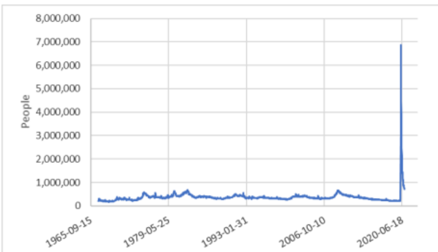
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

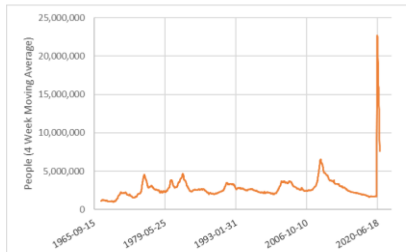
The Weekly Data: November 16, 2020

Weekly Jobless Claims



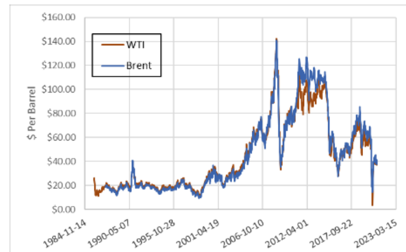
New claims for unemployment insurance dropped from 751,000 to 709,000 last week.

Continuing Claims for Unemployment



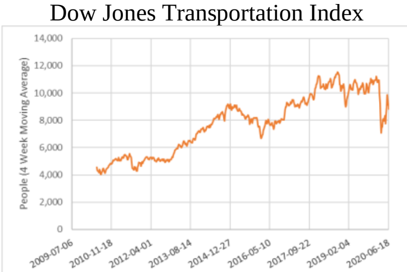
The four-week moving average of unemployment claims declined last week from 8,244,500 to 7,575,750.

WTI Spot Oil Price



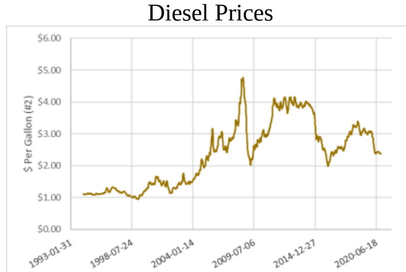
WTI spot crude is up from $37.32 per barrel to $37.71, while Brent also increased from $37.78 to $40.93 per barrel.

Dow Jones Transportation Index



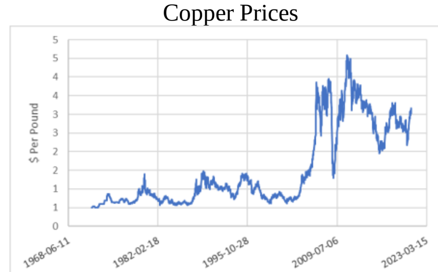
The Dow Jones Transportation Index rose from 11,490.50 to 11,980.27.

Diesel Prices



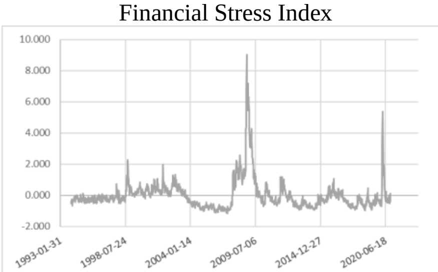
Diesel prices rose from $2.37 per gallon to $2.38 per gallon.

Copper Prices



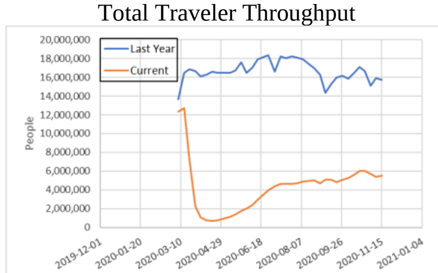
Spot copper prices increased last week from $3.13/lb to $3.16/lb.

Financial Stress Index



The weekly St. Louis Fed financial stress index fell last week from 0.1029 to -0.3909 indicating more stability.

