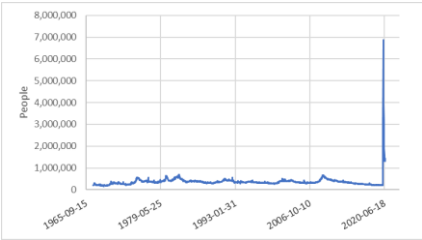
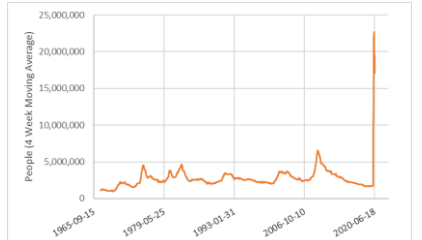
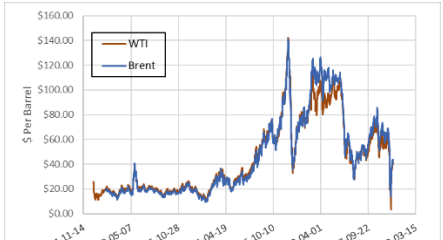

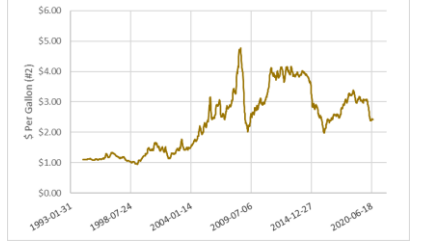
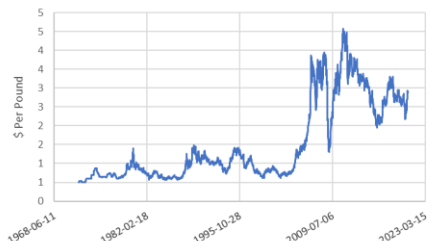


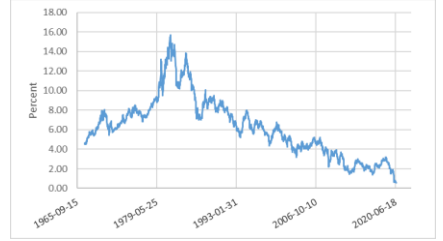

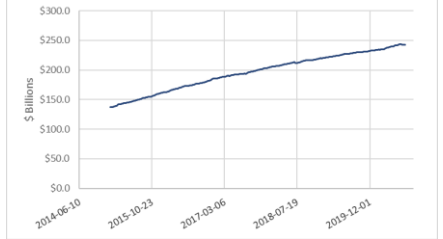


## The Weekly Breadline

### 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.<sup>1</sup>

#### The Weekly Data: August 2, 2020

<p style="text-align: center;"><b>Weekly Jobless Claims</b></p>  <p>For the second week in a row, new claims for unemployment insurance increased, rising from 1,416,000 to 1,434,000.</p>	<p style="text-align: center;"><b>Continuing Claims for Unemployment</b></p>  <p>The four-week moving average of unemployment claims fell from 17,505,250 to 17,058,250 last week.</p>	<p style="text-align: center;"><b>WTI Spot Oil Price</b></p>  <p>WTI spot prices jumped last week from \$40.57 to \$41.34 per barrel. Brent prices decreased from \$43.40 to \$43.39.</p>
<p style="text-align: center;"><b>Down Jones Transportation Index</b></p>  <p>Last week, the Dow Jones Transportation Index reached its highest point since February increasing from 9,730.12 to 9,994.81.</p>	<p style="text-align: center;"><b>Diesel Prices</b></p>  <p>Diesel prices remained unmoved last week at \$2.43 per gallon.</p>	<p style="text-align: center;"><b>Copper Prices</b></p>  <p>Spot copper prices fell again last week from \$2.93/lb. to \$2.89/lb.</p>
<p style="text-align: center;"><b>Financial Stress Index</b></p>  <p>The weekly St. Louis Fed financial stress index fell to its lowest points since February declining from -0.1726 to -0.4612.</p>	<p style="text-align: center;"><b>S&amp;P 500</b></p>  <p>The S&amp;P 500 index increased marginally last week from 3,215.63 to 3,217.12.</p>	<p style="text-align: center;"><b>10-Year Treasury Yield</b></p>  <p>Interest rates on 10-year Treasury Bonds continued to fall last week from 0.59 to 0.55.</p>
<p style="text-align: center;"><b>Consumer Credit Outstanding (Commercial Banks)</b></p>  <p>Breaking a four-week run, Consumer Debt decreased last week from \$1,521.49 billion to 1,520.88 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;"><a href="mailto:jrd@guerrillaeconomics.com">jrd@guerrillaeconomics.com</a></p>	
		<p style="text-align: center;"><b>Commercial Real Estate Loans</b></p>  <p>Commercial real estate loans increased slightly last week from \$242.65 billion to \$242.72 billion.</p>

