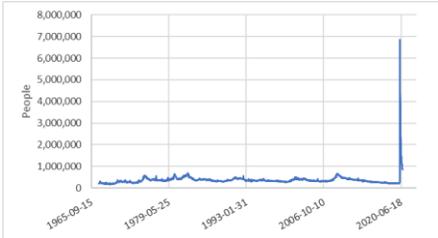
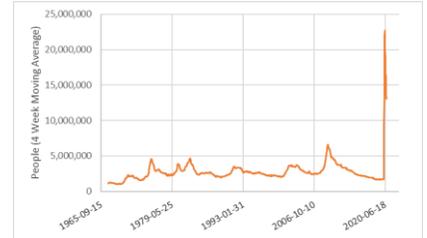
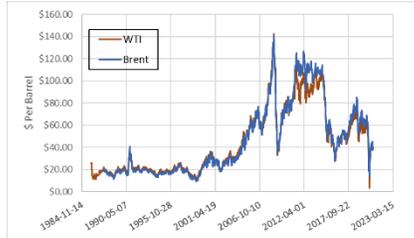
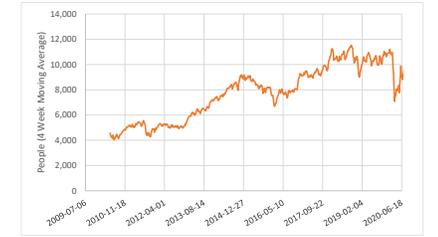
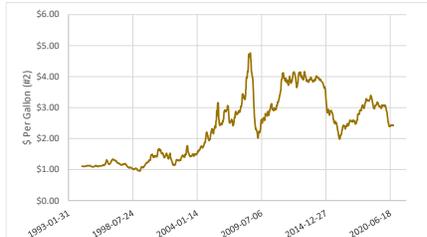
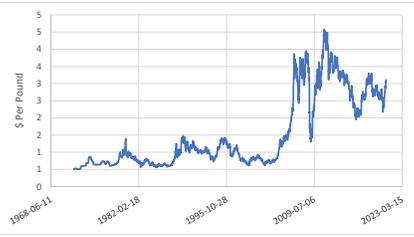
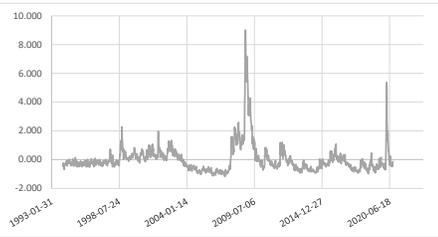
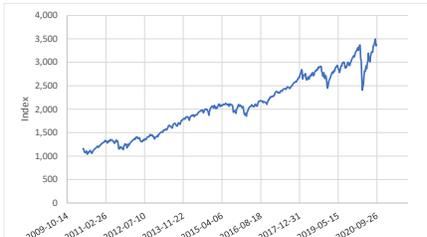
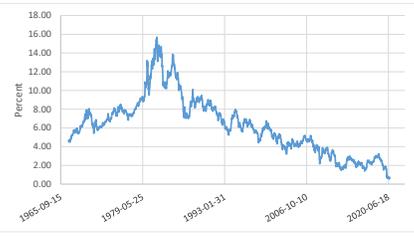
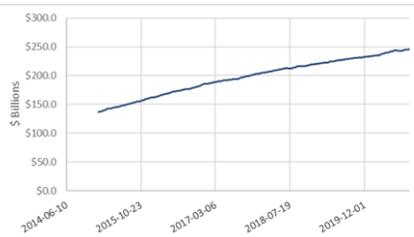


## The Weekly Breadline

### 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 to 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.<sup>1</sup>

