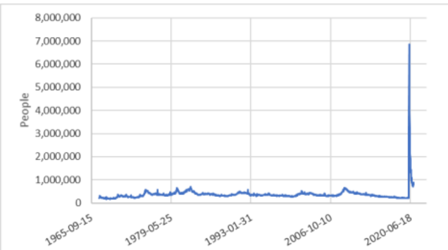
The Weekly Breadline

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 an extended downturn. 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]

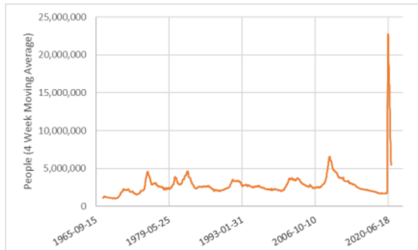
The Weekly Data: January 3, 2021

Weekly Jobless Claims



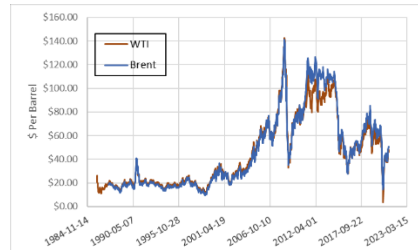
New claims for unemployment insurance dropped from 806,000 to 787,000 last week.

Continuing Claims for Unemployment



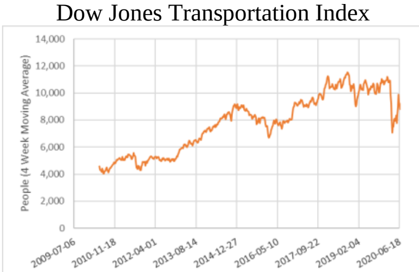
The four-week moving average of unemployment claims declined last week from 5,534,250 to 5,457,250.

WTI Spot Oil Price



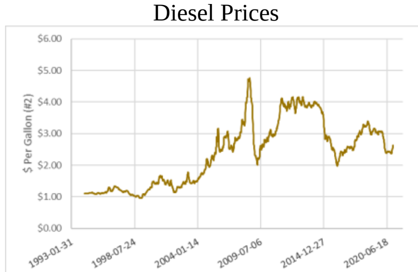
WTI spot crude is down from $47.97 per barrel to $47.73, while Brent increased from $50.61 to $50.88 per barrel.

Dow Jones Transportation Index



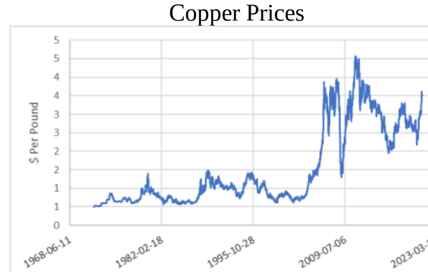
The Dow Jones Transportation Index dropped from 12,496.21 to 12,479.92.

Diesel Prices



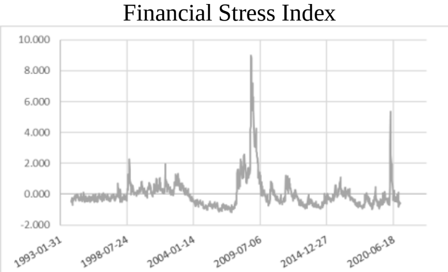
Diesel prices rose from $2.62 per gallon to $2.64 per gallon.

Copper Prices



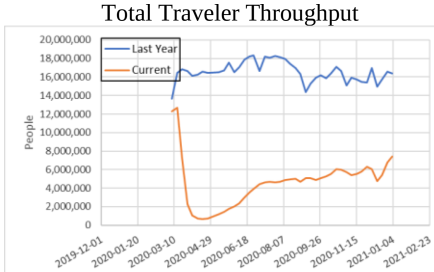
Spot copper prices dropped last week from $3.53/lb to $3.52/lb.

Financial Stress Index



The weekly St. Louis Fed financial stress index fell last week from -0.5541 to -0.5823 indicating more stability.

Total Traveler Throughput



TSA checkpoint traveler throughput rose last week from 6,739,243 passengers to 7,388,562 or 45.07 percent compared to 16,394,363 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds increased from 0.93 to 0.95.

Consumer Credit Outstanding (Commercial Banks)

Consumers debt rose as loans outstanding rose from $1,524.67 billion to $1,525.40 billion.

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

Let us know at:

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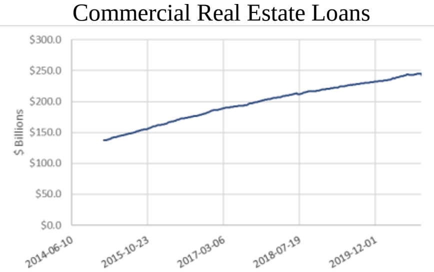
Commercial Real Estate Loans



Commercial real estate loans fell - from $246.75 billion to $246.27 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. Happy New Year's wishes to everyone. 2020 ended with me breaking a tooth, and the Mayor of NYC having his most politically tone-deaf moment (among a large list) by dancing the night away with his wife in an empty Times Square.

2. Meanwhile home prices continue to rise as people leave New York and other cities for the suburbs. S&P CoreLogic Case-Shiller U.S. National Home Price Index, covering all nine U.S. census divisions, reported a 7.0 percent annual gain in September, up from 5.8 percent in August.

3. Initial claims for unemployment fell from 806,000 to 787,000 in the last week of 2020. The 4-week moving average continued to rise, up from 819,000 to 836,500 in the final week of 2020. Total claims fell back under 20 million to 19.564 million.

4. Congress finally passed a new COVID-19 relief bill, meanwhile those on both sides of the aisle are calling for even more benefits.

5. Crude oil inventories fell by 6.065 million barrels or by about 1.2 percent, a much larger decrease than analyst predictions. This could be a sign of higher gasoline and diesel prices in the future.

Certainly, the last moments of 2020 were greeted with cheers around the world, by a population happy to see it pass over the horizon. The year was indeed trying, with a virus spreading panic and chaos all across the world, businesses failing at record rates, and the economy plummeting more rapidly than since the end of World War II. Fortunately, most of the truly bad economic news has now passed as well; however, there are many lingering effects that will continue well into 2021.

Even so, with all of the pump priming, zero interest rate, PPPing and helicopter money flowing into the system, it is likely that the economy will actually stagger through 2021 on a high note. We expect to see growth in the range of 3.2 percent for the year, which will likely be about the best year of the Biden presidency. This has more to do with the underlying debt burden than it does with Biden's expected policies and would have been true under probably any Administration. The bottom line is that government borrowing can prop up the financial economy for a time, but it is not in and of itself economic activity. Congress borrowing $300 and giving it to me created nothing, and an economy that creates nothing cannot stand.

Further, there are still 20 million people unemployed, and this number is likely to begin growing again in spite of the new COVID-19 relief. Any economy that has over one-eighth of its workforce on the dole cannot sustain much real economic growth.

That said, as normalcy slowly returns there will be many opportunities for those with the entrepreneurial spirit to take them on. Best wishes to all in 2021.

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.