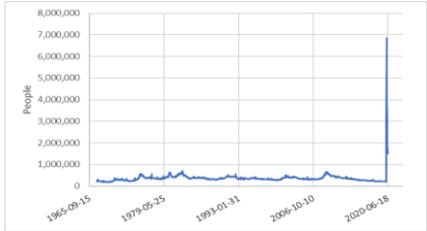
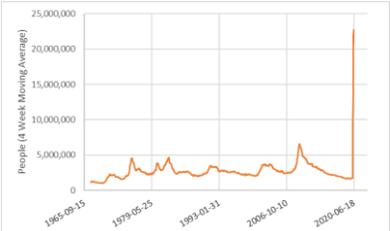
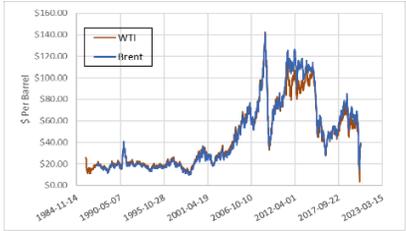
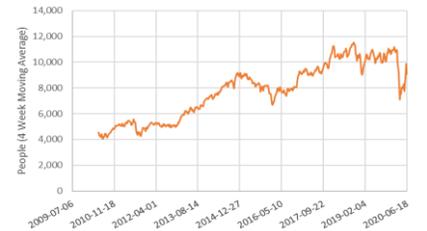
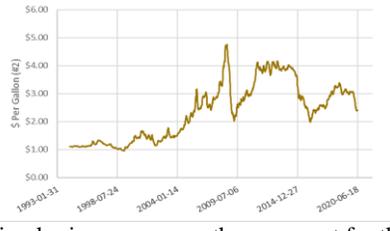
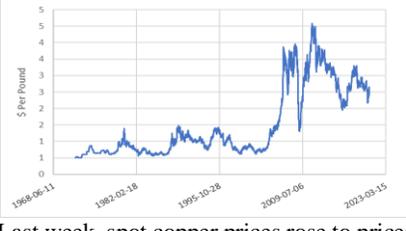
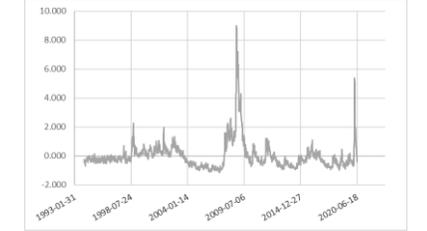
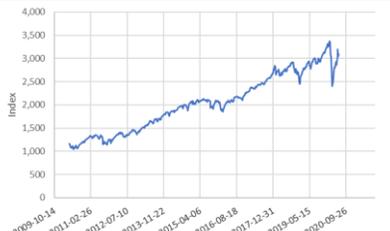
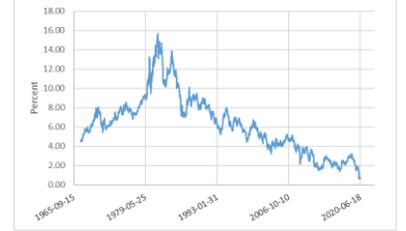
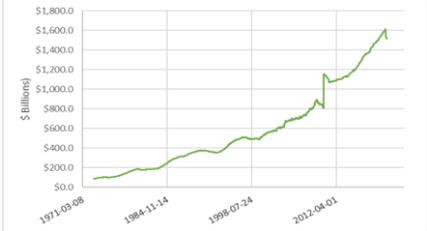


