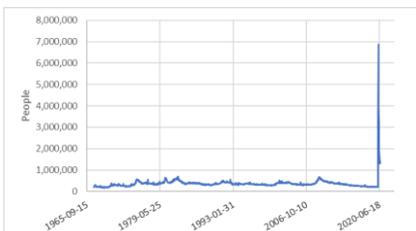
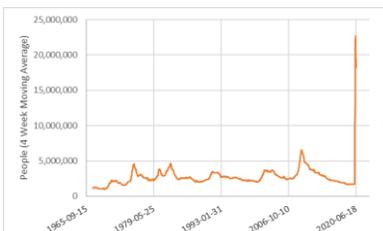
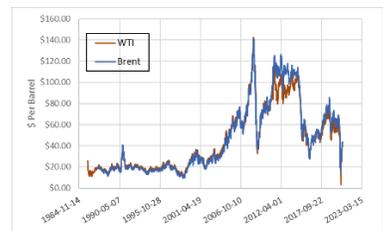
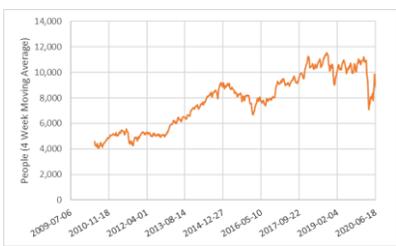
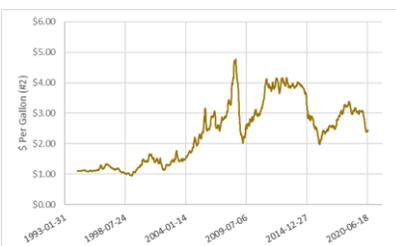
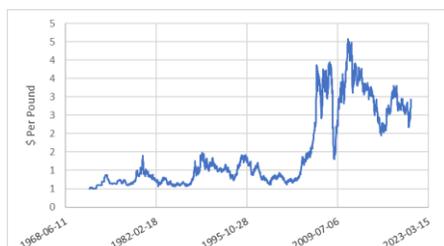
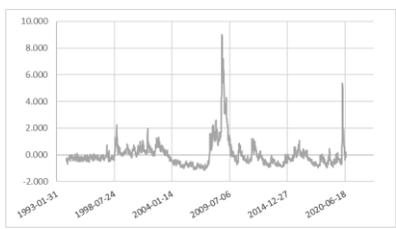
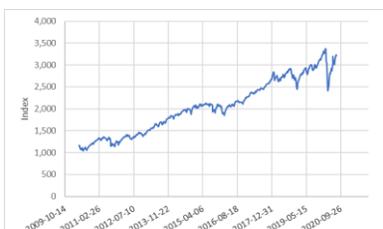
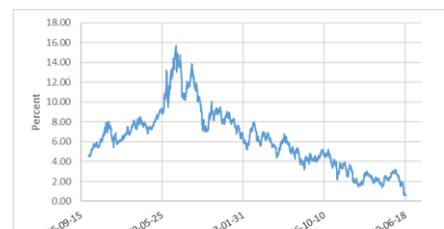
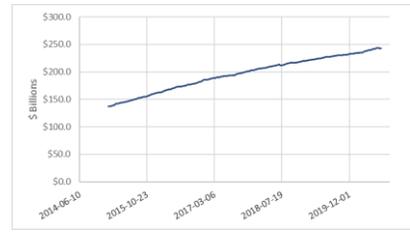


