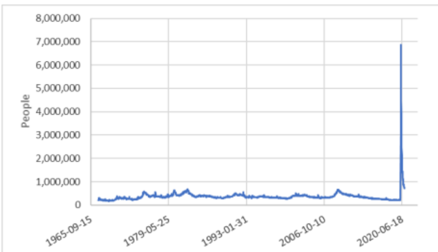
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

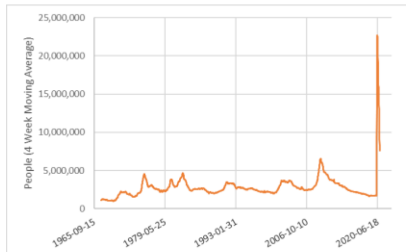
The Weekly Data: November 22, 2020

Weekly Jobless Claims



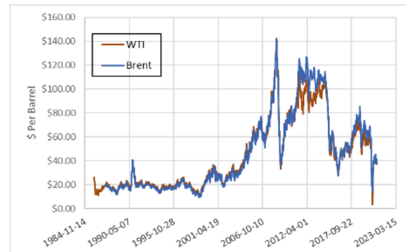
New claims for unemployment insurance dropped from 751,000 to 709,000 last week.

Continuing Claims for Unemployment



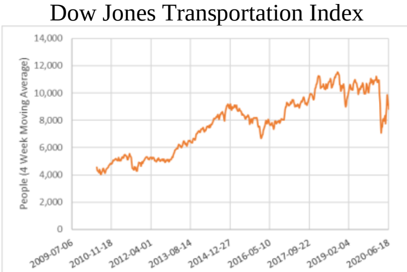
The four-week moving average of unemployment claims declined last week from 8,244,500 to 7,575,750.

WTI Spot Oil Price



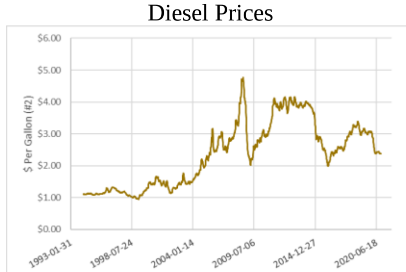
WTI spot crude is up from $37.32 per barrel to $37.71, while Brent also increased from $37.78 to $40.93 per barrel.

Dow Jones Transportation Index



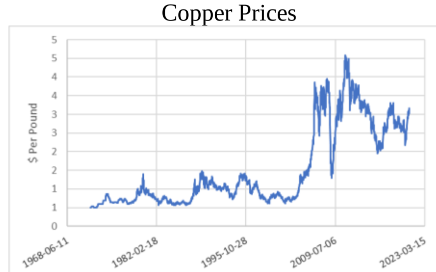
The Dow Jones Transportation Index rose from 11,490.50 to 11,980.27.

Diesel Prices



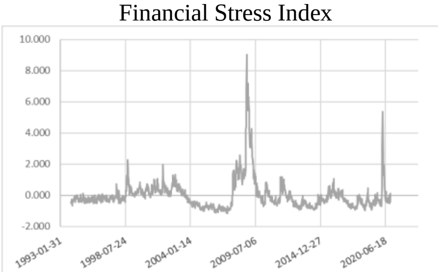
Diesel prices rose from $2.37 per gallon to $2.38 per gallon.

Copper Prices



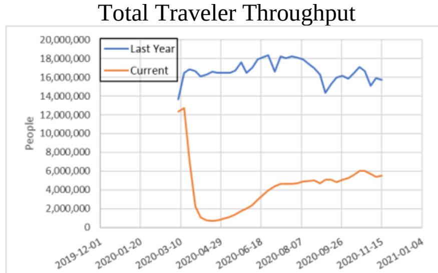
Spot copper prices increased last week from $3.13/lb to $3.16/lb.

