population ratio increased 1.5 percentage points to 52.8%. In May, the number of persons who usually work full time climbed by 2.2 million to 116.5 million, and the number of persons who usually work part time rose by 1.6 million to 20.7 million. Part-time workers accounted for about two-fifths of the over-the-month employment growth. Nonetheless, persons employed part time for economic reasons stood at 10.6 million in May. Based on BLS assessment, "these individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs."

In May, a total of 2.4 million individuals were slightly attached to the labour force. These persons were not in the labour force, wanted and were available for work, and had looked for a job in the last year. Of the marginally attached, 662,000 persons were classified as discouraged workers in May, little changed over the month. These persons are not currently seeking for work as they believe no jobs are available for them.





Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2015	422,317	424,418	426,408	428,508
2016	430,265	431,898	434,075	435,715
2017	437,386	438,949	440,567	442,168
2018	444,004	445,948	447,640	449,097
2019	450,551	451,828	453,481	455,365
2020	455,765			

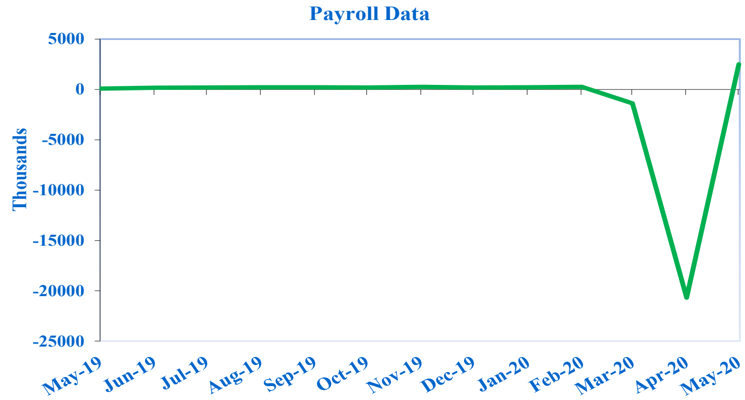
CONSUMER PRICE INDEX

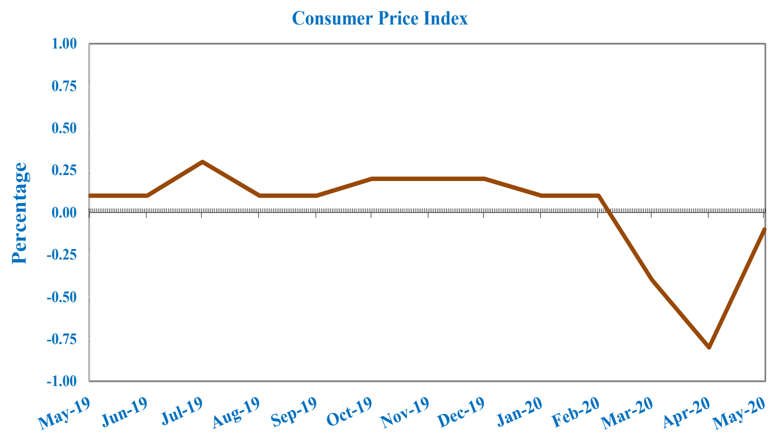
The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.1% for May, on a seasonally adjusted basis according to the U.S. Bureau of Labor Statistics. However, the all items index increased 0.1% before seasonal adjustment over the last year. BLS noted that the decrease in the monthly seasonally adjusted all items index were mainly due to declines in the indexes for motor vehicle insurance, energy, and apparel which more than offset the increases in food and shelter indexes.

The all items less food and energy index declined 0.1% in May. The index for airline fares declined 4.9%, the apparel index decreased 2.3% while the index for motor vehicle insurance fell 8.9% in May. Also, the indexes for used cars and trucks declined 0.4% in May. The index for shelter increased 0.2% while the index for recreation rose 0.9% in May. The indexes for medical care and household furnishings and operations increased 0.5% and 0.4%, respectively. The new vehicles index increased 0.3%, the index for alcoholic beverages increased 0.8% and the index for education also rose 0.2% in May.

The index for food increased 0.7% in May, while the index for food at home rose 1.0%. The index for meats, poultry, fish, and eggs rose 3.7%. The indexes for dairy and related products and for fruits and vegetables climbed 1.0% and 0.5%, respectively in May. Prices for non-alcoholic beverages and for other food at home were both unchanged in May. The index for cereals and bakery products decreased by 0.2%. While, the index for food away home rose 0.4%.

The index for energy fell 1.8% in May. A 3.5% decline was recorded for the gasoline index in May. In addition, electricity index decreased 0.8% while the natural gas index increased by 0.8% over the month.





