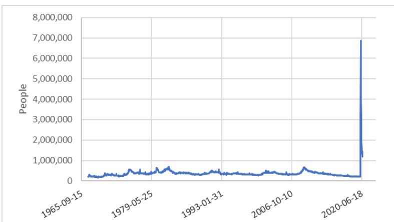
The Weekly Breadline

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]

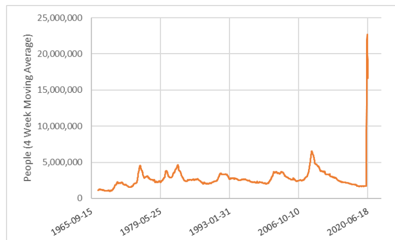
The Weekly Data: August 9, 2020

Weekly Jobless Claims



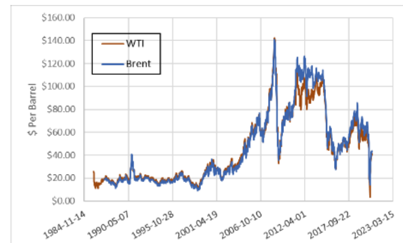
New claims for unemployment insurance fell for the first time in a couple weeks, decreasing from 1,434,000 to 1,186,000.

Continuing Claims for Unemployment



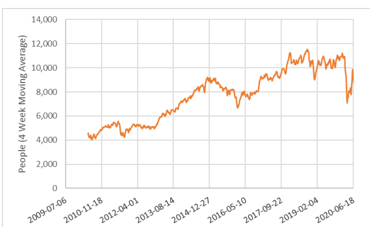
The four-week moving average of unemployment claims declined again last week from 17,058,250 16,628,250.

WTI Spot Oil Price



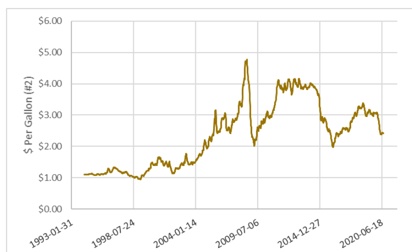
Last week, WTI spot prices fell again from $41.34 to $40.69 per barrel. Brent prices went up from $43.39 to $43.76 per barrel.

Down Jones Transportation Index



The Dow Jones Transportation Index broke 10,000 last week rising from 9,994.81 to 10,244.25, back to levels prior to COVID.

Diesel Prices

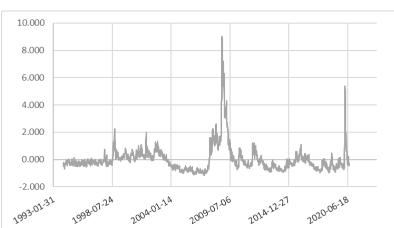


Diesel prices fell one cent last week from $2.43 to $2.42 per gallon.

Copper Prices

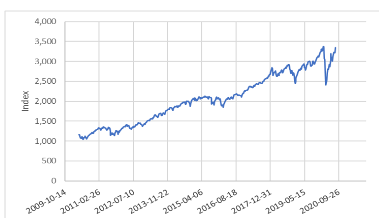
Spot copper prices dropped slightly last week from $2.89/lb to $2.87/lb.

Financial Stress Index



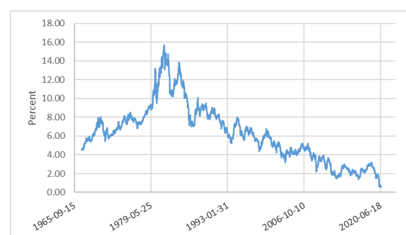
The weekly St. Louis Fed financial stress index rose from -0.4612 -0.2931 last week.

S&P 500



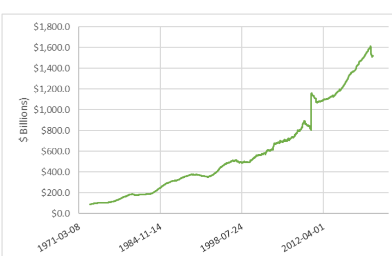
The S&P 500 index continued its impressive climb last week, rising from 3,217.12 to 3,351.28.

