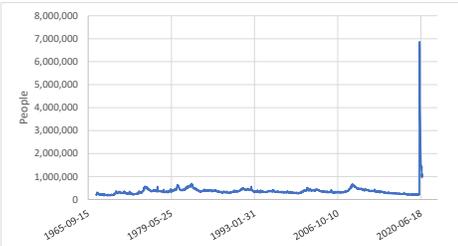
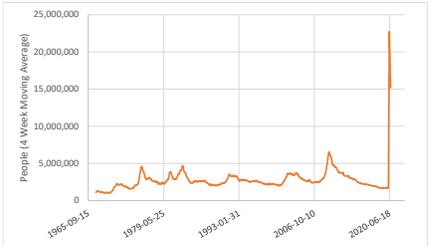
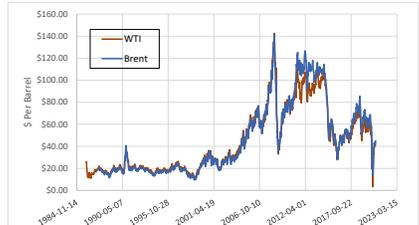
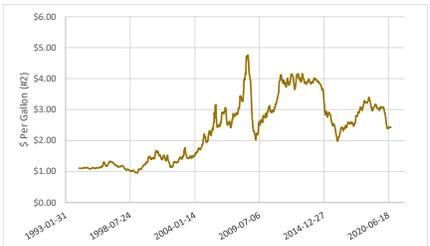
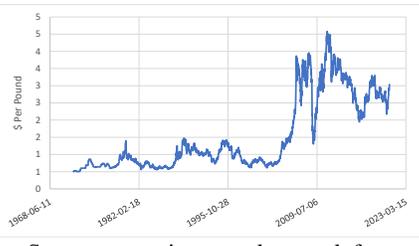
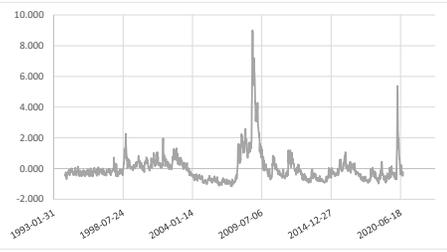
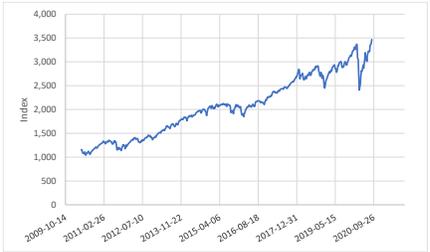
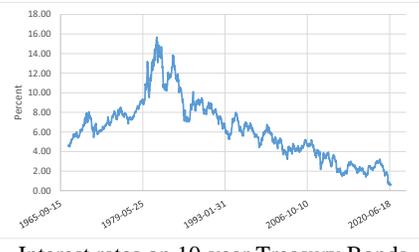
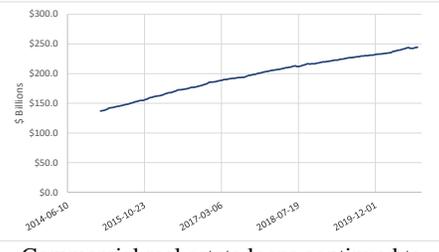


