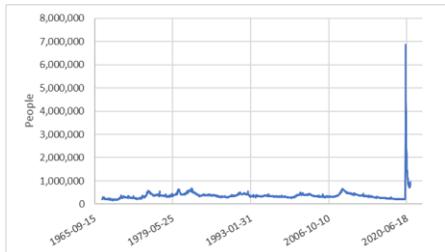
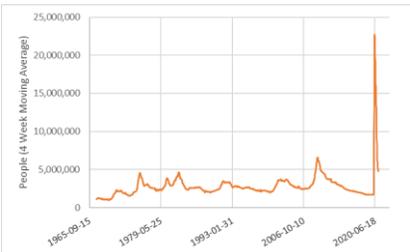
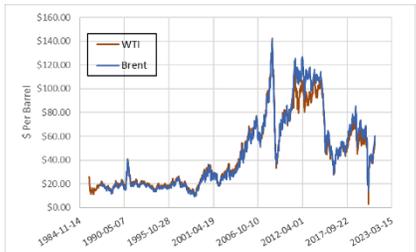
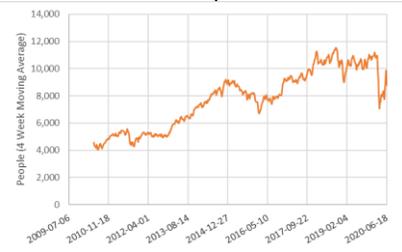
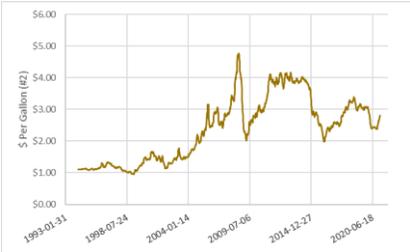
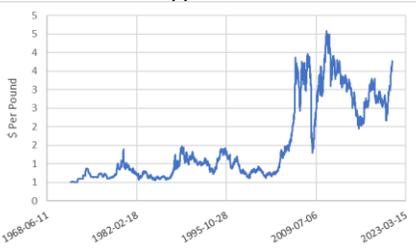
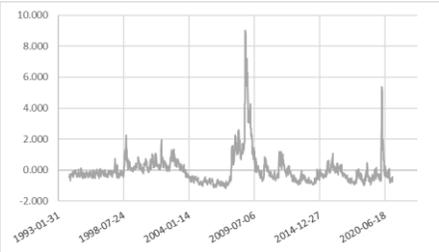
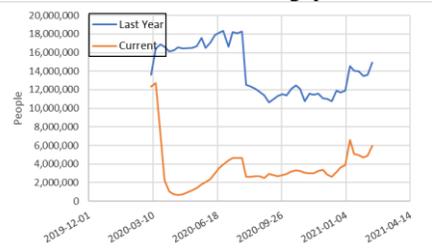
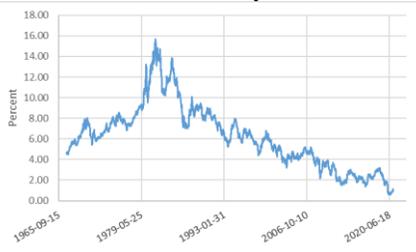


The Weekly Breadline

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: February 14, 2021

<p style="text-align: center;">Weekly Jobless Claims</p>  <p>New claims for unemployment insurance rose from 779,000 to 793,000 last week.</p>	<p style="text-align: center;">Continuing Claims for Unemployment</p>  <p>The four-week moving average of unemployment claims declined last week from 4,881,750 to 4,748,750.</p>	<p style="text-align: center;">WTI Spot Oil Price</p>  <p>WTI spot crude is up from \$52.52 per barrel to \$55.39, while Brent increased from \$56.42 to \$60.17 per barrel.</p>
<p style="text-align: center;">Dow Jones Transportation Index</p>  <p>The Dow Jones Transportation Index rose from 12,559.36 to 12,983.63.</p>	<p style="text-align: center;">Diesel Prices</p>  <p>Diesel prices rose last week from \$2.74 to \$2.80 per gallon.</p>	<p style="text-align: center;">Copper Prices</p>  <p>Spot copper prices increased last week from \$3.62/lb to \$3.77/lb.</p>
<p style="text-align: center;">Financial Stress Index</p>  <p>The weekly St. Louis Fed financial stress index dropped last week from -0.4489 to -0.7656 indicating more stability.</p>	<p style="text-align: center;">Total Traveler Throughput</p>  <p>TSA checkpoint traveler throughput increased last week from 4,864,159 passengers to 5,963,932 or 39.93 percent compared to 14,935,213 passengers a year ago.</p>	<p style="text-align: center;">10-Year Treasury Yield</p>  <p>Interest rates on 10-year Treasury Bonds increased from 1.06 to 1.14.</p>
<p style="text-align: center;">Consumer Credit Outstanding (Commercial Banks)</p>  <p>Consumers debt decreased as loans outstanding fell from \$1,512.59 billion to \$1,510.49 billion.</p>	<p style="text-align: center;">Natural Gas Prices</p>  <p>Natural gas prices remained flat at \$2.71 per million BTUs.</p>	<p style="text-align: center;">Commercial Real Estate Loans</p>  <p>Commercial real estate loans decreased - from \$247.71 billion to \$247.11 billion.</p>