10-Year Treasury Yield



Interest rates on 10-year Treasury Bonds remained unchanged last week staying at 0.55.

Consumer Credit Outstanding (Commercial Banks)



Consumer Debt fell slightly last week from $1,520.88 billion to $1,519.76 billion.

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

Let us know at:

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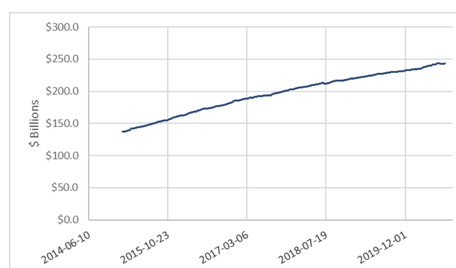
Commercial Real Estate Loans



Last week, Commercial real estate loans continued to climb, rising from $242.72 billion to $243.33 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.

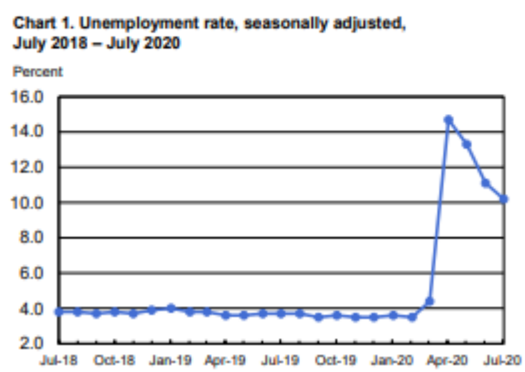
Key takeaways for the week:

1. The S&P 500 reached over 3,300 last week, in effect wiping out all of the losses incurred since the government-imposed shutdowns were enacted. It is officially higher than any week in 2019 and 14 percent higher than the weekly average last year. The asset price inflation has occurred in tandem with a significant weakening of the dollar.

2. In spite of a falling dollar (down 35 percent against gold since the beginning of the year), oil prices continue to be soft. Oil prices are also down by about a third since the beginning of the year, helping to keep a cap on inflation.

3. As the Republicans and Democrats in Congress have run into an impasse on spending another $1 or $2 trillion that the country does not have, the President signed a number of Executive Orders designed to keep the spigot open for additional Coronavirus relief. At the same time, the market value of the Federal Debt reached $28.65 trillion, over 1.47 times GDP.

While the most recent *jobs report* showing a decrease in the unemployment rate to 10.2 percent seems to be the rare bit of good news in an otherwise miserable news cycle, it is at best misleading. As we have said in past discussions of economic data, this is not the fault of the analysts and the Bureau of Labor Statistics, rather, our normal economic models simply no longer fit the situation that the country is in. The BLS recognizes this in their reports, but the agency is obligated to use a consistent methodology that simply does not apply to the time. According to the BLS, employment rose by 1.8 million in July and the labor force participation rate has remained roughly exactly where it was the month before at 61.4 percent. The number of people who were temporarily laid off decreased by 1.3 million, the largest component in the good job numbers. As restaurants and shops reopen, waiters and store clerks are returning in droves after having been laid off one to three months ago.



But this is not the whole story. While the BLS suggests that there are currently 16.3 million unemployed persons, the Labor Department's own data shows otherwise. According to the weekly unemployment report for the week of July 18th (when the BLS data are gathered), 16,691,063 people were receiving state unemployment insurance, while another 14,617,615 were ineligible for state aid, but were receiving Federal assistance. In other words, about 31.3 million people were claiming unemployment. With a workforce numbering 159.870 million, this means that the unemployment rate was actually 19.6 percent. Once all unemployment claims are added together, there has been no decline at all since the end of April. (See: Mishtalk).

Other statistics in the report back up the more somber news. The number of those who are unemployed for 15 to 26 weeks increased by 4.6 million to a whopping 6.5 million. It is numbers like these that prevent economists from becoming too optimistic; this means that those laid off in the very beginning of the shutdown are still struggling to find work.

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