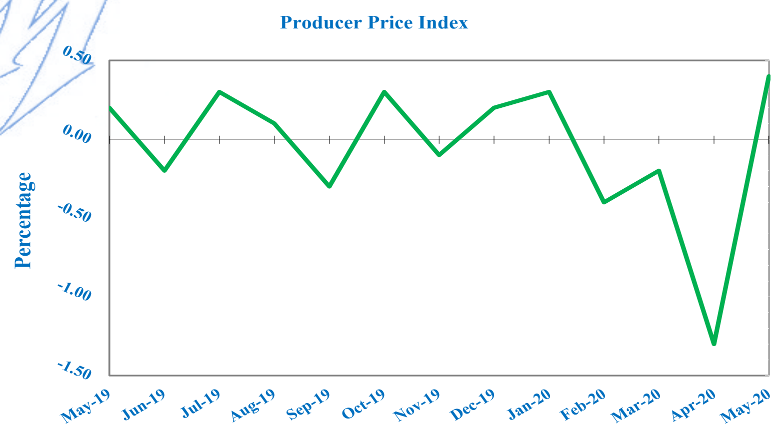
PRODUCER PRICE INDEX

The final demand for the Producer Price Index increased 0.4% in May 2020, seasonally adjusted according to the U.S. Bureau of Labor Statistics. Final demand prices fell 1.3% in April and decreased 0.2% in March. On an unadjusted basis, "the final demand index decreased 0.8% for the 12 months ended in May," BLS indicated.

Prices for final demand less foods, energy, and trade services climbed 0.1% in the month of May. Notably, the index over the past twelve months ended May depicted a downward movement by 0.4%.

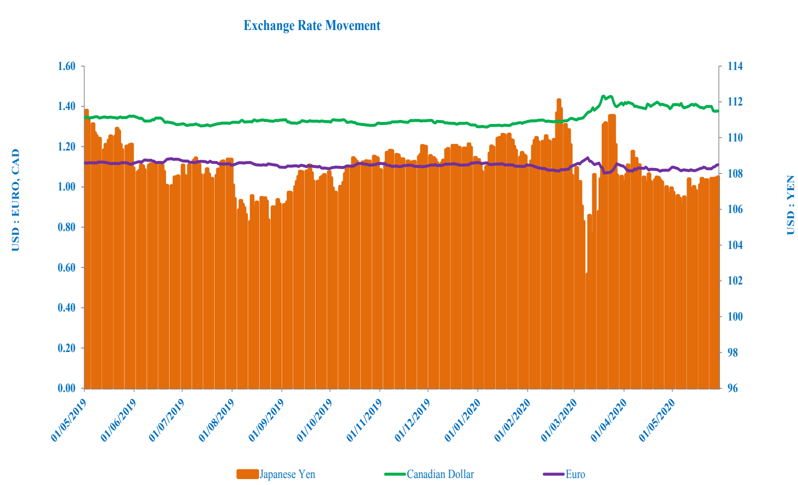
Final demand services experienced a 0.2% decrease in prices in May. This performance was mainly attributable to a decrease of 0.8% in prices for final demand trade services. Moreover, the index for final demand transportation and warehousing services increased 1.5%, whereas the index for final demand services less trade, transportation, and warehousing was unchanged.

An increase of 1.6% was observed in prices for final demand goods in May. This performance stemmed from an increase of 6.0% in prices for final demand foods. The index for final demand energy rose 4.5%, while prices for final demand goods less foods and energy were unchanged.



U.S. Dollar

For May 2020, the EUR/USD pair closed at $1.1099 versus $1.0985 at the start of the month, a 1.04% increase. This increase according to FX Empire, was due to "the European Union offering bonds that are backed by the entirety of the EU instead of the single countries. This should be stronger, and therefore people like the idea of the future of the Euro much more than they did just a few weeks ago." However, looking ahead, FX Empire noted that, "U.S. Retail Sales shattered already-lofty expectations for May as consumers freed from the coronavirus-induced lockdowns began shopping again." Furthermore, "the fact that the U.S. retail sales came out so strong during the trading session on Tuesday suggests that the United States is going to continue to outperform the rest of the world." Nevertheless, FX analysts also noted that, "EU leaders are expected to meet on Friday to discuss the commission's 750 billion euro recovery fund."



FEDERAL RESERVE MINUTES

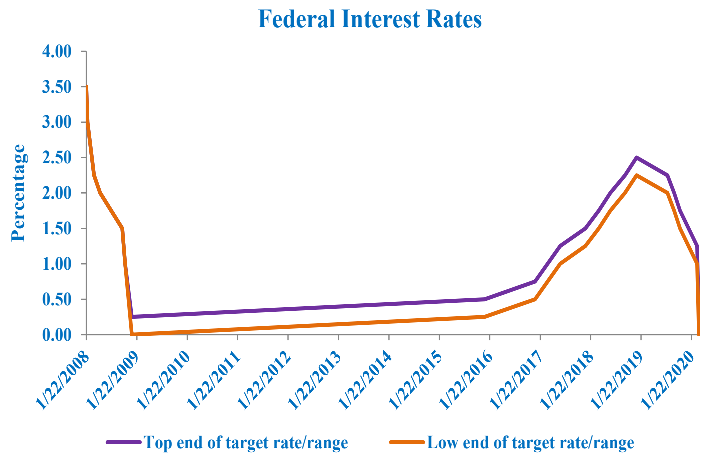
On June 10, 2020, the Federal Reserve reiterated its commitment to using its full range of tools to support the U.S. economy in this challenging time, thereby pursuing its maximum employment and price stability goals.

