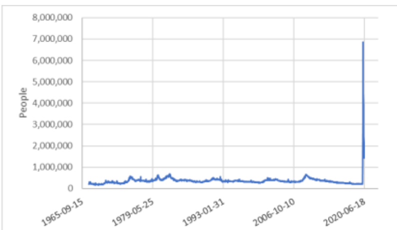
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

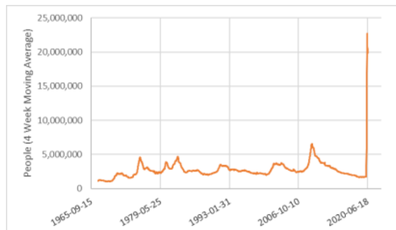
The Weekly Data: July 5, 2020

Weekly Jobless Claims



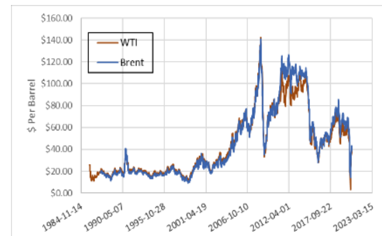
Last week, new claims for unemployment insurance continued to decline falling from 1,480,000 1,427,000.

Continuing Claims for Unemployment



The four-week moving average of unemployment fell again last week from 20,421,250 to 19,854,000.

WTI Spot Oil Price

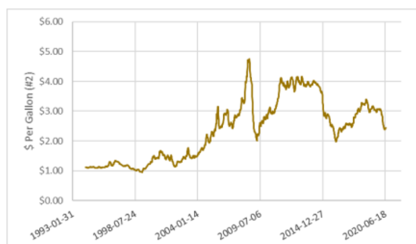


WTI Spot oil prices rose again last week from $38.35 to $39.22 per barrel. Brent prices went the other way falling from $43.20 to $41.58.

Down Jones Transportation Index

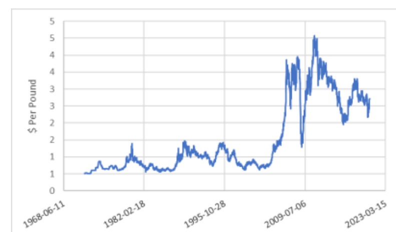
True to form, after falling the week before, the Dow Jones Transportation Index rose from 8,805.74 to 9,235.70.

Diesel Prices



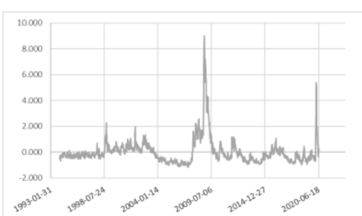
Diesel prices remained unchanged last week staying at $2.43 per gallon.

Copper Prices



Spot copper prices rose slightly from $2.691/lb to $2.706/lb last week.

Financial Stress Index

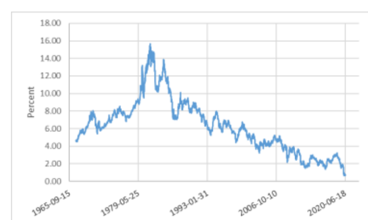


The weekly St. Louis Fed financial stress index increased again last week from 0.2131 to 0.2526.

S&P 500

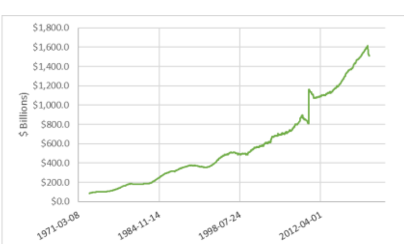
The S&P 500 index rose 4 percent last week from 3,009.05 to 3,130.01.

10-Year Treasury Yield



Interest rates on 10-year Treasury Bonds rose slightly last week from 0.68 percent to 0.69.

Consumer Credit Outstanding (Commercial Banks)



For the first time in months Consumer Debt rose last week from $1,511.71 billion to $1,517.13.

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

Let us know at:

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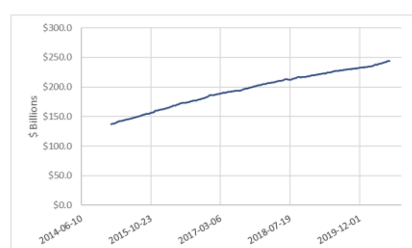
Commercial Real Estate Loans



Commercial real estate loans continued their slow climb last week rising from $243.63 billion to $243.99 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. In what may be a surprisingly optimistic indicator, Consumer Debt rose last week for the first time since February. This could be a sign that people are finally starting to return to stores as states slowly open up their economies or it could be a reflection of the end of PPP supported salary payments.

2. In a great sign for investors and economists predicting a speedy recovery, the S&P increased 4 percent last week rising to its second highest peak since February. For perspective, the S&P last week was sitting at 3,130 which is 7.6 percent higher than its average in 2019.

3. For the first time since May, the 4-week moving average of continued claims fell below 20 million. This is still; however, more people than were unemployed during the height of the Great Depression.

4. Diesel retail prices are leveling off having remained near $2.40 for weeks. Weekly Brent Spot price has also fell for the third time since April, while hovering around $40 per barrel since mid-June.

Special Edition: The June Jobs Report

Yet another monthly Jobs Report totally beat all economist expectations. And yet again, the topline numbers do not represent reality. While June's headline numbers were the largest single-month payroll gain in the nation's history, rising by 4.8 million, and the unemployment rate dropped to 11.1 percent from 13.3 percent, the reality is much more nuanced.

As happened last month, there was a huge surge in part-time work. Over 1.1 million more people were working part-time, and the part-time percentage of the employed population reached 18.4 percent. In addition, the BLS suggested in the report that the 11.1 percent headline unemployment rate was likely low by 100 basis points, so the topline figure should have been 12.1 percent.

Another interesting note is that all of the improvement in employment numbers came from people who had been unemployed for less than 14 weeks. Over 14.3 million of these people came off of the unemployment rolls in June. On the other hand, longer term unemployment surged by 1.1 million. So basically, all of the bump came from people who had been temporarily laid off, while the underlying employment situation worsened.

Those returning to their jobs skewed toward lower wage earners. About 47.8 percent of the people coming back to work were in retail and restaurants, with another 5.5 percent in personal services like dry cleaning, salons, spas, etc. and 5.1 percent in administrative services. This helped to bring down the average weekly wage by about $18.

While the June jobs report was positive, it does not indicate a rapid recovery which is still precarious as many governors and mayors seem intent to allow their economies to open up as slowly as possible. Some states and localities even backtracked in the second part of June. But even with these caveats, the numbers are a big improvement over what most economists (including the humble folks at JDA) were projecting.

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