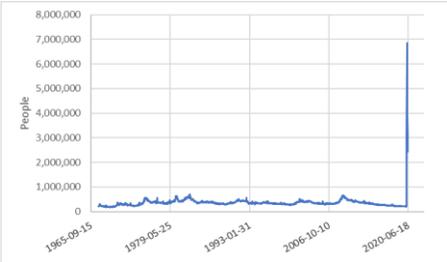
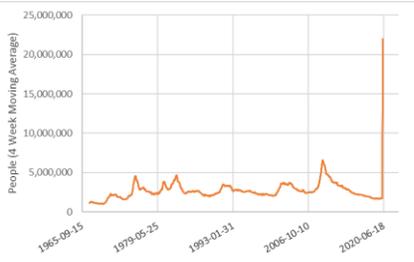
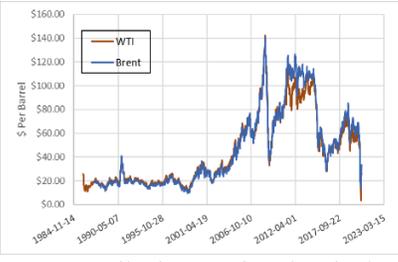
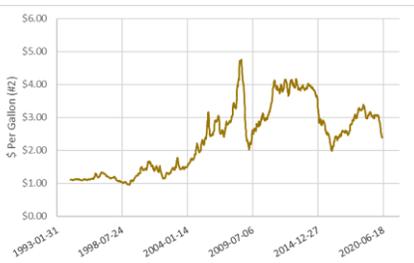
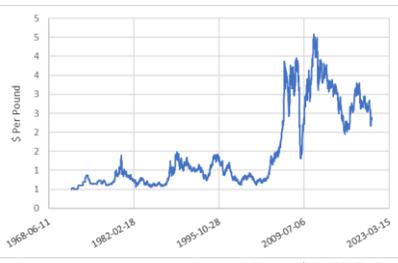
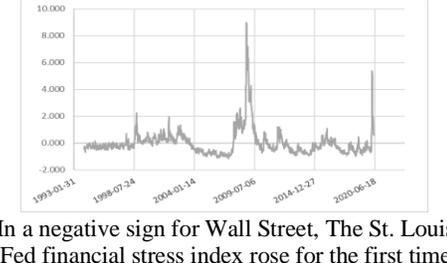
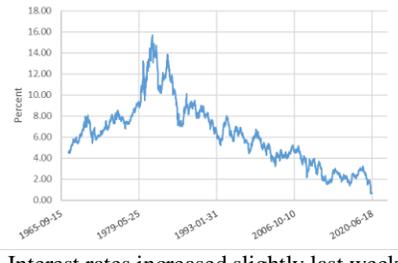
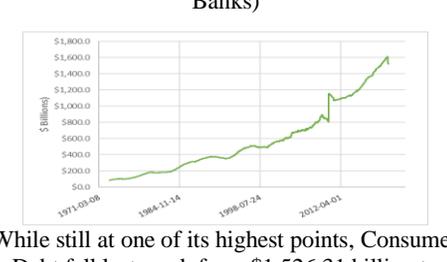


The Weekly Breadline

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 25, 2020

<p style="text-align: center;">Weekly Jobless Claims</p>  <p>New unemployment claims have dropped from 2,687,000 to 2,438,000 last week but brought total unemployed to record heights</p>	<p style="text-align: center;">Continuing Claims for Unemployment</p>  <p>Rising from 19,760,000 to 22,002,250 the four-week moving average of unemployment claims continues to increase</p>	<p style="text-align: center;">WTI Spot Oil Price</p>  <p>WTI spot oil prices continued to rise last week up from \$23.46 to \$26.40 per barrel. Brent rose from \$23.57 to \$33.30 per barrel</p>
<p style="text-align: center;">Down Jones Transportation Index</p>  <p>In a display of market volatility, after falling last week, the Transportation Index increased from 7,761.00 to 8,470.09</p>	<p style="text-align: center;">Diesel Prices</p>  <p>Diesel prices stayed steady last week remaining at \$2.39 per gallon.</p>	<p style="text-align: center;">Copper Prices</p>  <p>After spot copper prices fell to \$2.335, last week they rose back to \$2.385/lb</p>
<p style="text-align: center;">Financial Stress Index</p>  <p>In a negative sign for Wall Street, The St. Louis Fed financial stress index rose for the first time in weeks from 0.6123 to 0.6166</p>	<p style="text-align: center;">S&P 500</p>  <p>After falling last week to 2,863.70 the S&P 500 index rose to 2,955.45</p>	<p style="text-align: center;">10-Year Treasury Yield</p>  <p>Interest rates increased slightly last week from 0.63% to 0.68%</p>
<p style="text-align: center;">Consumer Credit Outstanding (Commercial Banks)</p>  <p>While still at one of its highest points, Consumer Debt fell last week from \$1,526.31 billion to \$1,522.36 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;">jrd@guerrillaeconomics.com</p>	

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. Even though the federal government is borrowing like a drunken sailor, consumers have been cutting back, with debt loads falling for the 11th straight week in a row – down to levels last seen in February of last year.
2. Over the past 10 weeks, a total of more than 38.9 million new claims for unemployment insurance were filed. This compares to 39.5 million unemployment claims filed during the entire “great recession,” which lasted from December 2007 through June of 2009.
3. As the black swan of COVID-19 continues to circle around us, the oil price swan appears to be flying away. World oil prices (Brent) are now up by 134 percent from their lows last month. This is more a reflection of reduction in production rather than increases in demand.
4. After falling by nearly 30 percent at the onset of the COVID depression, stock markets have begun to recover and are now about 23 percent off of their lows.

Outside of maybe on-line deliveries and grocery stores, most sectors of the economy are either shut down (for example entertainment), or are in deep comas. The housing market has not only been impacted by the inability of realtors, banks and title companies to complete transactions, but also by potential buyers being unable to travel. In most parts of the country construction was also shut down in April.

Last week, the National Association of Realtors reported that existing home sales fell to their lowest level since 2010, down 17.8 percent in April on an annualized basis. This means that virtually no existing homes were sold in the past two months. However, prices were up by 7.4 percent, well above inflation, and completely counter to what one would expect in a weak market. In fact, prices were up in all regions throughout the entire year.

In addition to the price increases the NAHB/Wells Fargo Homebuilders index began to rise in May, after falling off of the cliff in April. The index, which had been at 72 in February, fell to just 30 by April, but was up to a still anemic 37 in May. This index measures the strength of the new home market and a value above 50 indicates growth. Needless to say, the declines were due to massive reductions in both housing starts and building permits issued in April, down by 30.2 percent and 20.8 percent respectively according to the Commerce Department.

It is likely that there will be some major changes in the housing market as the economy begins to come back. Shifts toward more remote work environments could lead to more abandonment of cities, particularly by knowledge workers, and more growth in housing in semi-urban and rural markets. There should be continued pressure on high tax states like those in the Northeast, Illinois and California, and an upsurge in immigration to lower tax (and less restrictive) states in the west and the south.

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, or by phone at 212-239-2105.