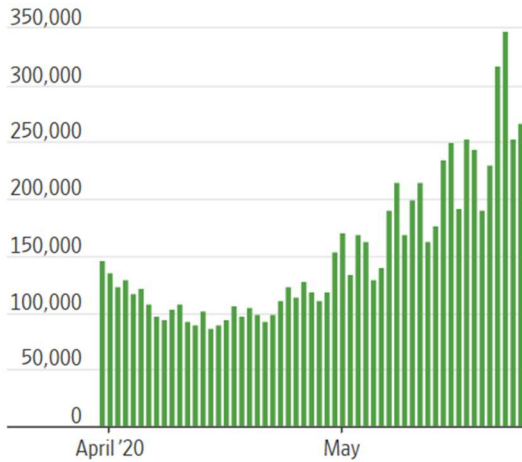


Signs of an Economic Pulse
May 26, 2020



The stock market rose on Tuesday amid signs that the most severely damaged parts of the economy may be showing a pulse – albeit a weak one. The S&P 500 added 36 points, or 1.23% to close at 2992 but spent most of the day above the psychologically important 3000 level. The Dow Jones Industrial Average surged 530 points, or 2.17% to close at 24,995. The Nasdaq Composite eked out a small gain of 16 points, or 0.17%, closing at 9340 and finally the Russell 2000 jumped 37 points or 2.77% to close at 1393. All indexes closed off their highs as the CEO of Merck, late in the trading session, expressed some skepticism of the timelines laid out by companies working on a COVID-19 vaccine may be too aggressive.

Daily number of passengers screened at U.S. TSA airport checkpoints



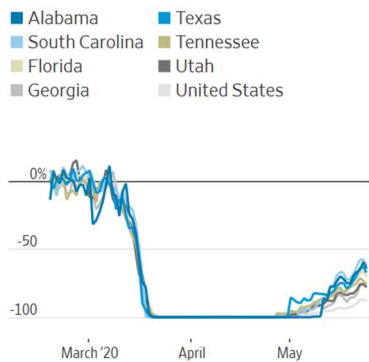
Source: Transportation Security Administration

The trading day began with optimism about economic signs that the economy is slowly coming back to life. In some parts of the economy that have been severely damaged by the economic shutdown, conditions seemed to have stopped getting worse and may be improving. Truck loads are growing again, air travel and hotel bookings are up slightly, mortgage applications are rising, and more people are applying to open new businesses.

Spending on hotels, restaurants, airlines and other industries hurt by social distancing remain low but appears to be picking up. According to the Wall Street Journal, the number of travelers passing through Transportation Security Administration security checkpoints fell to 84,534 on April 14, 2020 which is 96% below the same day a year earlier. However, by May 24th, that figure had tripled to 267,451 – but is still down 87% from the same day a year earlier, so obviously we are rebounding from extremely low levels.

Open Table reported that diners are beginning to return in several states. Truckstop.com which measures

Seated diners at restaurants on the OpenTable network, change from one year earlier

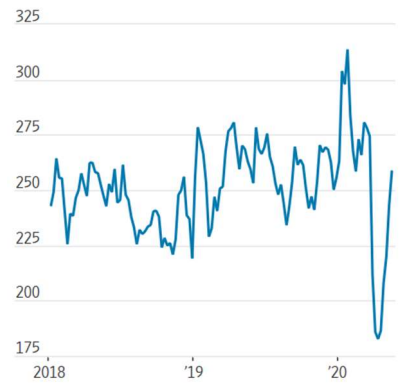


Source: OpenTable

demand in trucking's spot market says its weekly index has improved for four straight weeks and that available loads were up 27% in the week ended May 18th. Finally, it appears that mortgage applications are rebounding from their mid-April low.

The stock market looks for changes at the margin. Deeply distressed industries that stop getting worse will get the market's attention.

Mortgage Bankers Association weekly mortgage applications purchase index



Note: March 16, 1990=100
Source: MBA