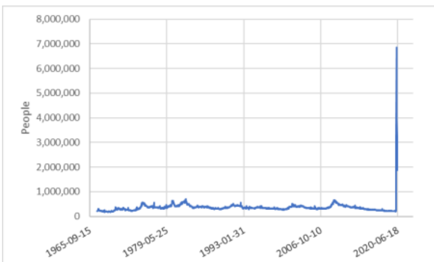
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

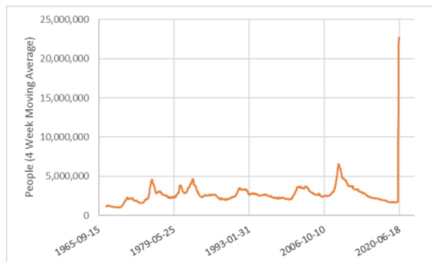
The Weekly Data: June 7, 2020

Weekly Jobless Claims



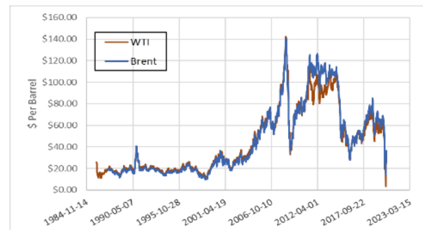
New unemployment claims continue their decline falling from 2,123,000 last week to 1,877,000 this week

Continuing Claims for Unemployment



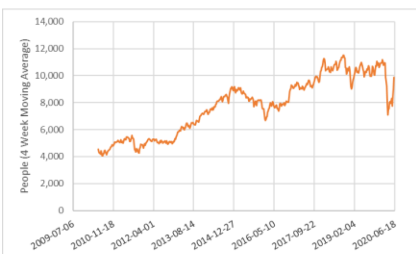
For the first time in weeks, the four-week moving average of unemployment claims decreased from 22,722,250 to 22,446,250

WTI Spot Oil Price



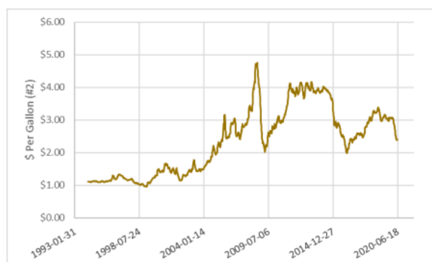
WTI spot oil prices rose last week up from $33.10 to $34.19 per barrel while Brent increased from $32.73 to $36.74 per barrel

Down Jones Transportation Index



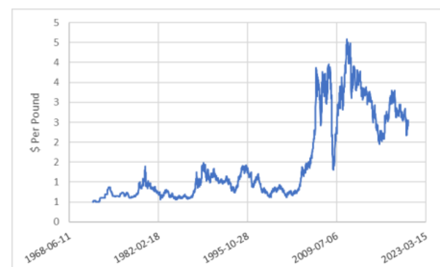
Continuing its climb out of the valley, the Dow Jones Transportation Index rose last week from 8,969.79 to 9,872.96

Diesel Prices



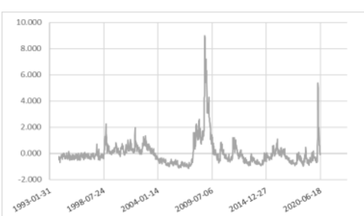
For just about an entire month now, Diesel prices remained at $2.39 per gallon.

Copper Prices



Spot copper prices continues its rise increasing from $2.420 to 2.549/lb. last week

Financial Stress Index

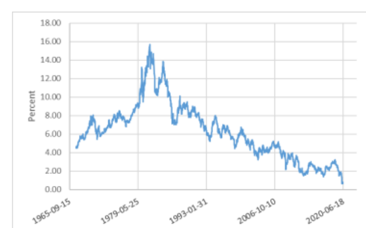


For the first time in months, the weekly St. Louis Fed financial went negative falling from 0.1198 to -0.1172

S&P 500

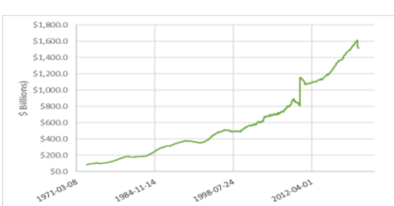
The S&P 500 index rose nearly 5 percent last week from 3,044.31 to 3,193.93

10-Year Treasury Yield



Interest rates on 10-year Treasury Bonds increased last week from 0.70 to 0.82 percent

Consumer Credit Outstanding (Commercial Banks)



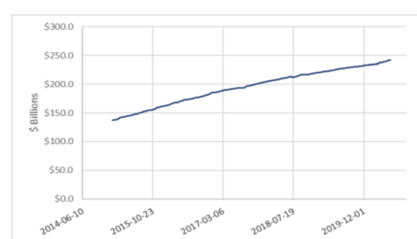
Consumer Debt fell again last week, decreasing from $1,518.77 billion to 1,514.29 billion

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 continued to rise last week, increasing from $241.53 billion to $242.10

[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. For the first time since the government-imposed shutdowns began, the 4-week moving average of the number of people receiving unemployment insurance fell.
2. In spite of rising petroleum stocks, oil prices rose by 3 percent last week to $34.19 per barrel. This is still below the breakeven price for shale oil plays. While US prices are up by almost $31 per barrel since their lows, world (Brent) prices are up by just $22.50, bringing WTI and Brent prices closer together than any time in years.
3. Asset prices continue to rise in spite of the steep drop in demand for real goods. Copper, oil, real estate and equities all posted gains.

Special Edition: The May Jobs Report

Last Friday, the Labor Department (DOL) issued the May *Jobs Report*. Don't believe those claiming that they predicted what the report showed – that unemployment fell in May by 1.4 percentage points. Why were the forecasts so far off?

First, it is important to note that economists (including yours truly) may have been more pessimistic than need be. This may be a New York City bias in the pool of forecasters – and New York is the state with the worst-hit economy in the country. However, the headline number does not always reflect reality. The DOL has stated this in the last two reports. In April, the agency said that while the reported unemployment rate was reported to be 14.7 percent, due to statistical anomalies related to the government-imposed shutdown, the rate was really 19.7 percent. This month, the reported rate of 13.3 percent is really 16.3 percent. This still suggests a 3.4 percentage point drop in the adjusted unemployment rate.

While this headline number is good news, it runs counter to what most other statistics are showing. The weekly new unemployment claims are still holding at about 2 million, so employment gains would have to have been huge in May to bring the unemployment rate down this substantially. Digging deeper in the data:

- The establishment data reported a net increase of 2.509 million jobs, less than 1 percent of the population and just 1.6 percent of the labor force.
- Wages were up by over 1.1 percent on the month. At first, this might look like a positive; However, such a big jump in such a short timeframe indicates that lower income employees are being let go in scores
- The number of part-time workers jumped by 1.785 million to 18.2 percent of the labor force. Prior to the government-imposed shutdowns, just 4.5 percent of the labor force was employed part-time.
- The number of employed persons on payroll is still 21.5 million less than in February. That drop in jobs alone would represent a 15.7 percent unemployment rate.

These data points suggest that the topline unemployment rate should be at least 16.8 percent. With so many workers shifting to part-time status the real number of people impacted would be higher still. If businesses cut their labor costs by reducing hours rather than by laying off, the reported unemployment rate does not change. Were the people moved from full- to part-time counted as just ½ a job, the unemployment rate would be about 22.2 percent.

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