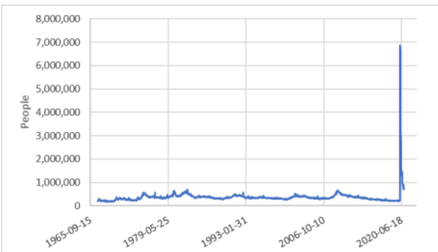
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

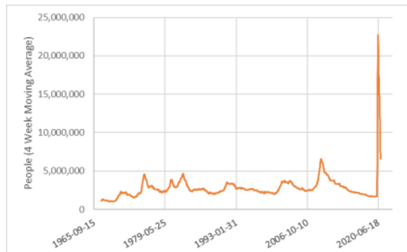
The Weekly Data: November 29, 2020

Weekly Jobless Claims



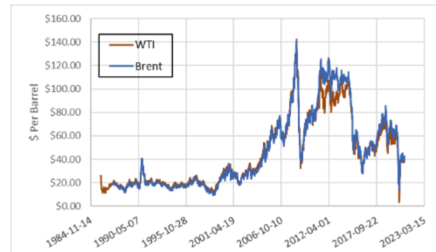
New claims for unemployment insurance rose from 742,000 to 778,000 last week.

Continuing Claims for Unemployment



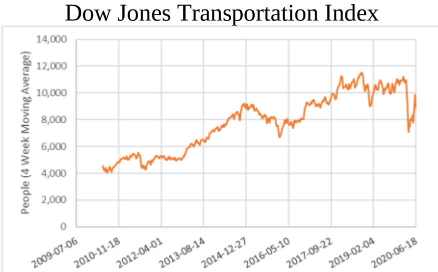
The four-week moving average of unemployment claims declined last week from 7,054,500 to 6,615,250.

WTI Spot Oil Price



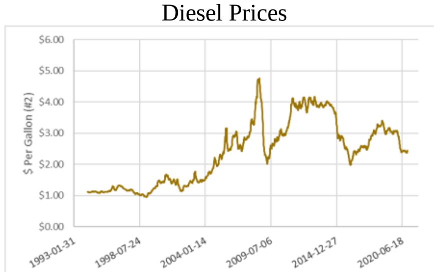
WTI spot crude is up from $40.66 per barrel to $41.52, while Brent also increased from $42.71 to $45.00 per barrel.

Dow Jones Transportation Index



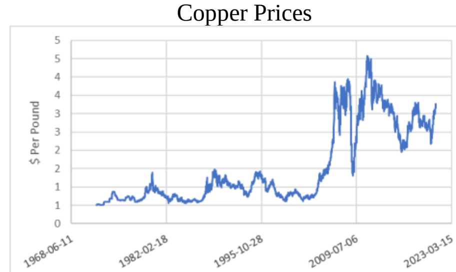
The Dow Jones Transportation Index rose from 12,352.03 to 12,580.59.

Diesel Prices



Diesel prices rose from $2.44 per gallon to $2.46 per gallon.

Copper Prices

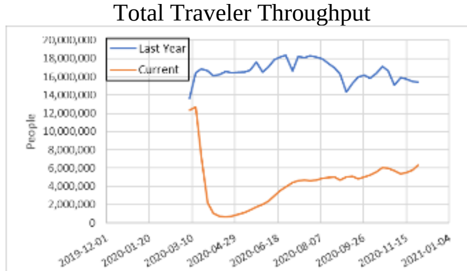


Spot copper prices increased last week from $3.28/lb to $3.37/lb.

Financial Stress Index

The weekly St. Louis Fed financial stress index rose last week from -0.8328 to -0.4733 indicating less stability.

Total Traveler Throughput

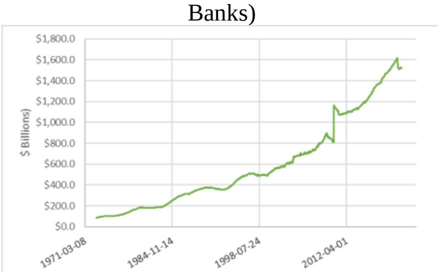


TSA checkpoint traveler throughput rose last week from 5,800,614 passengers to 6,314,015 or 41.03 percent compared to 15,388,740 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds fell from 0.93 to 0.87.

Consumer Credit Outstanding (Commercial Banks)



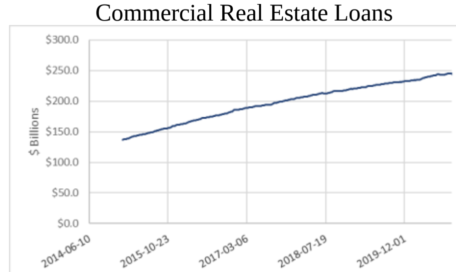
Consumers debt decreased as loans outstanding fell from $1,523.98 billion to $1,521.76 billion.

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 $241.87 billion to $242.21 billion.

The Weekly Commentary

[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 day prior to Thanksgiving is generally when a trove of data are released. This year was no exception. Overall, the data show a very mixed economy, not quite growing out of the recession, though not quite shrinking yet.

2. October orders for durable goods came in fairly strong with a month-over-month increase of 1.3 percent. While not as strong as the prior month, durable goods orders beat economists' expectations.

3. The housing market also continues to be strong, with the annualized number of new homes sold coming in at just under 1 million. In addition, the Case-Schuler price index increased by 6.6 percent in September year-over-year.

4. On the other side of the coin, layoffs are still rampant, with weekly unemployment claims jumping from 748,000 to 778,000 the second weekly increase in a row.

5. Consumer confidence also fell, with the University of Michigan index of consumer expectations falling from 79.2 to 70.5 in November and the Conference Board's Index of consumer confidence falling back under 100 from 101.4 in October to 96.1 in November.

In spite of mixed economic numbers, the White House was out blowing its horn over the Dow Jones Industrial Average of stocks (DJIA) breaking 30,000 for the first time in history last Tuesday. While a rising stock market is not necessarily a bad thing, this indicator really does not say much about the economy as a whole.

First, what is the DJIA? The index is the second oldest US market index, first calculated in May of 1896. It measures the market value of 30 large companies and is simply the sum of the stock prices divided by an adjustment factor. The companies are not even industrial companies with members that include, for example, 5 financial services firms and 3 retailers. More importantly, the DJIA is price-weighted, meaning that stocks like Apple (the highest prices stock in the index) have more weight than lower-priced ones like Dow or Pfizer.

Also, the DJIA can only increase over time. This is because it is constantly updated with new companies. As a company begins to fail (and therefore have a falling stock price), it is removed from the index and it is replaced with a more successful firm. The components of the index have changed 55 times since 1896. General Electric had the longest continuous presence on the index, beginning in the original index and ending in 2018 as the company began to fail.

In fact, the stock market is a poor indicator of economic growth. One study by Dimson, Marsh and Staunton, found mixed results and little evidence linking equity returns to GDP growth. There is a modest negative correlation between real (inflation-adjusted) equity returns and per capita GDP growth, and a modest positive correlation between real equity returns and total GDP growth. This is particularly true for the DJIA, which has grown about 12 times as fast as GDP since the end of 2010.

So, while it is great that the President is reporting on a rising stock market, don't let this fool you in to believing that the economy is going great guns at the moment as well.

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.
