

Economic highlights from the week ending on May 21, 2021

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The Conference Board's Leading Economic Index (LEI) jumped 1.6% month-over-month in April (stronger than the 1.2% consensus forecast), following a 1.3% increase in March. On a year-over-year basis, the LEI was up 17.0% in April against a severe decline in the index in April last year. The LEI has now fully recovered and surpassed its previous pre-pandemic peak in January 2020. According to the Conference Board, the index suggests that economic growth may accelerate in the near term.



During the Fed's April policy meeting, a number of policymakers suggested that if the economy continued to improve at a rapid pace, it would be appropriate at some point in future meetings to start discussing a plan for adjusting the Fed's asset purchases. While Fed Chair Powell has indicated it is still too early to start discussing plans to taper asset purchases, we believe it is something the Fed will start discussing at policy meetings later this year. However, we believe policymakers remain more concerned about the potential downside risks to the economy and still uncertain outlook for the global pandemic than they are about an overheating economy. As such, we believe monetary policy will likely remain unchanged through at least year-end. While a rapid reacceleration in the pace of vaccinations in the US and elsewhere might pull forward the timeline for policy changes, we believe the Fed is waiting for more clarity on the pandemic as people return to offices and schools and resume more travel and other activity.



Next Week

Chicago Fed National Activity Index, Case-Shiller HPI, FHFA HPI, New Home Sales, Consumer Confidence, Durable Goods, GDP, Pending Home Sales, Personal Income & Outlays, Consumer Sentiment

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