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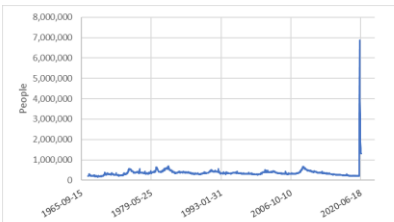
& ASSOCIATES

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]

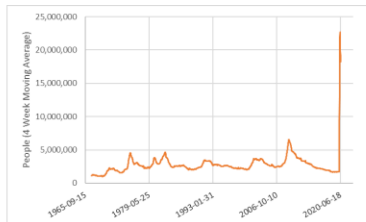
The Weekly Data: July 19, 2020

Weekly Jobless Claims



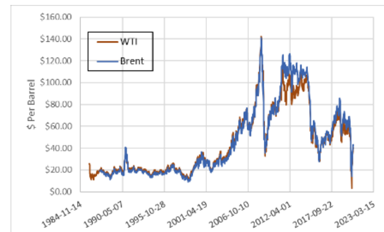
New claims for unemployment insurance continued its decline last week falling to 1,300,000 from 1,314,000.

Continuing Claims for Unemployment



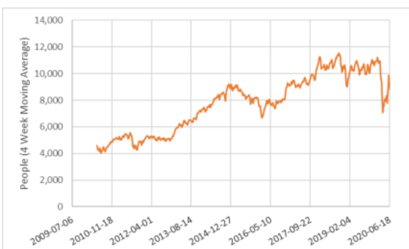
The four-week moving average of unemployment claims fell from 19,085,500 to 18,272,250.

WTI Spot Oil Price



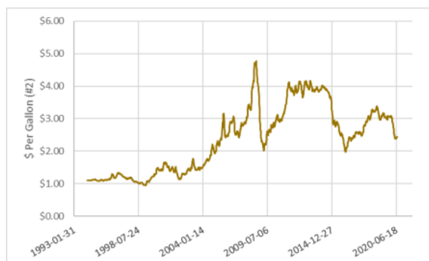
WTI Spot oil prices rose from $39.85 to $40.44 per barrel last week. Brent prices also increased from $42.73 to $43.06 per barrel last week.

Down Jones Transportation Index



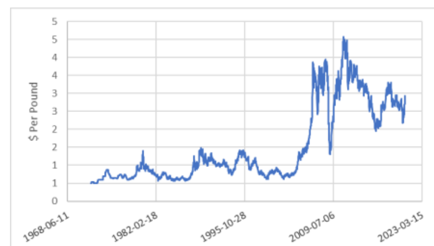
Almost breaching 10,000, the Dow Jones Transportation Index increased last week from 9,312.48 to 9,900.09.

Diesel Prices



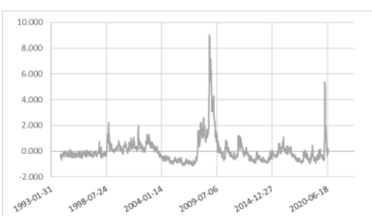
Diesel prices did not budge last week remaining at $2.44 per gallon.

Copper Prices



Reaching its highest point in over a year, Spot copper prices climbed last week to $2.935/lb from $2.860/lb.

Financial Stress Index

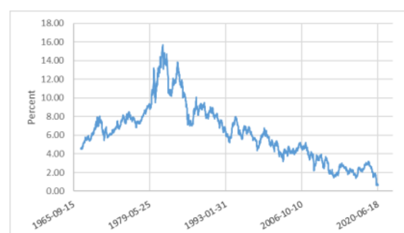


The weekly St. Louis Fed financial stress index reached negatives again last week falling from 0.1558 to -0.1394.

S&P 500

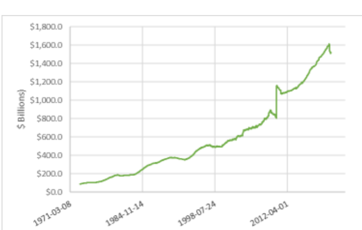
The S&P 500 index increased from 3,185.04 to 3,224.73 last week, its highest since February.

10-Year Treasury Yield



Interest rates on 10-year Treasury Bonds remained unchanged last week at 0.62.

Consumer Credit Outstanding (Commercial Banks)



Consumer Debt increased last week from $1,517.56 billion to $1,520.76 billion.

Is there anything else that you would like us to track?

Let us know at:

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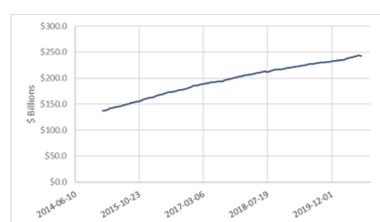
Commercial Real Estate Loans



Commercial real estate loans increased last week jumping from $242.63 billion to $242.78 billion.

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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 the past month, the St. Louis Fed Financial Stress Index fell back to negatives showing some more stability in the financial market as states open up, consumers return to shopping and businesses feel less financial stress.

2. New unemployment claims were at a low 1.3 million last week, however the decline in jobs has slowed significantly only dropping 14,000 jobs from the week prior. If there is any hope for a successful economic recovery, this number will have to decline much more rapidly. The continuing claims figure (now just under 18.3 million) is likely a gross understatement. According to Mike Shedlock at Mish Talk, who has developed an index of both the normal state unemployment claims, along with federal claims, and various pandemic unemployment assistance claims, the number of unemployed has not fallen dramatically since peaking at 32.436 million at the end of June. Total federal and state unemployment claims remain at over 32.0 million.

3. Spot copper prices are now 4 percent higher than they were at the beginning of the year, climbing to $2.94/lb after 10 weeks of straight growth. Copper is a key industrial metal and higher prices suggest that industrial production is on the mend after the COVID-19 shutdowns.

Consumers are returning back to shops as some states ease restrictions. According to the Census Bureau retail sales in June saw a 7.5 percent increase, following a 18.2 percent rise in May. Even so, retail sales for the first half of the year were 3.4 percent below those in 2019.

Consumers spent more in June 2020 than June 2019. However, as with most economic indicators, there are hidden downsides to every positive sign. The increase in spending was largely due to the government stimulus as well as the hefty unemployment checks millions of people have been receiving. Both of these are set to expire at the end of this month, significantly reducing disposable income for working and unemployed Americans. As was reported above, total unemployment claims have not fallen much at all over the past two months, and if the decline of unemployment stays this slow, it can be expected that consumer spending will fall in line with the reduced stimulus payments.

Then there is COVID-19 virus itself. Until it is fully under control, consumers will not likely return to normal buying habits, and will be less likely to frequent places where folks congregate like restaurants and bars. States that have been experiencing increasing infection rates, like California, Georgia, and Florida, have also reestablished government-ordered closures of some businesses. An expected *second wave* of the virus will likely put an end to many already crippled businesses. Apple has had to close about 100 stores for the second time, but the average Mom & Pop store cannot afford to do the same.

Overall, consumer spending has increased recently, but the growth is not expected to continue. Government help is drying up, while the coronavirus and the government-imposed closures continue to wreak havoc on the nation's health and 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