May Leading Index Signals Continued, but Moderate, Growth

After two modest monthly gains, the leading index was flat in May. In short, as the expansion is nearing the longest in the post-WW II era, leading indicators continue to suggest growth will continue but moderate.

Expansion to Continue
- The Leading Index has been more or less flat since September, and only five of the ten components made positive contributions to the index in May. Consumer expectations were a bright spot in this report, which contributed the most to the headline and saw its largest contribution since October. This is a notable signal of the strength of the consumer, despite the moderation in May employment and decline in the stock market.

But Trade Remains a Large Risk
- Stock prices subtracted the most, shaving 0.07 percentage points from the headline as markets struggled through May. The stock rebound to date in June suggests this component should rebound next month. The 0.06 percentage points ISM New Orders subtracted is a little more concerning, however, given the recent stall of the manufacturing sector in the face of trade uncertainty. Trade likely remains the largest risk to this lengthy expansion.

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