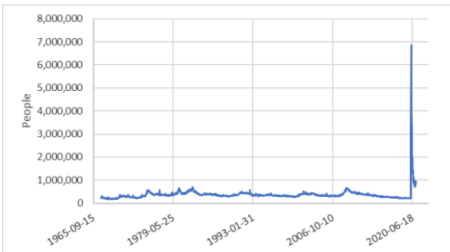
The Weekly Breadline

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]

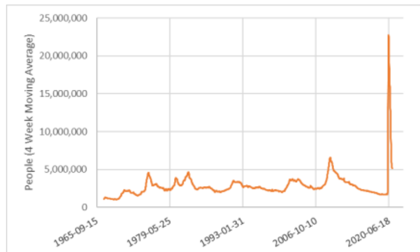
The Weekly Data: January 24, 2021

Weekly Jobless Claims



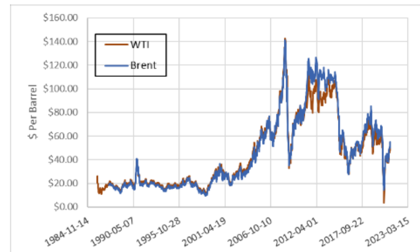
New claims for unemployment insurance dropped from 965,000 to 900,000 last week.

Continuing Claims for Unemployment



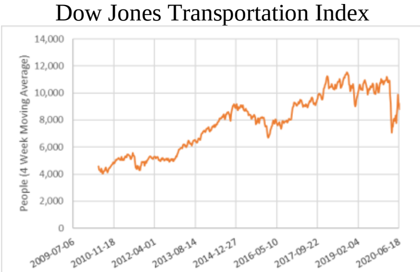
The four-week moving average of unemployment claims declined last week from 5,215,750 to 5,126,250.

WTI Spot Oil Price



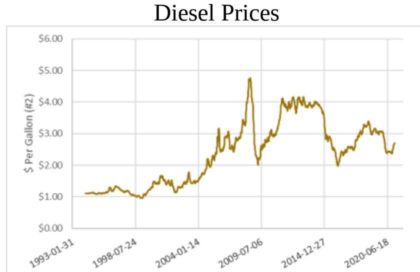
WTI spot crude is up from $50.09 per barrel to $52.75, while Brent decreased from $54.84 to $54.21 per barrel.

Dow Jones Transportation Index



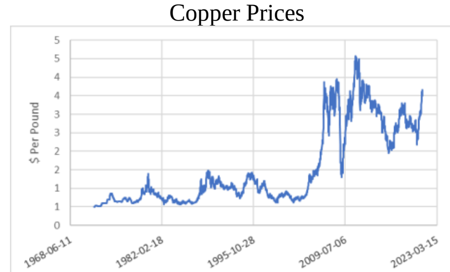
The Dow Jones Transportation Index fell from 12,990.51 to 12,945.44.

Diesel Prices



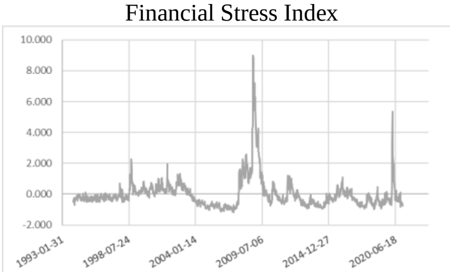
Diesel prices rose last week from $2.67 to $2.70 per gallon.

Copper Prices



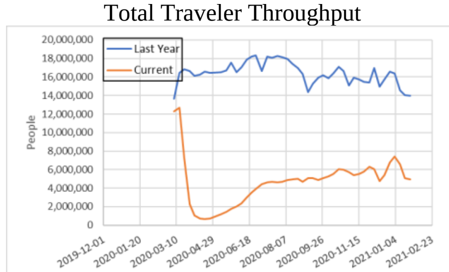
Spot copper prices rose last week from $3.50/lb to $3.60/lb.