## The Weekly Breadline

### 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 31, 2020

<p style="text-align: center;"><b>Weekly Jobless Claims</b></p>  <p style="text-align: center;">New claims for unemployment insurance dropped 9 percent, from 1,106,000 to 1,006,000.</p>	<p style="text-align: center;"><b>Continuing Claims for Unemployment</b></p>  <p style="text-align: center;">The four-week moving average of unemployment claims declined last week from 15,841,250 to 15,215,750.</p>	<p style="text-align: center;"><b>WTI Spot Oil Price</b></p>  <p style="text-align: center;">WTI spot crude is up from \$42.08 per barrel to \$42.73 with Brent decreasing from \$44.91 to \$44.43 per barrel.</p>
<p style="text-align: center;"><b>Down Jones Transportation Index</b></p>  <p style="text-align: center;">The Dow Jones Transportation Index rose from 10,907.16 to 11,185.96.</p>	<p style="text-align: center;"><b>Diesel Prices</b></p>  <p style="text-align: center;">Diesel prices were consistent last week at \$2.43.</p>	<p style="text-align: center;"><b>Copper Prices</b></p>  <p style="text-align: center;">Spot copper prices rose last week from \$2.95/lb to \$3.03/lb.</p>
<p style="text-align: center;"><b>Financial Stress Index</b></p>  <p style="text-align: center;">The weekly St. Louis Fed financial stress index fell last week from -0.4647 to -0.2468 indicating more stability.</p>	<p style="text-align: center;"><b>S&amp;P 500</b></p>  <p style="text-align: center;">The S&amp;P 500 index continued to climb, rising from 3,385.86 to 3,469.24.</p>	<p style="text-align: center;"><b>10-Year Treasury Yield</b></p>  <p style="text-align: center;">Interest rates on 10-year Treasury Bonds increased slightly from 0.66 to 0.67.</p>
<p style="text-align: center;"><b>Consumer Credit Outstanding (Commercial Banks)</b></p>  <p style="text-align: center;">Consumers continued to pay down debt as loans outstanding fell from \$1,515.43 billion to \$1,514.39.</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 style="text-align: center;">Commercial real estate loans continued to increase in spite of softness in rentals - up from \$243.93 billion to \$244.68 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

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Key takeaways for the week:

1. Weekly initial unemployment claims continue over the 1 million mark, dropping by 100,000 to 1,006,000. Meanwhile, the number of people claiming either state or federal unemployment benefits decreased by 1,042,323 to 27,017,232. While this is good news, to put it in perspective, the number of people claiming unemployment during the same period last year was just 1,644,315 or over 1500% increase. Significant increases in claims occurred in New Jersey, Florida and New York, with claims in New Jersey and Florida increasing by over 11,000.
2. Gas prices continue 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 \$42/barrel and \$44/barrel respectively. Likewise, diesel retail prices have remained between \$2.42 to \$2.43 for the past 6 weeks.
3. New home sales are at the highest levels in over a year, with new home sales up from 776,000 in June to 901,000 in July 2020 and up from 635,000 in the previous year.
4. The 10-year Treasury yield continues its climb back out of the record low a few weeks ago to above the 0.60 percent mark at 0.67 percent.

The Commerce Department reported a record quarterly real GDP decrease of 31.7 percent in Q2 2020, reflecting the harsh economic effects of the response to COVID-19. These results can be seen in metrics such as decreased personal consumption expenditures partly due to “stay-at-home” orders, government mandated business closures, uncertainty over disposable income and draconian travel restrictions to decreased state and local government spending, exports, and nonresidential fixed investment. The effects of COVID-19 can be clearly seen on a global scale as a massive drop in exports saw a decrease of 63.2 percent further causing a decrease in economic activity. The drop in GDP was slightly dampened by a 17.6 percent increase in federal spending which saw nondefense spending increase by a whopping 40.1 percent – in part due to pandemic assistance payments and supplemental unemployment benefits.

Although this record-breaking figure might raise some eyebrows and heartbeats, it is important to note that the 31.7 percent decrease in GDP is an annualized figure based on the previous tumultuous, volatile months. Though this figure can be slightly misleading, it is not a reason to be optimistic while we try to climb out of this recession as real GDP is still 9.53 percent below the same period just a year ago. Both businesses and communities are struggling to survive through this public health emergency due to uncertainties the pandemic has brought as well as the response from both the state and federal governments. As we've previously stated, the worse could be yet to come and the Commerce Department report paints a grim picture of what could be if we continue down the same path we took several months ago. Policy makers will have a difficult task in deciding what steps to take in the upcoming weeks or months as reports of a possible second wave of infections could be rise from the reopening of schools, businesses, and relaxing of other restrictions.

Just as some experts report the possibility of a second wave of COVID-19 infections, a second wave of economic downturn could possibly decimate the recovery of an already ailing economy. Recent economic indicators show some improvement as businesses reopen and restrictions are relaxed but just as easily can be slashed and wiped out if another response such as the initial lockdown is enforced or economic relief is not provided.

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.

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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.