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

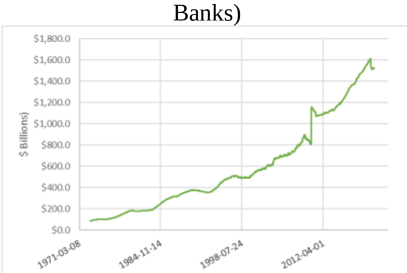


TSA checkpoint traveler throughput rose last week from 5,375,264 passengers to 5,518,937 or 35.03 percent compared to 15,754,887 passengers a year ago.

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:

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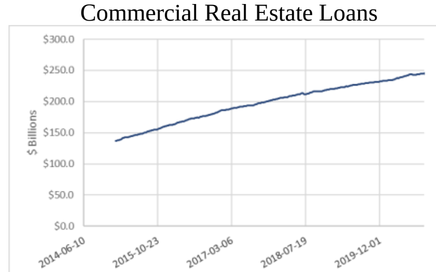
Commercial Real Estate Loans



Commercial real estate loans rose - from $241.88 billion to $242.73 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:

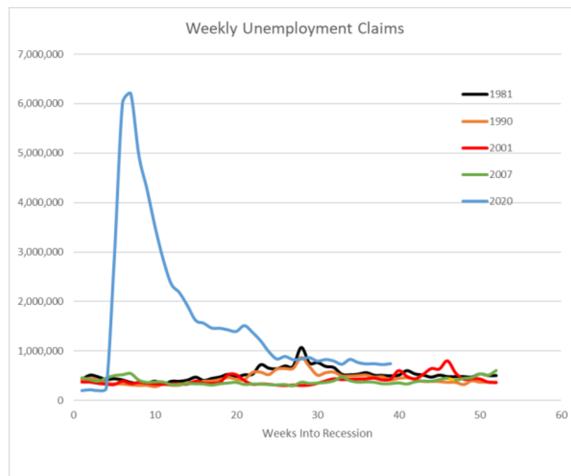
1. The New York Fed's Empire State Manufacturing Index dramatically missed economist expectations, with business activity in New York State expanding only slightly, and with the headline general business conditions index falling four points to 6.3, pointing to a slower pace of growth than in October. Even so, firm owners remained hopeful that conditions would improve over the next six months.

2. Advance estimates of retail and food services sales for October 2020, were $553.3 billion, an increase of 0.3 percent from the previous month, and 5.7 percent above October 2019. Total retail sales for the quarter were up by 5.1 percent from the same period a year ago.

3. Petroleum inventories have been elevated ever since the COVID-19 crisis began. Over the last two months they have stabilized at around 1.13 billion barrels, which is about 5 percent above pre crisis levels.

4. Over the past few weeks the yield curve has again inverted at the low end. The 3-month yield has fallen slightly below the one- and two-month, at 0.7, 0.9 and 0.9 percent respectively.

Once again, initial claims for unemployment were above 700,000 last week, coming in at 742,000. I know that we have been pummeling a deceased equine for some time about unemployment claims, but these numbers are simply unfathomable. Never before the government imposed COVID shutdowns were sustained weekly unemployment claims about 700,000 and never since the shutdowns have they been less. Each week, nearly three-quarters of a million people are still losing their jobs. The graph to the right shows how new claims have behaved following the last 5 recessions.



In spite of some good economic news, there is no way that this economy can recover if it continues to shed 700,000 workers every week.

On a separate front, the Federal Reserve reported that industrial production rose 1.1 percent in October. The index has recovered much of its 16.5 percent decline from February to April, but output in October was still 5.6 percent lower than its pre-pandemic February level. At the same time, the rate of capacity utilization for the industrial sector increased 0.8 percentage point in October to 72.8 percent, a rate that is 7.0 percentage points below its long-run (1972–2019) average but 8.6 percentage points above its low in April.

The recovery of the manufacturing sector stands in contrast to continued weakness in the services sector, which is why unemployment continues to stay high. With manufacturing accounting for just about 10 percent of total employment, and again, until the service sector is allowed to recover, one can expect to see high levels of unemployment claims.

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.