

Yields Slip on Unexpected Signs of Weakness

This morning's data releases seem to indicate continued weakening in the economy, which suggests the Fed's tightening plan may be a bit overaggressive.

Personal spending rose by just +0.2% in May, below the +0.4% median forecast, while the April increase was revised downward from +0.9% to +0.6%. When adjusted for inflation, real spending *fell* by -0.4% last month. *Consumer momentum is slipping.* With the personal savings rate down from 10.5% last July to a 13-year low of 5.2% in April at the same time elevated food and gas prices crowd out discretionary spending, the trend seems likely to continue.

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Scott McIntyre