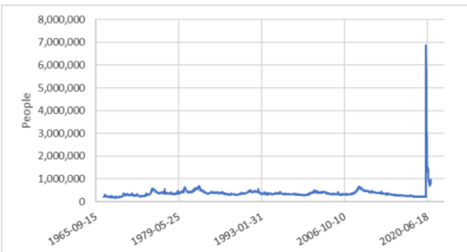
The Weekly Breadline
A weekly analysis of the most recent economic indications

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 middle of 2021. 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]

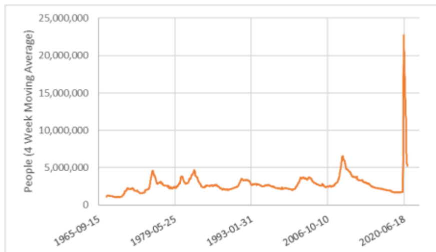
The Weekly Data: January 17, 2021

Weekly Jobless Claims



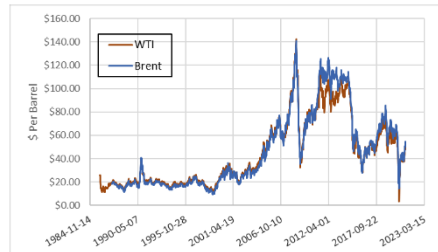
New claims for unemployment insurance rose from 787,000 to 965,000 last week.

Continuing Claims for Unemployment



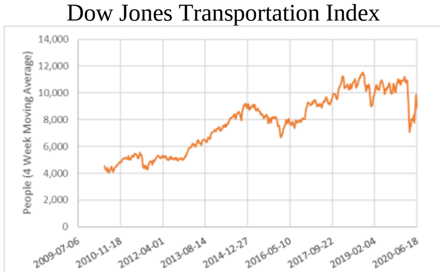
The four-week moving average of unemployment claims declined last week from 5,274,750 to 5,215,750.

WTI Spot Oil Price



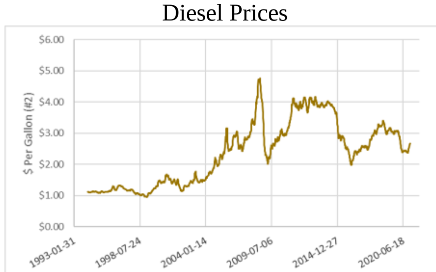
WTI spot crude is up from $47.98 per barrel to $50.09, while Brent also increase from $50.37 to $54.84 per barrel.

Dow Jones Transportation Index



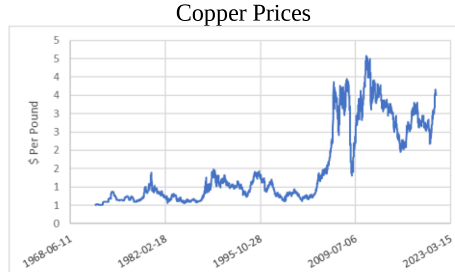
The Dow Jones Transportation Index rose from 12,596.53 to 12,990.51.

Diesel Prices



Diesel prices rose last week from $2.64 to $2.67 per gallon.

Copper Prices

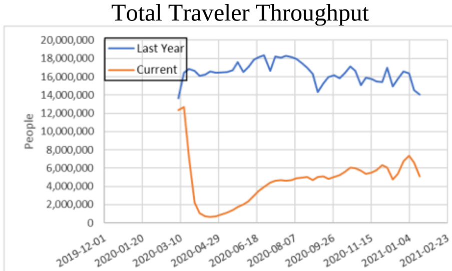


Spot copper prices dropped last week from $3.66/lb to $3.50/lb.

Financial Stress Index

The weekly St. Louis Fed financial stress index rose last week from -0.6969 to -0.6911 indicating less stability.