### The Weekly Data: September 27, 2020

<p style="text-align: center;"><b>Weekly Jobless Claims</b></p>  <p>New claims for unemployment insurance increased slightly from 860,000 to 870,000 last week.</p>	<p style="text-align: center;"><b>Continuing Claims for Unemployment</b></p>  <p>The four-week moving average of unemployment claims declined last week from 13,489,000 to 13,040,750.</p>	<p style="text-align: center;"><b>WTI Spot Oil Price</b></p>  <p>WTI spot crude is up from \$37.38 per barrel to \$39.55 with Brent also increasing from \$38.57 to \$40.37 per barrel.</p>
<p style="text-align: center;"><b>Down Jones Transportation Index</b></p>  <p>The Dow Jones Transportation Index fell from 11,479.44 to 11,165.42.</p>	<p style="text-align: center;"><b>Diesel Prices</b></p>  <p>Diesel prices dropped from \$2.42 to \$2.40.</p>	<p style="text-align: center;"><b>Copper Prices</b></p>  <p>Spot copper prices fell last week from \$3.10/lb to \$2.99/lb.</p>
<p style="text-align: center;"><b>Financial Stress Index</b></p>  <p>The weekly St. Louis Fed financial stress index fall last week from -0.1387 to -0.3850 indicating more stability.</p>	<p style="text-align: center;"><b>S&amp;P 500</b></p>  <p>The S&amp;P 500 index dipped slightly, from 3,369.34 to 3,275.72.</p>	<p style="text-align: center;"><b>10-Year Treasury Yield</b></p>  <p>Interest rates on 10-year Treasury Bonds remained flat at 0.69.</p>
<p style="text-align: center;"><b>Consumer Credit Outstanding (Commercial Banks)</b></p>  <p>Consumers debt fell slightly as loans outstanding decreased from \$1,517.59 billion to \$1,517.36 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;"><a href="mailto:jrd@guerrillaeconomics.com">jrd@guerrillaeconomics.com</a></p>	<p style="text-align: center;"><b>Commercial Real Estate Loans</b></p>  <p>Commercial real estate loans increased slightly - from \$245.14 billion to \$245.44 billion.</p>

<sup>1</sup> Note that the current situation is extremely unpredictable, and important business decisions should not be made based on any individual indicators.

## The Weekly Commentary

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Key takeaways for the week:

1. Crude oil inventories spiked to 1.639 million barrels. This was much slower than economists' expectations. On the other hand, inventories of petroleum products including gasoline and diesel fuel fell much faster than expectations for the week.
2. Sales of new homes have been on a tear since the COVID-19 outbreaks, crushing expectations in August with an increase of 4.8 percent from the prior month to a seasonally adjusted annualized rate of 1,011,000 units. Nearly all sales (86.2 percent) have been in the southern and western portions of the country.
3. According to the Census Bureau, new orders for manufactured durable goods in August increased \$1.0 billion or 0.4 percent to \$232.8 billion. This was well below the 1.5 percent increase expected by economists. While this means that the expected recovery in manufacturing is slowing, one good note was non-defense capital goods orders were up by a sharp 7.8 percent, meaning that businesses are investing.
4. For the past four weeks, seasonally adjusted unemployment claims have been 884,000, 893,000, and 870,000 and 866,000 respectively. These are all within the margin of error for the statistic, meaning that the number of people claiming unemployment has been about the same for the past month.

John Dunham & Associates is a contributor to the Bloomberg survey of economists and develops monthly and quarterly economic forecasts. While we do share these with many clients, yours truly is not a big fan of macroeconomic forecasting in general. There are two reasons for this. The first is professional. Those of you who know my team are aware that most of us have training in classical economics, not the orthodox Keynesian theories that are typical of macro economists. What this means is that those making macro forecasts are all basically using the same model and same theories, so their forecasts are all – well they are all virtually the same.

The second reason that I am not a big fan of forecasts is that they are all basically wrong. Predicting the economy is a difficult exercise even if you are not tied to a theory developed in 1920, and events generally overwhelm the trends in data that all forecasts rely on. This means that forecasts can be valuable for understanding trends, but that it's a fool's game to think that they are accurate within a few basis points – or even within a few hundred basis points.

With those caveats, the table below outlines our current forecasts for the end of the third quarter of 2020. We will be doing a podcast with the Food Institute in the near future to discuss our 4<sup>th</sup> quarter estimates. Please don't bet the farm on these, or on any other economic forecasts that you might read.

GDP (SAAR)	20.0%	Average Monthly Payroll Increase	1,360
Consumer Spending (SAAR)	18.0%	Housing Starts	1,400
WTI Oil Price (average)	\$40.30	Federal Funds Target Rate	0.25%
CPI (yoy)	1.8%	10-Year Note	0.75%
Headline Unemployment Rate	8.0%	30-Year Bond	1.50%

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](mailto:JRD@GuerrillaEconomics.com), or by phone at 212-239-2105.