¹ Note that the current situation is extremely unpredictable, and important business decisions should not be made based on any individual indicators.

The Weekly Commentary

Key takeaways for the week:

1. Initial claims for unemployment under state programs were 813,145 in the week ending February 6, a decrease of 36,534 from the previous week. However, total unemployment claims (data for which are lagged) rose dramatically in the week of January 23, to 20,435,018 from just 17,838,479 the prior week. This suggests that employment growth continues to be very sluggish. Federal Reserve Chairman Powell admitted that the real unemployment rate in the country was above 10 percent.
2. The S&P 500 rose by 1.1 percent on the week in spite of continued poor economic statistics, as retail investors continue to pour into the market. (see below)
3. The CPI increased 0.3 percent in January, with inflation over the past 12 months coming in at 1.4 percent. Most of the monthly increase in prices was due to higher energy costs. Currently, inflation numbers measure post-COVID against pre-COVID. This will end in March and headline year over year inflation should begin to jump.
4. The Census Bureau reported that December 2020 sales of merchant wholesalers, were \$503.8 billion, up 1.2 percent from the revised November level and up 1.7 percent over the prior year. The December inventories/sales ratio was 1.29, down from 1.34 the prior year.

Just prior to the 1929 crash, Joseph Kennedy, who was a businessman worth about \$3.4 billion in today's dollars, exited the stock market after a shoeshine boy gave him stock tips. He figured that when the shoeshine boys have tips, the market is too popular for its own good. Another wealthy industrialist, Bernard Baruch, was quoted as saying, *Taxi drivers told you what to buy. The shoeshine boy could give you a summary of the day's financial news as he worked with rag and polish. An old beggar who regularly patrolled the street in front of my office now gave me tips and, I suppose, spent the money I and others gave him in the market.*"

There has been a lot of news lately about hedge funds that were shorting GameStop being overwhelmed by a flash mob of retail investors who poured cash into that stock as well as some other heavily shorted shares like AMC theaters. These bets pushed valuations to the moon with GameStop jumping from about \$20 a share to a high of nearly \$500 before falling back to close last week at \$52.40. AMC jumped from about two bucks a share to over \$20 before plummeting back to \$5.60. In the end, not only did the hedge funds lose badly, but so too did most of the retail investors.

These are just two examples of retail investors moving into the stock market like pensioners flocking to slot machines. Everyone thinks they are going to be the next J. Bigs Moneymaker. A financial advisor I know once told me, *everyone can make money in a bull market – it's not that hard. Not losing money in a bear market, now that's the hard part.*

One thing is for certain and has always been true throughout the entire history of the stock market, retail investors, the shoeshine boys, always pile into the market at the top. Every indicator suggests that stocks are trading at well above their averages. There are reasons for this. The PPP and stimulus checks have given people money to pay down debt and to gamble with. Since they can't fly to Vegas, the stock market – and free and nearly free on-line trading platforms -- have made it cheap and easy to gamble.

While one should never take investment advice from an economist, this one seems way to clear. There is no way that the stock market bubble cannot end badly. It might be time to take the advice of Joe Kennedy and Bernard Baruch to heart.

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.

The Weekly Breadline is provided as a service to our clients by **John Dunham & Associates**. It is not intended as investment advice. If you would like more information, or if you would like us to track additional indicators, please feel free to contact us at JRD@GuerrillaEconomics.com, or by phone at 212-239-2105.