

## Preview of the Week Ahead

Retail sales likely rose moderately in May after no change in April. Auto and parts sales rose on the month, while gasoline station sales fell on lower gas prices and a slow start to the summer driving season. Industrial production was likely modestly higher in May as well.

Housing starts and building permits are expected to be higher in May, too, continuing their recovery after a big dip in the spring months. Single-family homebuilding was likely the key driver of May's increase, with multifamily starts and permits held back by high interest rates. Multifamily completions likely held near the highest since the mid-1980s as developers work through the backlog of projects started during 2021 and 2022. Existing home sales likely dipped in May, held back by high mortgage rates, but inventories were likely less tight. The median sale price of an existing home likely rose by mid-single digits from a year earlier.

Initial jobless claims will get more attention than usual after last week's release jumped to the highest since August 2023; Comerica forecasts a pullback, but for the four-week average to continue to rise.

## The Week in Review

At the June 12<sup>th</sup> decision, the Federal Reserve's Federal Open Market Committee (FOMC) unanimously decided to hold the federal funds rate unchanged at 5.25% to 5.50%, where it has been for nearly a year. The FOMC held forward guidance unchanged, but the dot plot showed the median FOMC member now believes only one rate cut is likely appropriate by year-end, down from three expected in March, when they last released a dot plot. FOMC members raised projections for inflation at the end of this year, and continue to expect moderate real economic growth and a stable unemployment rate.

CPI and PPI were cooler than expected in May. The CPI was unchanged on the month and slowed to a 3.3% year-ago increase from 3.4% in April. Core CPI excluding food and energy rose by a moderate 0.2% and was up 3.4% from a year earlier, the lowest annual increase in three years. Food prices rose 0.1% on the month and were up 2.1% on an annual basis. Led by a steep decline in gasoline prices, energy costs fell sharply. Core goods prices held steady. Core goods inflation could remain subdued for a few more months, as a number of large retailers have announced plans to cut prices. Shelter costs rose by 0.4% for a fourth consecutive month and were up 5.4% on an annual basis. Shelter continues to be the single biggest driver of inflation, accounting for roughly half of May's annual increase. Prices of services excluding rent of shelter were unchanged on the month, but up 5.0% from a year earlier.

The Producer Price Index for Final Demand (PPI) fell by 0.2 percentage points in May, while core PPI, which excludes volatile foods and energy prices, was unchanged. Sharp falls in energy costs and charges for transportation and warehousing, a sector heavily influenced by energy prices, largely contributed to low inflation readings at the producer level. Total and core PPI rose 2.2% and 3.2%, respectively, from a year ago in May, both slower than their April increases.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 6/17	No market-moving economic releases	--	--	--
Tue 6/18	Retail Sales (May)	0.0% M/M	0.3% M/M	0.3% M/M
	Core Retail Sales Excluding Autos and Gas (May)	-0.1% M/M	0.4% M/M	0.4% M/M
	Industrial Production (May)	0.0% M/M	0.3% M/M	0.2% M/M
	Capacity Utilization (May)	78.4%	78.6%	78.5%
Wed 6/19	Juneteenth Federal Holiday	--	--	--
	NAHB / Wells Fargo Housing Market Index (May)	45	45	48
Thu 6/20	Building Permits (May)	1.440 million -3.0% M/M	1.450 million 0.7% M/M	1.500 million 4.2% M/M
	Housing Starts (May)	1.360 million 5.7% M/M	1.375 million 1.1% M/M	1.380 million 1.5% M/M
	Initial Jobless Claims (Week of 6/15)	242,000	235,000	228,000
	Continuing Jobless Claims (Week of 6/8)	1,820,000	1,802,000	1,800,000
Fri 6/21	S&P Global Manufacturing PMI (Jun – Flash Estimate)	51.3	51.0	51.0
	S&P Global Services PMI (Jun – Flash Estimate)	54.8	53.4	54.0
	Existing Home Sales (May)	4.14 million -1.9% M/M	4.09 million -1.2% M/M	4.08 million -1.4% M/M

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