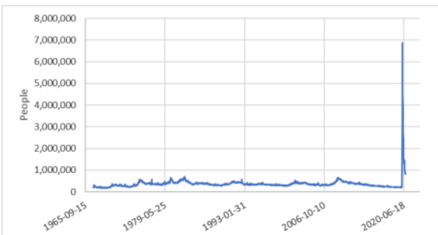
The Weekly Breadline
A weekly analysis of the most recent economic indications

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.[1]

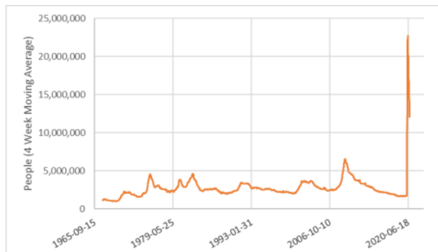
The Weekly Data: October 11, 2020

Weekly Jobless Claims



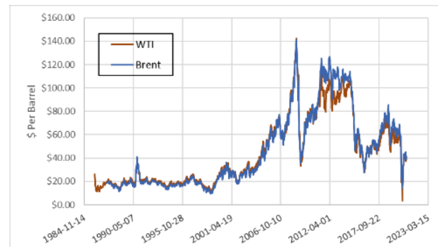
New claims for unemployment insurance rose from 837,000 to 840,000 last week.

Continuing Claims for Unemployment



The four-week moving average of unemployment claims declined last week from 12,701,250 to 12,112,250.

WTI Spot Oil Price



WTI spot crude is down from $39.78 per barrel to $38.99 with Brent also decreasing from $41.59 to $39.78 per barrel.

Down Jones Transportation Index

The Dow Jones Transportation Index rose from 11,295.98 to 11,639.15.

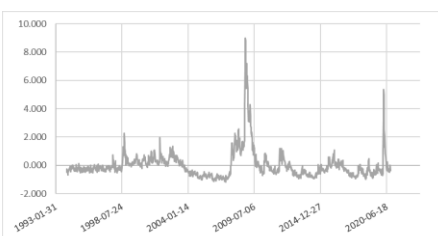
Diesel Prices

Diesel prices remained flat at $2.39 per gallon.

Copper Prices

Spot copper prices rose last week from $2.98/lb to $3.03/lb.

Financial Stress Index

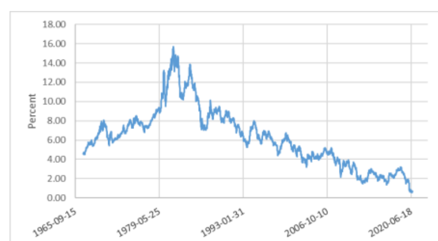


The weekly St. Louis Fed financial stress index fell last week from -0.0022 to -0.3593 indicating more stability.

S&P 500

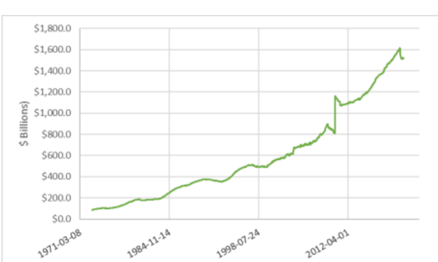
The S&P 500 index rose, from 3,355.86 to 3,422.60.

10-Year Treasury Yield



Interest rates on 10-year Treasury Bonds increased from 0.67 to 0.68.

Consumer Credit Outstanding (Commercial Banks)



Consumers debt rose as loans outstanding increased from $1,521.34 billion to $1,524.78.

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

Let us know at:

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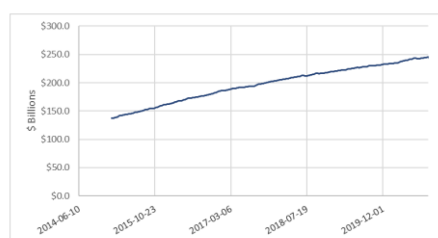
Commercial Real Estate Loans



Commercial real estate loans decreased - from $242.37 billion to $241.62.

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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. The BLS's Job Openings and Labor Turnover Summary (JOLTS) data for August showed continued weakness in the labor market with the number of job openings decreasing from 7,036,000 to 6,645,000, reflecting the continued impact of the COVID-19 pandemic on the labor market. The largest job decreases occurred in accommodation and food services and in transportation, warehousing, and utilities. Meanwhile, jobless claims continue to disappoint, 804,307 new state claims filed in the week ending October 3, an increase of 5,312 (or 0.7 percent) from the prior week. The moving average of total continuing claims were down by just about 3,200.

2. Yields on the 10-year treasury closed the week at 0.79 percent. This is 25 basis points above the low on August 4th, a 50 percent increase in yields. While still well below average, yields are at their highest level since last June.

3. The Institute for Supply Management® Purchasing Managers Index came in at 55.4 percent in September, down 0.6 percentage point from the prior month. While the figure indicates expansion in the overall economy for the fifth month in a row, the index for New Orders Index was down by 7.4 percentage points to 60.2 percent,

Last week was a slow one for economic data, with no major indicators being released. The overall economy continued to post modest growth, even while some areas, particularly New York City, reimposed business closures. The draconian measures undertaken in New York, as well as many other urban centers has been particularly hard on the hospitality sector of the economy, which had employed 11.1 percent of the labor force prior to the government-imposed shutdowns. Hospitality and travel are not only particularly dependent on the desire of people to congregate, but they have also not been favored by the governors and other politicians who appear to have virtually complete authority to decide which parts of the economy can continue to operate.

The BLS reports that while overall employment is down by 7.0 percent since the outbreak of COVID-19, in the leisure and hospitality sector it is down by 22.8 percent. This sector includes such industries as accommodations, restaurants and bars, gaming, museums, live entertainment, arts, and recreation. Draconian quarantine measures have hampered travel, with the BLS reporting jobs in the airline industry down by 20.1 percent, and the motorcoach segment off by 45.7 percent.

These segments are concentrated in major urban areas which are more impacted by the shutdowns. They are also the sectors that have led to most of the disconnect between the urban and the more suburban and rural parts of the country when it comes to the impact of COVID-19 on the economy.

The Wall Street Journal reported last week that while quick serve and casual dining establishments are near pre-COVID levels of operation, independent restaurants and fine dining establishments are in real trouble. McKinsey reported that 10 to 15 percent of New York State's restaurants will go bankrupt, (10,000 to 15,000 establishments), and that it would take at least 5 and maybe 10 years to recover. Airlines have announced layoffs of around 40,000 individuals, and the nation's motorcoach carriers are likely to layoff nearly 100,000 workers. Arts organizations throughout the country have sent home nearly 3-quarters of a million people, according to one report. These sectors are the canary in the coal mine, and the overall economy is not likely to recover until they are back and functioning – likely not until late next year.

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.