

## Morning Market Tidbits

## Are supply chains headed for a COVID repeat?

## Supply chain managers have been whipsawed by tariffs

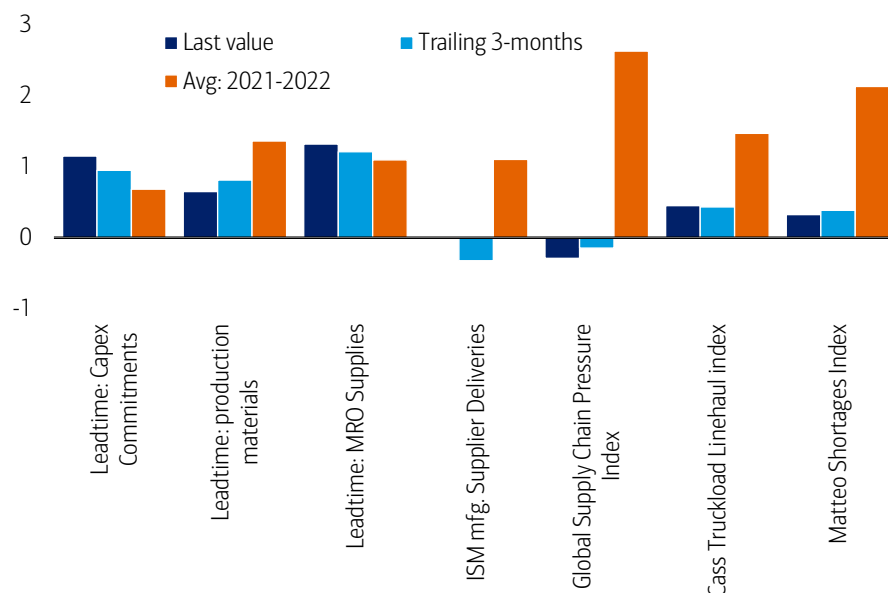
May ISM manufacturing disappointed expectations, but what stood out more to us from the report were the comments. Tariffs and policy uncertainty remain top of mind among manufacturers, and one respondent argued that, “the administration’s tariffs alone have created supply chain disruptions rivaling that of COVID-19.” We have argued this is a key risk to our inflation outlook, as supply chain issues could result in more inflation persistence than we expect (See: [US Economic Weekly: Inflation: How soon? How much? For how long?](#)).

## But supply chains aren’t as tight as during COVID

Given these comments and the potential effects on inflation, we check in on different measures of supply chain pressures (Exhibit 1). Many of these measures have shown increasing signs of supply chain snags in recent months. However, we think we’re not quite in a situation that rivals COVID-19. It could get there, but businesses have tried to minimize the number of empty shelves by frontloading inventory ahead of the tariffs.

## Exhibit 1: Indicators suggest supply chain pressures have risen of late but are not at COVID levels

Measures of supply chain pressures (z-scores)



Source: Institute for Supply Management, Federal Reserve Bank of New York, Cass Information Systems,

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(Continues on next page)

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## Market Action

The Asian equity markets that we cover closed positive overnight. Looking at individual markets, the Indian Sensex, the Shanghai Composite, the Hang Seng, the Nikkei and the Korean Kospi rose 0.3%, 0.4%, 0.6%, 0.8% and 2.7% respectively.

As of 7:00 am ET, aggregate European stocks are up 0.5% and S&P500 futures are up 0.2%. In the bond markets, US Government Bonds are flat at 4.45% and German Bund yields are flat at 2.52%. The dollar index is up \$0.32 to \$99.22. WTI crude oil prices are \$0.04 higher at \$63.45/bbl, and gold prices are at \$3351.02/oz.

## US GDP Tracking

### Exhibit 2: BofA US GDP tracking estimate (% q/q saar)

Our 2Q tracking estimate is up from 1.8% q/q saar to 2.8% q/q saar, largely due to higher-than-expected April personal income and spending and better than expected advance goods trade deficit in April

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
5/23/25	New Home Sales	2.0	-0.3	1.1	<b>0.9</b>	-4.7	-15.4	-1.0	0.0	0.5	-20.0	-1156.5	80.0
5/27/25	Durable goods orders	<b>1.8</b>	<b>-0.6</b>	1.1	0.9	-4.7	<b>-20.0</b>	-1.0	0.0	0.5	-20.0	-1156.5	<b>74.2</b>
5/29/25	1Q GDP (S)	1.8	-0.6	1.1	0.9	-4.7	-20.0	-1.0	0.0	0.5	<b>-21.4</b>	<b>-1139.7</b>	<b>67.6</b>
5/30/25	Personal Income & Outlays, Advance Trade, Inventories	<b>2.9</b>	<b>0.1</b>	<b>2.1</b>	-0.9	-4.7	-20.0	-1.0	0.0	<b>2.0</b>	<b>-24.8</b>	<b>-1088.1</b>	<b>52.6</b>
6/2/25	Construction Spending	<b>2.8</b>	<b>0.0</b>	2.1	<b>-0.3</b>	<b>-5.8</b>	-20.0	-1.0	0.0	2.0	-24.8	-1088.1	52.6
	GDP tracking	2.8	0.0	2.1	-0.3	-5.8	-20.0	-1.0	0.0	2.0	-24.8	-1088.1	52.6
	Contribution to GDP growth (pp)			1.4	0.0	-0.2	-1.2	-0.1	0.0			4.4	-1.6
	BofA official GDP forecast	2.0	-0.3	1.0	1.0	-4.0	-15.0	-1.0	0.0	0.5	-20.0	-1152.7	80.1

**Source:** BofA Global Research. Our GDP tracking estimate reflects the mechanical aggregation of incoming data that directly informs the BEA's GDP calculations. The process is distinct from our official published GDP forecast. Boldface cells indicate where data have implications for tracking estimates.

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## Data Preview

### Data deck

June 4<sup>th</sup>

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
6/04/25	7:00	MBA Mortgage Applications	May 30	—	—	-1.2%
6/04/25	8:15	ADP Employment	May	—	110k	62k
6/04/25	9:45	S&P Global US services PMI	May F	—	—	52.3
6/04/25	10:00	ISM Services	May	52.0	52.0	51.6

**Source:** Bloomberg, BofA Global Research

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## Data review

### JOLTS Job Openings

April Job openings rose by 191k to 7.4m vs consensus expectations of 7.1m. The prior month was revised to 7.2m from 7.192m. Job openings rate was 4.4% in April vs 4.3% in prior month. 3.194m people quit a job in April vs 3.344m in prior month with the quits rate at 2% vs 2.1%. 1.786m workers were fired or laid off in April vs 1.59m in prior month with the layoffs and discharges rate at 1.1% vs 1% previously. The job vacancies to unemployed ratio edged up only slightly from 1.02 to 1.03, continuing to move sideways and remaining below the pre-pandemic 2018-19 equilibrium, indicative of a balanced labor market. Also, in terms of the Beveridge curve (currently aligning with the pre pandemic curve), as a reminder, the job opening rate threshold that was supposed to be worrying as per Waller was 4.5% and we are currently lower than that which is a concern despite the job opening rate going up by a tenth this month. But overall, the labor market looks stable with a pick up in the hiring rate and relatively low layoffs (despite an increase this month).

## Overseas data

### Italy

In May, the Composite PMI index rose to 52.5, with services at 53.2, both higher than market consensus at 51.4 and 52.0 respectively. Our Europe economists note that the improvement was led by domestic demand, while export demand saw its sharpest



contraction since January, due to trade uncertainty. On the price trackers, solid demand dynamics allowed firms to charge higher selling prices to offset higher input costs.



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