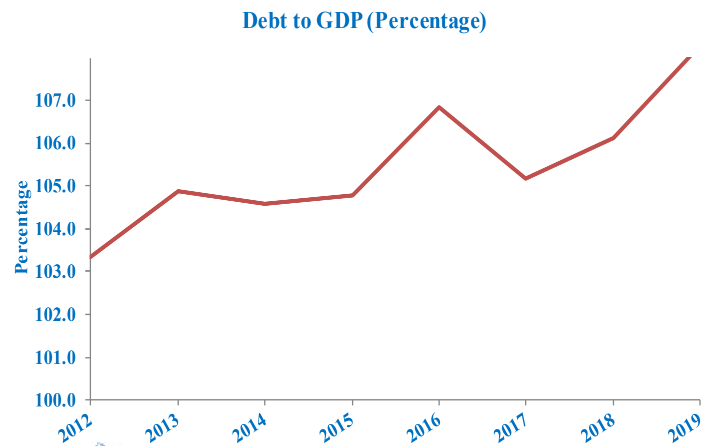
The advent of coronavirus outbreak caused tremendous human and economic hardship across the United States and around the World. The outbreak has resulted in the implementation of numerous measures to protect public health while inducing declines in economic activity and a surge in job losses. The Federal Reserve cites, "weaker demand and significantly lower oil prices are holding down consumer price inflation. Financial conditions have improved, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses."

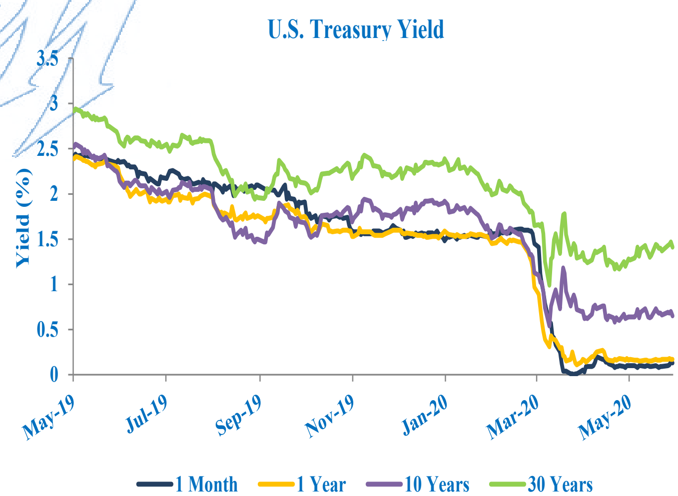
In the near term, the Fed sees economic activity, employment, and inflation being affected by the ongoing health crisis, thus posing considerable risks to the economic outlook over the medium term. As a result, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 percent. The range is expected to remain until the Committee is confident that the economy has weathered the recent events and is on track to achieve its maximum employment and price stability goals.

The Committee will also continue to monitor the implications of information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the U.S. economy. According to the FOMC, "In determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments."

The Federal Reserve, over coming months, will increase its holdings of Treasury securities and agency residential and commercial mortgage-backed securities to support the flow of credit to households and businesses at least at the current pace to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions. Moreover, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement operations. The Committee will closely monitor developments and is prepared to change its plans as appropriate.







U.S. TREASURY YIELD CURVE

The 3-month Treasury bill rate inched up to 0.14% from April's 0.09%. The 5-year rate registered a decrease to close the month of May at 0.30% from 0.36% a month earlier. The 10-year rate (also constant maturity) increased slightly to 0.65%, from April's 0.64% but below March's 0.70%.

GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office (CBO) indicated that the federal budget deficit amounted to $1,905 billion for the first eight months of the fiscal year 2020, $1,167 billion more than the deficit recorded during the corresponding period last year.

Furthermore, for the first eight months of the fiscal year 2020, receipts amounted to $2,020 billion based on CBO estimates which totalled $255 billion less than in the similar period last year.

Outlays for the first eight months of the fiscal year 2020 totalled $3,925 billion, based on CBO estimates, $912 billion higher than the same period last year.

Budget Totals for October-May, Billions of Dollars

				Estimated Change	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	2,275	2,020	-255	-255	-11.2
Outlays	3,014	3,925	912	961	32.4
Deficit (-)	-739	-1,905	-1,167	-1,216	176.5