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

## The Weekly Commentary

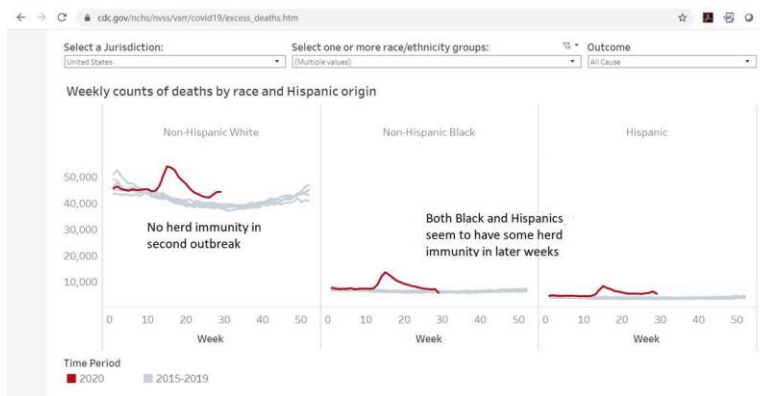
Key takeaways for the week:

1. Unemployment claims are back on the rise. For two weeks in a row, the country has experienced an increase in the number of people filing for unemployment, which is likely just the beginning of a second wave of job losses.
2. The 10-year treasury yields have reached their lowest point in history. Fortunately for a government borrowing more money than any time in its history, real interest rates are close to negative.
3. The BEA released its initial take on 2<sup>nd</sup> quarter GDP and the numbers are horrific. On an annualized basis, GDP fell by 32.9 percent, the largest drop ever recorded in the history of the Republic. Almost every economic sector was dramatically weaker, and government spending grew substantially as a percent of GDP. The outlook for the economy during the remainder of 2020 continues to weaken as well.

Most business leaders and pundits are hoping for a COVID-19 vaccine as a solution to the continued economic decline, but this may be easier said than done. There are several potential vaccines in clinical trials; however, no vaccine for a coronavirus has ever been developed. Remember, this is essentially the same germ that causes the common cold, and there has *never been a cure for the common cold*.

It is possible that the only way to stop the spread of the virus is *herd immunity*. In effect, enough people will develop antibodies to the virus that the rapid spread is reduced, making it more like the seasonal flu. Based on data from the Centers for Disease Control and Prevention (CDC), this appears to be happening, at least among some racial groups.

According to CDC data (available on-line at: [https://www.cdc.gov/nchs/nvss/vsrr/covid19/excess\\_deaths.htm](https://www.cdc.gov/nchs/nvss/vsrr/covid19/excess_deaths.htm)), there was a spike in deaths above the normal, or expected, level beginning in mid-March. As the graph below shows, this spike lasted for about ten weeks, and then mitigated. This same spike occurred across racial categories, with Black and Hispanic individuals experiencing a similar spike in excess deaths as the non-Hispanic White population. A second wave of deaths seems to have started to sprout beginning on the week of July 4<sup>th</sup>; however, it seems to be impacting only the



White population, with death rates among the major minority groups holding steady along the normal curve, or in some cases even falling under it.

These data may suggest that herd immunity is working for some racial groups. Consider that many essential jobs are over-indexed toward minority workers who mostly worked through the first wave of lockdowns. As second wave passes over the country, non-Hispanic Whites, more of which may have been quarantined or working from home during the first wave are now dying. Maybe if lockdowns are not re-imposed this

herd immunity might spread through the entire population, making the Coronavirus nothing more than a bad memory.

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](mailto:JRD@GuerrillaEconomics.com), or by phone at 212-239-2105.