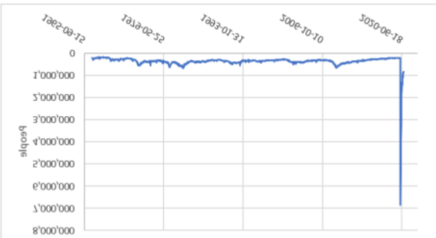
# The Weekly Breadline

## 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.[1]

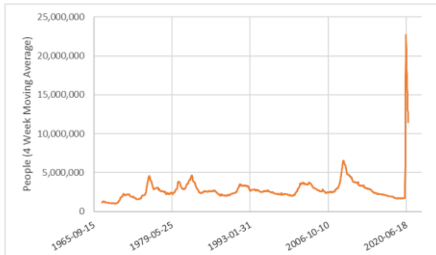
### The Weekly Data: October 18, 2020

**Weekly Jobless Claims**



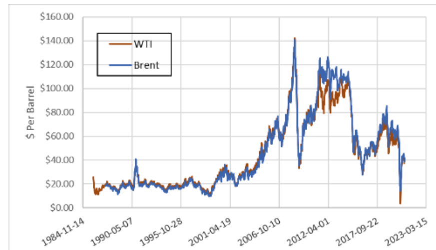
New claims for unemployment insurance rose from 840,000 to 898,000 last week.

**Continuing Claims for Unemployment**




The four-week moving average of unemployment claims declined last week from 12,112,250 to 11,481,750.

**WTI Spot Oil Price**




WTI spot crude is up from $38.99 per barrel to $40.19 with Brent also increasing from $39.78 to $40.50 per barrel.

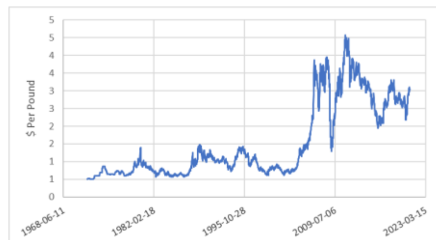
**Down Jones Transportation Index**


The Dow Jones Transportation Index rose from 11,639.15 to 11,875.28.

**Diesel Prices**

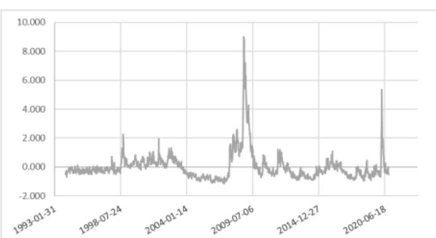

Diesel prices rose from $2.39 to $2.40 per gallon.

**Copper Prices**




Spot copper prices are unchanged from last week at $3.03/lb.

**Financial Stress Index**

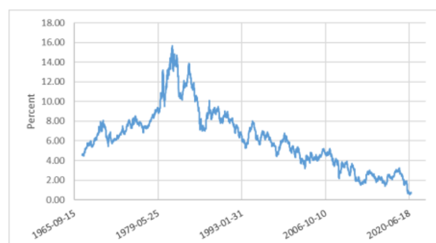



The weekly St. Louis Fed financial stress index fell last week from -0.3593 to -0.5148 indicating more stability.

**S&P 500**

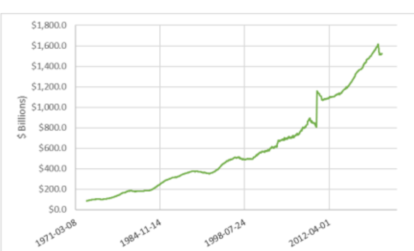

The S&P 500 index rose, from 3,422.60 to 3,500.39.

**10-Year Treasury Yield**




Interest rates on 10-year Treasury Bonds increased from 0.68 to 0.78.

**Consumer Credit Outstanding (Commercial Banks)**




Consumers debt fell as loans outstanding decreased from $1,524.78 billion to $1,521.72 billion.

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

Let us know at:

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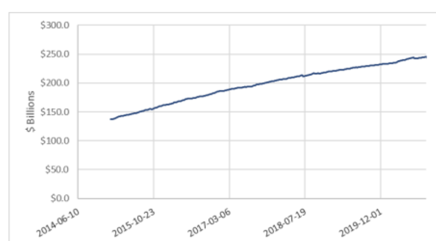
**Commercial Real Estate Loans**




Commercial real estate loans increased - from $241.62 billion to $241.79 billion.

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[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. Two measures of inflation released last week told surprisingly different stories. While the headline consumer price index (CPI) fell from a fairly rapid pace of 0.4 percent, (an annual rate of inflation approaching 5 percent), to a more modest 2.5 percent annualized rate, the producer price index (PPI) rose faster than expectations, from 0.3 percent to 0.4 percent. The PPI tends to be more volatile than the CPI, as measures a more standardized basket of goods, and a rising PPI should translate into higher inflation in the future.

2. Federal Reserve banks across the country compile regular indices of manufacturing and business activity. The most recent Empire State Manufacturing Index, compiled by the New York Federal Reserve Bank, shows how the continued government-imposed shutdowns have continued to harm the state's economy. Rather than continuing to signal recovery, by falling only slightly from 17 to 15, the index declined all the way back to 10.5.

3. Continuing to beat a dead horse, weekly jobless claims rose from 845,000 up to 898,000. This was the largest number of filings since late August. Continuing claims continue to be above 25 million individuals.

In spite of continued government-imposed shutdowns in many large states and cities, the American consumer is hard at work. Advance monthly retail sales numbers for September 2020 surged by 1.9 percent to $549.3 billion, which is 5.4 percent higher than during the same month last year. Many pundits mistakenly state that retail sales account for 70 percent of the economy (which is not true since GDP is a measure of production and not consumption). Even so, higher retail sales do suggest that people are feeling confident enough to part with their savings and wages, at least on certain items.

Looking across categories it is easy to see how the government-imposed shutdowns have created some big winners, as well as losers. Obviously, Amazon and other non-store retailers have boomed, with sales up by 23.8 percent from September of last year. This is the largest increase across categories. Other winners are building materials and food stores, as people staying and working from home spend more time on their properties and in their kitchens.

September was also a good month for clothing and departments stores, as many have now been allowed to reopen. Even so, the department store sector is unlikely to recover from COVID-19 since so many of the large chains have already declared bankruptcy, and shoppers are still cautious about returning to malls.

According to the Census Bureau, adjusted retail sales for the month were up in all major categories, including even food service, however, the report does not include the service sector of the economy which is still struggling, which represents the bulk of actual consumer spending. As such, overall consumer spending remains below pre-COVID levels. We have discussed before how the hospitality sector (hotels, restaurants, motorcoaches, airlines) have been decimated by COVID-19, but so has the health care sector (not only were hospitals not able to perform *unnecessary* services but visits to doctors, therapists, and dentists have not rebounded). Sporting events are being performed with no or minimal audience.

Until the service sector can come back to life, unemployment, consumer spending and overall economic activity simply will not be able to recover.

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.