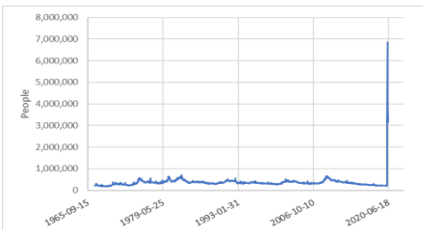
The Weekly Breadline

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]

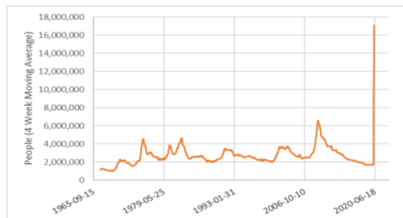
The Weekly Data: May 11, 2020

Weekly Jobless Claims



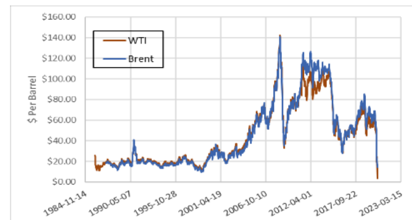
New unemployment claims dropped to 3,169,000 this week from 3,846,000 last week, but are still at levels never seen before.

Continuing Claims for Unemployment



The four-week moving average of individuals receiving unemployment continued its steady climb as it rose from 13,292,500 to 17,097,750

WTI Spot Oil Price

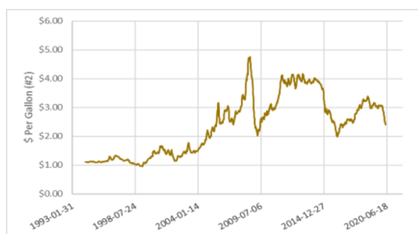


Weekly spot oil prices at Cushing rebounded last week back to $15.71 from a low of $3.32 per barrel and Brent from $14.24 to $17.05 per barrel

Down Jones Transportation Index

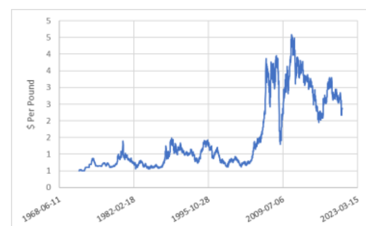
The Transportation Index continued its week-long recovery rising from 7,939.75 last week to 8,332.50 this week.

Diesel Prices



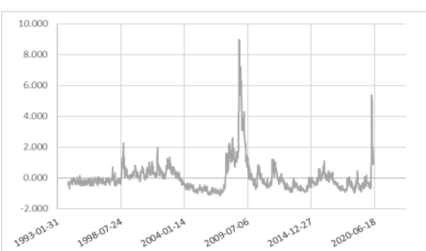
Diesel prices dropped again by almost a dime this week from $2.48 to $2.40 per gallon.

Copper Prices



Despite industrial activity dropping, Spot copper prices bucked the trend and increased from $2.306 to $2.375/lb

Financial Stress Index

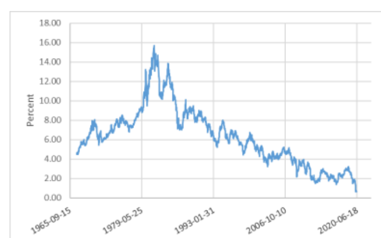


In an optimistic sign of Wall Street adapting to the new normal, the St. Louis Fed financial stress index decreased from 1.9546 to 0.8650

S&P 500

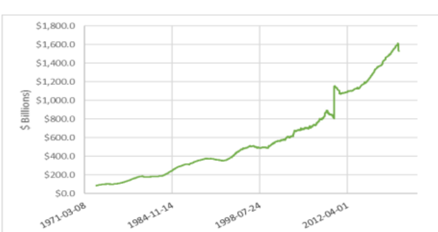
The S&P 500 rose last week from 2,830,71 to 2929.80, a positive sign for investors

10-Year Treasury Yield



Interest rates have remained virtually the same changing from 0.64% to 0.63% last week

Consumer Credit Outstanding (Commercial Banks)



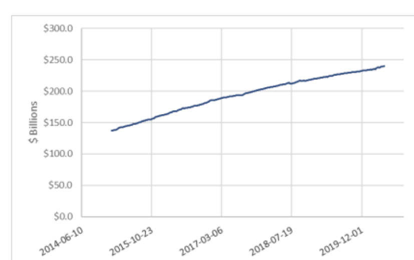
Consumer debt has continued its slow and gradual decline dropping from $1,537 billion to $1,533 billion last week

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

Let us know at:

jrd@guerrillaeconomics.com

Commercial Real Estate Loans



Commercial real estate loans rose marginally from $239.5 billion to $239.9 billion, reflecting continued low interest rates

[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. As per one of our client's request, we have added the Dow Jones Transportation index to the Breadline, while removing the weekly crude oil stocks. Crude oil stocks are reflected in the WTI price so we believe that having the transportation index data would be more valuable.
2. Initial claims for unemployment fell by 17.6 percent to "only" 3.17 million. That number is expected to continue to fall simply because the potential pool of people to lay off has been reduced so much. Overall unemployment on the other hand, is expected to increase in the next few weeks as state unemployment benefit systems begin to catch up, and as a second round of layoffs occur at major suppliers to the travel industry like General Electric and Pratt & Whitney.
3. The WTI Spot price returned to double digits last week as it rose to $15.71 per barrel. While still abysmally low, the price is finally increasing after weeks of falling. Given the uncertainty of the pandemic as well as OPEC activities, the price will likely continue to be volatile in the near future.
4. Equity prices have been rising from their yearly lows, and the S&P 500 is now close to the levels it was at prior to the COVID-19 shutdowns.

Last Friday, the Bureau of Labor Statistics released the worst jobs report in history. The month of April saw the number of unemployed people hit a record 23.1 million; a number so large that the BLS had to change its presentation graphs to show the scope. The unemployment rate jumped by 10.3 percentage points to 14.7 percent, and the actual number of unemployed people is likely much worse. The BLS suggested that most workers who were recorded as employed but absent from work due to "other reasons" should really have been classified as unemployed. This would have sent the unemployment rate to almost 20.0 percent.

Every single major industry group experienced a sharp rise in unemployment. At the same time, average weekly wages rose by nearly 5 percent, indicating that the majority of those losing their jobs were workers with lower than average wages.

Even though all but 10 states have begun to reopen at least parts of their economy, the continued restrictions on most service businesses will continue to put substantial strains on the economy. World trade has been disrupted damaging supply lines, and many people have become so fearful that they will not travel or visit restaurants or other establishments even if they are open. In addition, the tax base for state and local governments has collapsed, which will lead to either job killing tax increases, or layoffs in the government sector.

All of this suggests that the probability of a so-called V-shaped recovery is low, and the detrimental effects of the government-imposed shutdown will last for many months to come.

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