Financial Stress Index



The weekly St. Louis Fed financial stress index fell last week from -0.6911 to -0.7384 indicating more stability.

Total Traveler Throughput

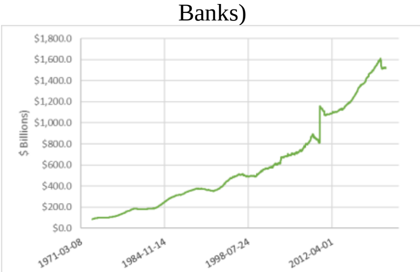


TSA checkpoint traveler throughput decreased last week from 5,098,402 passengers to 4,965,674 or 35.47 percent compared to 13,998,136 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds increased from 1.03 to 1.13.

Consumer Credit Outstanding (Commercial Banks)



Consumers debt decreased as loans outstanding fell from $1,519.89 billion to $1,514.99 billion.

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

Let us know at:

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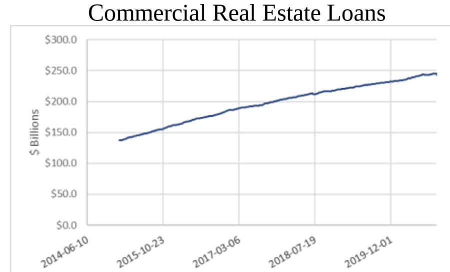
Commercial Real Estate Loans



Commercial real estate loans increased - from $246.48 billion to $247.10 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. Joseph Robinette Biden Jr. was inaugurated as the 46th president of the United States..

2. Weekly actual (unadjusted) initial claims for unemployment insurance under state programs totaled 960,668 in the week ending January 16, a decrease of 151,303 (or 13.6 percent) from the previous week. There were 282,088 initial claims in the comparable week in 2020.

3. The housing market continued its boom. The Census Bureau reported that Privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,669,000, 5.2 percent above the December 2019 rate of 1,587,000. A total of 1,380,300 housing units were started in 2020, 7.0 percent more than in 2019.

4. Meanwhile, mortgage rates were up ever so slightly on the week, with the rate on a 30-year fixed loan rising from 2.88 to 2.92 percent, according to the Mortgage Bankers Assn.

5. The Philadelphia Fed's Manufacturing Business Outlook Survey suggested continued expansion for the region's manufacturing sector in January. The diffusion index for current activity increased from a revised reading of 9.1 in December to 26.5 in January. Indicators for general activity, new orders, shipments, and employment remained positive and were stronger in January.

Over the course of the economic depression caused by the government-imposed shutdowns in response to COVID-19, the Federal Government has responded with support for individuals and businesses that have been economically damaged. The bulk of this support has been targeted to increase general consumption and to help firms pay for variable costs (such as wages or utilities). This type of support makes sense from a Federal government perspective, where capital is not only limitless but essentially free. Unlike businesses, which must borrow to pay for productive assets, and then pay back that debt over time, government simply borrows more to pay existing debt.

This lack of understanding of capital (or fixed) costs, has led to a situation where many capital intensive businesses are unable to meet their current, or future obligations.

Firms like retailers and restaurants have been particularly hard hit by the government-imposed shutdowns and have seen some support through the PPP loans and helicopter monies to consumers, but these firms tend to be more labor intensive. According to data from the Stern School at New York University, among the most capital-intensive industries in America are: Energy production and distribution, utilities, real estate, hotels, railroads, and banks. One can add to this list companies like motorcoach and cruise ship operators. While utilities have been less impacted by the shutdowns, the energy industry, hotels and real estate developers and operators have not. In particular, travel and commercial real estate have been hit hard as offices have closed, and business travel has stopped.

With the Biden Administration considering another round of support, it would be a good idea to put some emphasis on those industries that will not be able to meet their large capital obligations over the next year as a result of the shutdowns. Travel, transportation, energy and real estate would be good places to start.

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.