Total Traveler Throughput

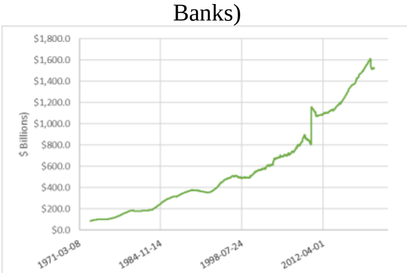


TSA checkpoint traveler throughput rose last week from 5,375,264 passengers to 5,518,937 or 35.03 percent compared to 15,754,887 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds rose from 0.82 to 0.83.

Consumer Credit Outstanding (Commercial Banks)



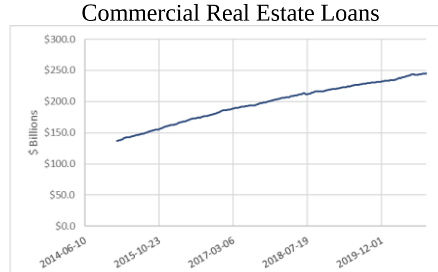
Consumers debt decreased as loans outstanding fell from $1,523.74 billion to $1,523.19 billion.

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 rose - from $241.88 billion to $242.73 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. While the economy has undoubtedly been improving faster than many economists thought it could, opinions of the general public have begun to sour. The University of Michigan's index of consumer sentiment dropped to 77.0 in the two weeks ended Nov. 10, from 81.8 in October. This was driven by a decline of 10.7 points on the part of Republicans, however sentiment among Democrats was also down.

2. Natural gas prices continue to stay above recent averages, with spot prices closing the week at just under $3.00 per MBTU. Prices are now higher than they have been at any time since the winter of 2019.

3. In the week ending November 7, seasonally adjusted initial claims for unemployment were 709,000, a decrease of 48,000 from the previous week's revised number; however, actual claims totaled 723,105 a decrease of just 20,799 from the previous week. The number of continuing claims remains stubbornly high at 21,157,111, which compares to just 1,449,519, during the same week last year.

4. Interest rates are up 12.14 percent since the elections (although this is just 10 bps on the 10-year note). Higher interest rates suggest that investors are expecting to see expanded inflation under a Biden Administration.

Speaking of inflation, the Bureau of Labor Statistics (BLS) is claiming that there was no inflation in October, with the seasonally adjusted CPI unchanged and the raw index rising from just 260.280 to 260.388. While this would appear to be good news, reality tells a very different picture.

Looking across CPI components, food prices were up by 0.2 percent on the month, and 3.9 percent on the year; while energy prices were down by 1.2 percent, or by 9.2 percent on the year. These key categories basically cancel each other out, which makes sense. But this is where the weirdness starts.

The BLS claims that medical care costs are down by 0.3 percent on the month, which may be true, but that they are up only 3.2 percent on the year. But surveys conducted by the Kaiser Family Foundation suggest that premiums for employer-sponsored health coverage rose by about four percent in 2020, while small business insurance policy renewals have premiums raising from five to 15 percent. But it is unlikely that health care costs are falling at all. In addition, the BLS assumes that health care accounts for just under 9 percent of a family's budget, but it is questionable if this includes the cost of employer sponsored health insurance which shows up in lower wages rather than in direct spending.

The other issue with how BLS reports the inflation numbers is the way that housing costs are calculated. The BLS does not directly include home prices in the CPI, rather the agency calculates a statistic called Owners' Equivalent Rent, which is based on a survey of homeowners, asking them how much they would expect to pay if they rented their own house from themselves. It is difficult to know exactly how homeowners would calculate this number, but while the BLS reports that OER is up by 2.5 percent on the year, the Case-Shiller home price index is up by about 5.7 percent.

If health care and housing costs were properly accounted for, the overall CPI would be up in October, and inflation since the bottom of the COVID depression would be much higher than the reported 3 percent.

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.