The Weekly Breadline

A weekly analysis of the most recent economic indications

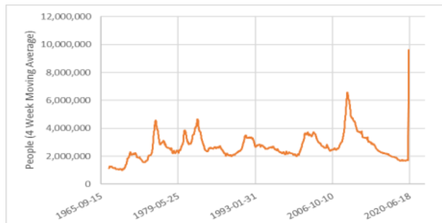
The ongoing government-imposed shutdown of the economy, in response to COVID-19, has led to what will likely be a depression at least through the remainder of 2020. In order to help our clients plan during this extremely confusing and unpredictable period **John Dunham & Associates** has gathered a brief series of indicators that together paint the most recent picture of US economic activity.[1]

The Weekly Data

Weekly Jobless Claims

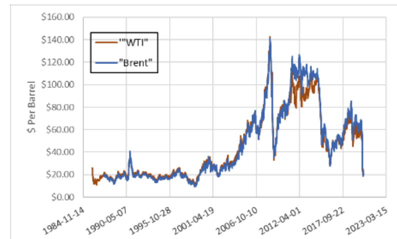
Weekly claims fell from 5,237,000 to 4,427,000 in the past week but are still well above anything ever seen

Continuing Claims for Unemployment



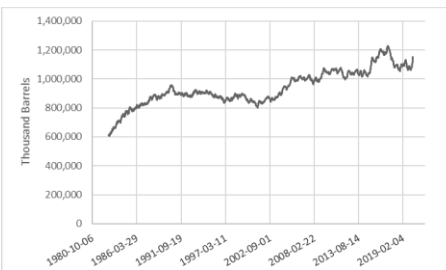
The four-week moving average of individuals receiving unemployment rose from 6,050,250 to 9,598,250

WTI Spot Oil Price



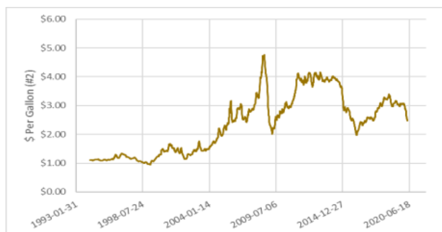
Weekly spot oil prices at Cushing fell from $24.41 to $20.12 per barrel and Brent from $22.53 to $20.00 per barrel

Petroleum Stocks



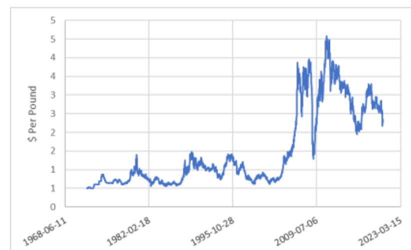
Oil stocks are at levels not seen since mid-2017 rising from 1.14 to 1.15 billion barrels

Diesel Prices



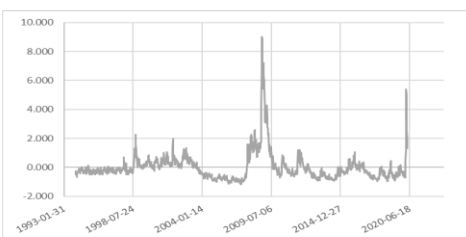
Lower oil prices are making their way to fuel costs, with diesel falling from $2.51 to $2.48 per gallon

Copper Prices



Spot copper prices have stabilized over the past couple of weeks and are down just moderately from $2.344 to $2.337/lb.

Financial Stress Index

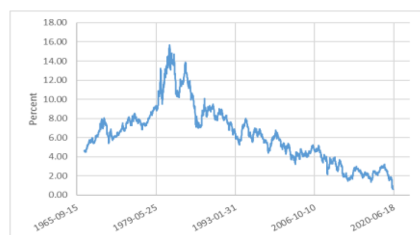


The St. Louis Fed financial stress continues to fall from its highs of mid-March, down from 2.0267 to 1.2984

S&P 500

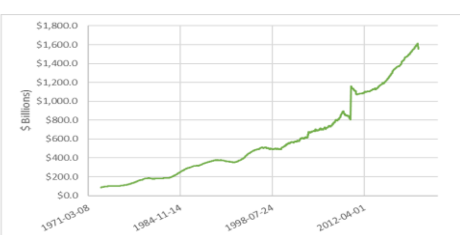
The US equities market was down last week, with the S&P 500 Index falling from 2,813.03 to 2,798.71

10-Year Treasury Yield



Interest rates continue to fall, with the 10-year yield falling from 0.68% to 0.61%

Consumer Credit Outstanding (Commercial Banks)



While still near all-time highs, the amount of debt held by consumers has fallen from $1,573 to $1,554 billion.

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

Let us know at:

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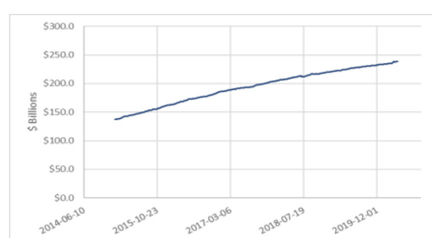
Commercial Real Estate Loans



Commercial real estate loans were down slightly from $238.4 to $238.2 billion, but are still on a generally rising trend

[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. Growth in the number of unemployed seems to have peaked; however, over a million new claims will continue to be filed for at least the next few weeks, leading to unemployment levels that have never been experienced.
2. Oil prices have completely tumbled all around the world, and are unlikely to spike again soon, owing to the near record level of oil in storage. This bodes well for continued low fuel prices.
3. Financial markets are beginning to calm, and less volatility should be expected in the coming weeks. Even so, the S&P 500 was down by about a half a percent on the week.
4. Consumer credit has peaked, which suggests that retail sales, and particularly sales of big-ticket items like automobiles, will continue to be soft, even after the economy reopens.
5. Very low investment returns, along with large reductions in tax revenues will put most, if not all, government pension funds deeper into the red, leading either to higher tax rates beginning in 2021, or large cuts in government spending.

Last week, states slowly began to restore their economies, however, the damage has been done. Literally the entire service economy, and much of the manufacturing sector, across the country has been shut down for over a month. This is economic activity that cannot be regenerated and will be lost production for the quarter. More importantly, most of the larger states, including New York, Illinois, and California, will continue in a government-imposed coma for some time.

The weekly economic indicators point to an economy in the throws of a depression. Weekly unemployment claims indicate that the unemployment rate in the country is approaching 25 percent. In addition, many, if not most, of those still employed are unproductive – for example government workers who are being paid, but not at work, and the claimed 30 million individuals that the PPP program is paying wages to, but are employed by establishments that have been closed.

The US economy has only experienced something like this once, during the year immediately following the end of World War II, when factories across the country shut to retool from a defense economy back to civilian production. While that depression ended quickly, it did not face the partisan political world that we now have – where cooperation between government at the Federal and state levels, as well as between government and the business community is poor. Any suggestion that this depression will also be *V-shaped* is speculation at best.

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