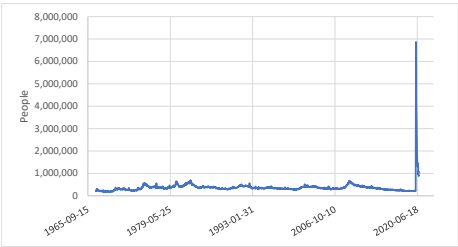
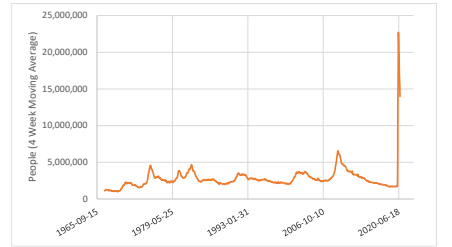
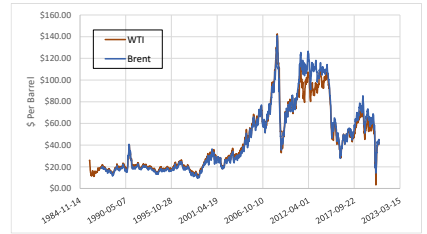
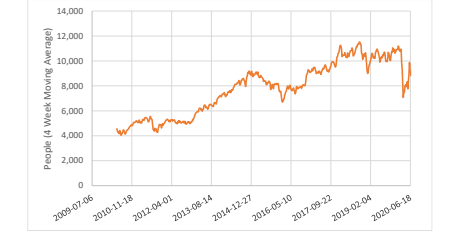

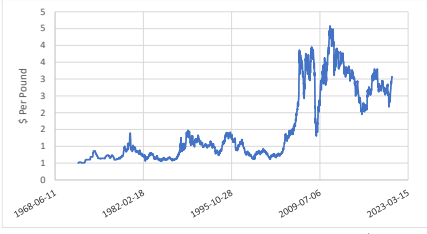
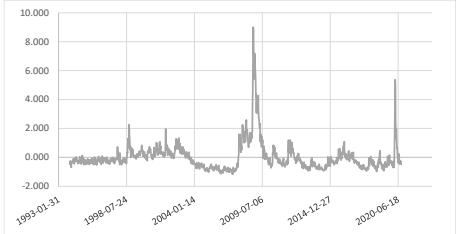



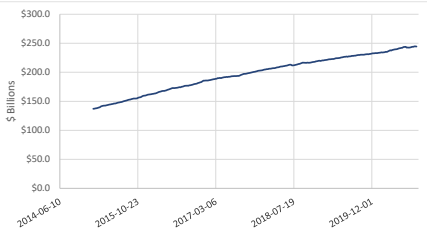


## The Weekly Breadline

### 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 to 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: September 14, 2020

<p style="text-align: center;"><b>Weekly Jobless Claims</b></p>  <p>New claims for unemployment insurance are steady at 884,000 from 881,000.</p>	<p style="text-align: center;"><b>Continuing Claims for Unemployment</b></p>  <p>The four-week moving average of unemployment claims declined last week from 14,496,250 to 13,982,000.</p>	<p style="text-align: center;"><b>WTI Spot Oil Price</b></p>  <p>WTI spot crude is down from \$42.93 per barrel to \$41.84 with Brent also decreasing from \$45.22 to \$40.67 per barrel.</p>
<p style="text-align: center;"><b>Down Jones Transportation Index</b></p>  <p>The Dow Jones Transportation Index fell from 11,269.53 to 11,196.87.</p>	<p style="text-align: center;"><b>Diesel Prices</b></p>  <p>Diesel prices remained unchanged at \$2.44.</p>	<p style="text-align: center;"><b>Copper Prices</b></p>  <p>Spot copper prices fell last week from \$3.07/lb to \$3.05/lb.</p>
<p style="text-align: center;"><b>Financial Stress Index</b></p>  <p>The weekly St. Louis Fed financial stress index rose last week from -0.4738 to -0.32 indicating less stability.</p>	<p style="text-align: center;"><b>S&amp;P 500</b></p>  <p>The S&amp;P 500 index took a slight dip, falling from 3,497.96 to 3,352.74.</p>	<p style="text-align: center;"><b>10-Year Treasury Yield</b></p>  <p>Interest rates on 10-year Treasury Bonds decreased slightly from 0.70 to 0.68.</p>
<p style="text-align: center;"><b>Consumer Credit Outstanding (Commercial Banks)</b></p>  <p>Consumers debt fell slightly as loans outstanding fell from \$1,516.74 billion to \$1,516.17 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 fell slightly - from \$244.81 billion to \$244.54 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. After falling for 7 straight weeks, crude oil inventories shot up by 1.73 million barrels, while prices fell by 2.5 percent. As of this morning prices are down by 12.9 percent to just \$36.44.
2. The Producers Price Index (PPI) for final demand increased 0.3 percent in August, after rising 0.6 percent in July. This was led by a 0.5 percent increase in the price of services. Even so, prices are still down 0.2 percent from the same time last year.
3. Consumer prices were up by slightly more than the PPI with the Consumer Price Index (CPI) rising by 0.4 percent in August, after increasing by 0.6 percent in July. Prices as measured by the CPI are up by 1.3 percent from this time last year. Inflation in August was driven by higher food prices, up by 4.1 percent on the month.
4. New unemployment claims were flat last week at 884,000. However, continuing claims (which are reported as of August 22) were up sharply from 29,224,685 to 29,605,064.

Last week, the United States celebrated the Labor Day holiday. Labor Day was begun by the labor movement in the latter part of the 1800s and was declared an official holiday in 1894. Unlike May Day, which is an old European folk holiday, and later became International Workers' Day, Labor Day is less politically charged, and also represents the unofficial end of the summer season.

Most Americans are probably happy to see summer go, as the continued government-imposed restrictions across the country are still dramatically impacting business and labor. Based on the jobless numbers reported above, at a minimum 18.5 percent of the labor force is out of work, and a huge number of Americans have only part-time employment. Many states are still imposing heavy restrictions on service businesses, and travel is at a virtual standstill.

The weak economy has led to a decline in the velocity of money, such that the broad money supply is turning over less than once a year for the first time on record. While this might seem a bit geeky, for those who have economic impact studies, it means that the level of induced (or multiplier) activity has plummeted, since workers and investors are not spending the money that they have in the broader economy. On the opposite side of the coin, the personal savings rate has been over 20 percent in recent months.

Considering that huge numbers of people (particularly lower income people) are unemployed, and are spending every dollar that they can garner, it is unlikely that the decline in the velocity of money is a result of the average American hunkering down. According to research conducted by Opportunity Insights, spending by lower-income people is down by only 4 percent from pre-crisis levels. On the other hand, spending by higher-income Americans is still down by nearly 11 percent. This is likely because the things that wealthier people tend to spend on – restaurants, entertainment, travel – simply are not available in many parts of the country. With little to spend on, the wealthy are saving and investing more meaning that asset prices continue to increase, in spite of the deep depression.

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.