The Weekly Breadline

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 26, 2020

<p style="text-align: center;">Weekly Jobless Claims</p>  <p>After falling 16 weeks in a row, new claims for unemployment insurance increased last week from 1,314,000 to 1,416,000.</p>	<p style="text-align: center;">Continuing Claims for Unemployment</p>  <p>The four-week moving average of unemployment claims decreased again last week from 18,272,250 to 17,505,250.</p>	<p style="text-align: center;">WTI Spot Oil Price</p>  <p>WTI spot prices rose marginally from \$40.44 to \$40.57 per barrel last week. Brent prices also increased slightly from \$43.06 to \$43.40.</p>
<p style="text-align: center;">Down Jones Transportation Index</p>  <p>The Dow Jones Transportation Index fell from 9,900.09 to 9,730.12 last week.</p>	<p style="text-align: center;">Diesel Prices</p>  <p>Diesel prices decreased by one cent last week from \$2.44 to \$2.43 per gallon.</p>	<p style="text-align: center;">Copper Prices</p>  <p>Spot copper prices fell for the first time in weeks from \$2.94/lb to \$2.93/lb.</p>
<p style="text-align: center;">Financial Stress Index</p>  <p>The weekly St. Louis Fed financial stress index continued to fall last week from -0.1394 to -0.1726.</p>	<p style="text-align: center;">S&P 500</p>  <p>The S&P 500 index fell slightly last week from 3,224.73 to 3,215.63.</p>	<p style="text-align: center;">10-Year Treasury Yield</p>  <p>Interest rates on 10-year Treasury Bonds dropped last week from 0.62 to 0.59.</p>
<p style="text-align: center;">Consumer Credit Outstanding (Commercial Banks)</p>  <p>Consumer Debt increased for the fourth week in a row, rising from \$1,520.76 billion to \$1,521.49 billion.</p>	<p style="text-align: center;">Is there anything else that you would like us to track?</p> <p style="text-align: center;">Let us know at:</p> <p style="text-align: center;">jrd@guerrillaeconomics.com</p>	<p style="text-align: center;">Commercial Real Estate Loans</p>  <p>Commercial real estate loans decreased slightly last week, falling from \$242.78 billion to \$242.65 billion.</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. After consistently falling for 16 weeks, new unemployment claims rose by over 100,000 last week, back to 1.4 million. If this becomes a trend, America's economic recovery will flat line. Particularly as the enhanced unemployment benefits are set to run out at the end of the month.
2. Gas prices seem to be leveling off as Cushing, OK WTI spot prices and Europe Brent Spot prices have not moved more than a dollar in weeks remaining at around \$40/barrel and \$43/barrel respectively. Likewise, diesel retail prices have remained between \$2.42 to \$2.44 for the past 5 weeks.
3. Home sales continue to rebound, with new home sales up from 3.91 million in the prior month to 4.2 million in June.
4. Interest rates continue to slowly fall with the benchmark 10-year Treasury yield down to below 0.60 percent for the first time since the beginning of March. The benchmark rate has never been this low – ever.

The Atlanta Fed's GDP Now forecast for 2nd quarter GDP is at -34.7 percent (July 17). While this may be a bit harsher than we are forecasting, there is no doubt that the 2nd quarter will be the worst ever. On the other hand, in what many are calling unbelievable, The People's Republic of China claimed that 2nd quarter GDP grew by 3.2 percent, after falling just 6.9 percent in the first quarter. While neither of these figures are stellar for China, which has recently been reporting GDP growth of about 6 percent on an annualized basis, it still seems high given that the world economy is in free fall. In fact, according to data from the Conference Board, China generally overreports GDP growth by a factor of about 2.

Whether or not China is making up numbers out of thin air, their economy is still incredibly important to the US. In May, China bought almost \$10 billion worth of US goods and according to the "phase-one" trade agreement they signed in January, they are expected to buy \$200 billion worth of US manufactured products. However, trade relations, and relations in general between the world's two largest economies are not all unicorns and fairy dust at the moment.

The trade deal signed six months ago did inspire more confidence in the relationship, but recently there has been growing tension. The US ordered the closure of the Chinese consulate in Houston, while China retaliated by closing the US consulate in Chengdu. The President also barred 11 more Chinese companies from buying US technology this week. Together with visas restrictions, expelling foreign correspondents and a global pandemic, US-China relations have been very tense.

And as we have reported in the past, the PRC's recent takeover of Hong Kong's government and its removal of the territory's special status has led the US to no longer consider Hong Kong to be a separate entity.

President Trump has stated that there are currently no plans for a phase two of the trade deal, which may disappoint businesses that rely on Chinese goods both for resale and as components for domestic manufacturing. This suggests that, even as companies begin to reopen, they may not be able to survive both a pandemic and trade war.

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.