Total Traveler Throughput

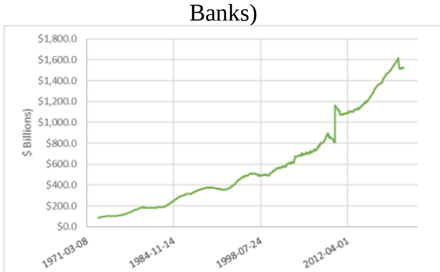


TSA checkpoint traveler throughput decreased last week from 6,577,170 passengers to 5,098,402 or 36.36 percent compared to 14,021,879 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds increased from 0.94 to 1.03.

Consumer Credit Outstanding (Commercial Banks)



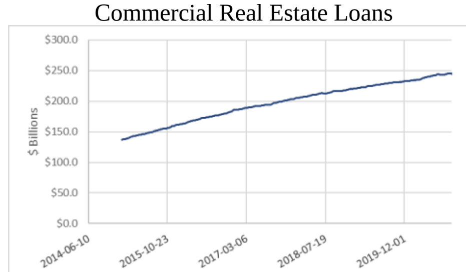
Consumers debt decreased as loans outstanding fell from $1,522.20 billion to $1,519.89 billion.

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 loans decreased - from $247.02 billion to $246.48 billion.

---

[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. In an example of how forecasts can be totally destroyed by black swan events, both the Cleveland Browns and the Buffalo Bills were in the NFL Divisional Championship games.

2. Weekly new claims for state unemployment benefits increased dramatically, up by 181,000. That's the largest increase since the massive surge of 3.6 million on March 28, 2020. Weekly unemployment claims have risen 5 of the past 6 weeks suggesting that the initial phased of the recovery has ended.

3. The Bureau of Labor Statistics reported that the Consumer Price Index rose by 0.4 percent in December, for an annualized inflation rate of 1.4 percent. The CPI has been held down through 2020 not only by the lack of demand due to COVID-19, but also because of substantially reduced energy prices.

4. The Producers Price Index (PPI) rose by 0.3 percent in December, for an annualized increase of 0.8 percent in prices that producers pay for commodities and services.

5. In spite of continued chatter by the Fed, market interest rates continue to increase – up to 1.164 in the last Treasury Auction. Market rates on the 10-year note are up by 23.7 percent so far this year. But consumer demand for money appears to be very low, with rates for a 30-year mortgage falling to just 2.79 percent, the lowest in this Analyst's lifetime.

Even though some firms rode the COVID-19 shutdowns in stride, and many, like Amazon, have done exceedingly well, a huge number of businesses will not survive into 2021. According to S&P Global, a total of 630 major U.S. corporate bankruptcies were filed in 2020, the worst level since 2010. Of the major firms filing for bankruptcy protection were such venerable names as J.C. Penny, Neiman Marcus and Hertz. S&P Global only tracks public companies and large private firms. According to the American Bankruptcy Institute, a total of 32,506 firms filed for bankruptcy, which is fewer than did so last year. The reason cited for this was the closure of courts across the country precluded many firms from filing.

But most small businesses close without filing for bankruptcy. Data from *Womply* suggests that 29.7 percent of small businesses in America remain closed or have gone the way of the typewriter. This ranges from a high of 43.1 percent in the District of Columbia, to a low of *only* 18.7 percent in Utah.

Many analysts expect that this is just the tip of the iceberg. The most cited study, one by *Yelp*, finds that as of September, 163,735 small businesses that had been listed on the website in April had closed. A working paper written by researchers at the Brookings Institution, (https://www.nber.org/system/files/working_papers/w28104/w28104.pdf) suggests that overall bankruptcies will likely increase by as much as 140 percent in 2020 when all firms are included. These businesses will be concentrated in the personal services sector of the economy. The largest effects so far have been in hotels, travel services, motorcoach travel, performing arts and motion pictures, however, there is no doubt that a wide variety of service businesses will see significant closures. This will, in turn, impact sectors like commercial real estate, food services, laundry, etc. that depend on effected businesses for their revenues.

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.