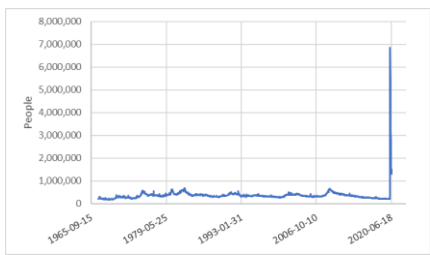
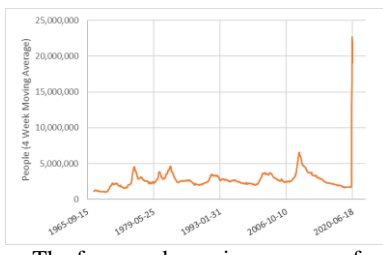
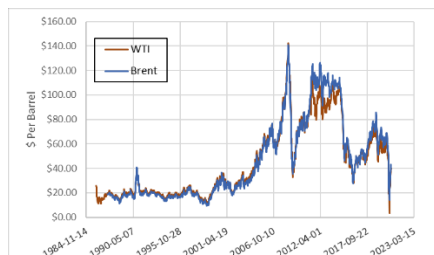
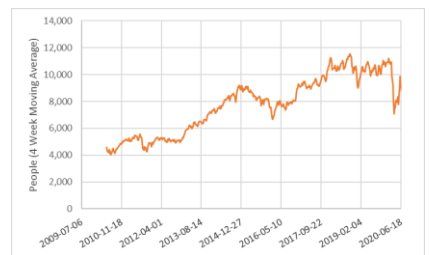
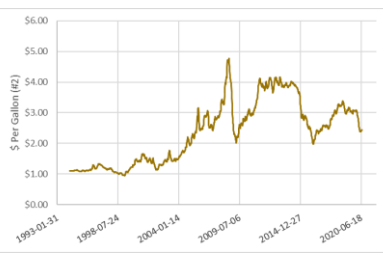
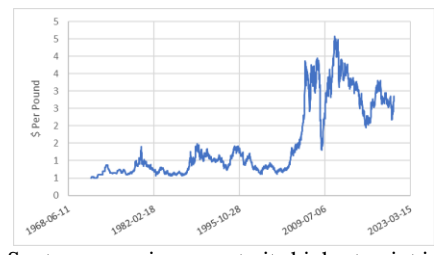
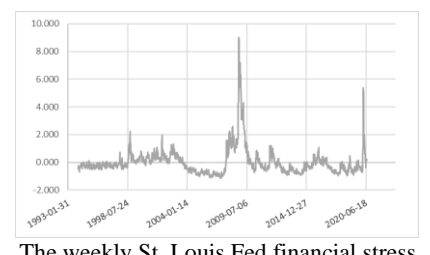

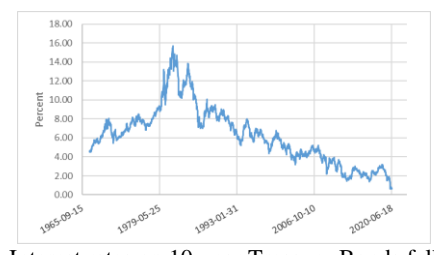



The Weekly Breadline

A weekly analysis of the most recent economic indications

The ongoing government-imposed shutdown of the economy, in response to COVID-19, has led to what will likely be a depression at least through the remainder of 2020. In order to help our clients plan during this extremely confusing and unpredictable period, **John Dunham & Associates** has gathered a brief series of indicators that together paint the most recent picture of US economic activity.¹