The Weekly Breadline

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: June 27, 2020

<p style="text-align: center;">Weekly Jobless Claims</p>  <p>New claims for unemployment insurance decreased again last week from 1,508,000 to 1,480,000.</p>	<p style="text-align: center;">Continuing Claims for Unemployment</p>  <p>The four-week moving average of unemployment has begun to flatten, falling from 20,814,750 to 20,421,250.</p>	<p style="text-align: center;">WTI Spot Oil Price</p>  <p>World prices for crude are moving higher, with Brent prices increasing almost 10 percent from \$39.44 to \$43.20. WTI rose just 1.3%</p>	
<p style="text-align: center;">Down Jones Transportation Index</p>  <p>Last week, the Dow Jones Transportation Index fell from 9,077.75 to 8,805.74.</p>	<p style="text-align: center;">Diesel Prices</p>  <p>Diesel prices rose more than one cent for the first time in weeks, increasing from \$2.40 to \$2.43 last week.</p>	<p style="text-align: center;">Copper Prices</p>  <p>Last week, spot copper prices rose to prices not seen since January, increasing from \$2.649/lb to \$2.691/lb.</p>	
<p style="text-align: center;">Financial Stress Index</p>  <p>The weekly St. Louis Fed financial stress index rose to positives last week from -0.0070 to 0.2131.</p>	<p style="text-align: center;">S&P 500</p>  <p>The S&P 500 index fell last week decreasing from 3,097.74 to 3,009.05.</p>	<p style="text-align: center;">10-Year Treasury Yield</p>  <p>Interest rates on 10-year Treasury Bonds fell again last week from 0.71 percent to 0.68 percent</p>	
<p style="text-align: center;">Consumer Credit Outstanding (Commercial Banks)</p>  <p>Consumer Debt fell again last week from \$1,513.81 billion to \$1,511.71 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>		
			<p style="text-align: center;">Commercial Real Estate Loans</p>  <p>Commercial real estate loans rose marginally, from \$243.45 billion to \$243.63 billion last week.</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. The St. Louis Fed Financial Stress Index rose to positive digits of .2131 last week. A financial stress index of greater than zero suggests that market conditions are worsening. This increase may reflect investor's fear of a second wave of Covid-19.
2. The number of new unemployment claims this week was its lowest since the pandemic started, however since most states are opening up their economies and businesses to marginally function again, these new unemployment claims are less likely to be the temporary layoffs that occurred in April and May and may be more permanent. The coming wave of bankruptcies is likely in just the early stages.
3. More importantly on the unemployment front, continuing claims have fallen by just 2.3 million jobs, to 20.4 million, since peaking at 22.7 million during the week of May 24th. This means that if unemployment is a good indicator of what the recovery will look like, there is almost zero chance of the hoped for V-shaped recovery, and even a U-shaped growth curve is looking to be pie-in-the-sky thinking.
4. Spot copper prices have increased every week since its low in March, showing more evidence that manufacturing production is returning to normal. Copper prices are 24 percent higher than they were in March and roughly exactly where they were in November last year.

Milton Friedman, the Nobel Prize winning economist who is considered by many to be the father of monetary theory, might be turning over in his grave as the Federal Reserve has become amazingly creative in its attempts to inflate the US economy. Traditionally, the Fed managed monetary policy by purchasing government bonds, setting bank reserve requirements, or setting rates for overnight interbank lending. Beginning with the 2008-2009 financial crisis, the Bank began to intervene directly into markets, and now, it has become the investor of last resort, purchasing non-investment grade bonds from zombie companies that were on the verge of defaulting. In addition, the Bank has been purchasing municipal bonds from local governments that no longer have tax revenues sufficient to fund market-based transactions,

Last week, the Fed even made updates to the Volcker Rule which prevents banks from making certain risky investments from their own accounts. On June 25, 2020 the Federal Deposit Insurance Commission loosened the Volcker Rule to allow banks to invest more heavily into venture capital funds and other private equity. They also eliminated the requirement that banks post margin for trades between affiliates.

Once the demand shock from the government-imposed shutdowns end, the evidence suggests that the country will quickly move from disinflation to inflation as the growth in the money supply (really since September) goes beyond anything that occurred during the financial crisis. Purchases of debt, that has a high risk of default, has helped lead to a near doubling of the Bank's balance sheet since September of last year, and has also reduced the quality of the asset base being used to support the US dollar. The dollar has fallen by 11.7 percent against gold since the start of the depression meaning that investors are beginning to fear that all of the money printing on the part of the Federal Reserve will translate into inflation.

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.