The Weekly Data: July 12, 2020

<p style="text-align: center;">Weekly Jobless Claims</p>  <p>New claims for unemployment insurance fell again last week from 1,427,000 to 1,314,000.</p>	<p style="text-align: center;">Continuing Claims for Unemployment</p>  <p>The four-week moving average of unemployment continued its decline last week falling from 19,854,000 to 19,085,500.</p>	<p style="text-align: center;">WTI Spot Oil Price</p>  <p>WTI Spot oil prices increased last week from \$39.22 to \$39.85 per barrel. Similarly, Brent prices rose from \$41.58 to \$42.73 per barrel.</p>
<p style="text-align: center;">Dow Jones Transportation Index</p>  <p>The Dow Jones Transportation Index rose from 9,235.70 to 9,312.48 last week.</p>	<p style="text-align: center;">Diesel Prices</p>  <p>Diesel prices rose one cent last week from \$2.43 per gallon to \$2.44 per gallon.</p>	<p style="text-align: center;">Copper Prices</p>  <p>Spot copper prices rose to its highest point in months last week from \$2.706/lb to \$2.860/lb.</p>
<p style="text-align: center;">Financial Stress Index</p>  <p>The weekly St. Louis Fed financial stress index fell from 0.2526 to 0.1558 last week.</p>	<p style="text-align: center;">S&P 500</p>  <p>The S&P 500 index rose from 3,130.01 to 3,185.04 last week.</p>	<p style="text-align: center;">10-Year Treasury Yield</p>  <p>Interest rates on 10-year Treasury Bonds fell last week from 0.69 to 0.62.</p>
<p style="text-align: center;">Consumer Credit Outstanding (Commercial Banks)</p>  <p>Consumer Debt rose again last week from \$1,517.13 billion to \$1,517.56 billion.</p>	<p>Is there anything else that you would like us to track?</p> <p>Let us know at:</p> <p>jrd@guerrillaeconomics.com</p>	

¹ Note that the current situation is extremely unpredictable, and important business decisions should not be made based on any individual indicators.

The Weekly Commentary

Key takeaways for the week:

1. For the first time in months, loans for commercial real estate dropped. With the end of PPP payments, and since many firms are not returning to their offices, it is expected that many will begin to default on their leases. Commercial real estate, particularly in the larger metropolitan areas will likely be one of the worst hit sectors in the long term.
2. With huge amounts of liquidity being pumped into the economy by the Federal Reserve, and few good investments available, stock prices continue to defy gravity. The S&P500 has been sitting comfortably above 3,000 for almost two months now. It is now at its second highest point since February and could likely continue to rise, particularly if the Federal Government announces another stimulus package.
3. Sitting at \$2.856, copper prices are the highest they have been since April 2019. This suggests that industrial production has taken a much smaller hit from the government-imposed shutdown than have service businesses.
4. New claims for unemployment insurance are at the lowest point since the pandemic started at 1.3 million. However, that number is still more than the average new claims for an entire month in 2019. With most states at least partially opening it is likely that a large percentage of new claims are related to permanent layoffs and business bankruptcies than was the case over the past three months.

With the onset of the *Great Suppression* unemployment has reached levels that are arguably as high as 20 percent (notwithstanding the reports from the BLS), and countless businesses have collapsed and gone belly up, so one would not expect now to be a great time for the housing market. But surprisingly, it is holding up given the turmoil. While the number of new housing units sold in the beginning of the year was the highest since the 2009 recession, the number plummeted in March and April. However, May's housing report showed a significant recovery, and home sales recovered to 2019 levels on a seasonally adjusted annual rate. On top of this, home prices have not fallen. The Case-Shiller Index skyrocketed during the shutdowns, up by 4.5 percent in March and 4.7 percent in April. Even in New York City, the hardest hit area by the COVID-19 crisis, prices rose. So even with the shutdowns, life went on and families continued to purchase homes.

Strong housing demand is in part due to historically low mortgage rates. In addition, governments made it easier for homeowners to cope. More people were able to pause mortgage payments, and unlike in the recession of 2009, the government acted before countless families lost their homes, helping the housing market weather the storm. In addition, with little else to spend on, 20 percent of the stimulus checks sent out earlier this year were spent on mortgages, providing families some buffer before having to sell their house, not to mention the incredibly generous unemployment checks over the past three months. Relative to income, housing debt is actually lower now that it was during the last recession, meaning people are more prepared to endure the economic hardships brought by the shutdowns.

Residential property is expected to remain that vibrant over the next few months at least. Economic conditions like lower interest rates and housing debt, coupled with government action on unemployment and mortgage forbearances ensure that the housing market can ride out this pandemic far more effectively than most parts of the economy.

Notes:

Weekly and daily economic data series are rare. Certain financial data can be used as a proxy for underlying economic indicators.

- Copper prices, like those of other industrial metals, can serve as a proxy for industrial production.
- Fuel prices account for about 10 percent of the CPI and can serve as a proxy for short-term inflation expectations.
- The level of commercial real estate loans is a proxy for the construction industry.
- Changes in the level of consumer credit can be used as a proxy for retail sales.
- The yield on the 10-year treasury is an indicator of inflation.

The Weekly Breadline is provided as a service to our clients by **John Dunham & Associates**. It is not intended as investment advice. If you would like more information, or if you would like us to track additional indicators, please feel free to contact us at JRD@GuerrillaEconomics.com, or by phone at 212-239-2105.