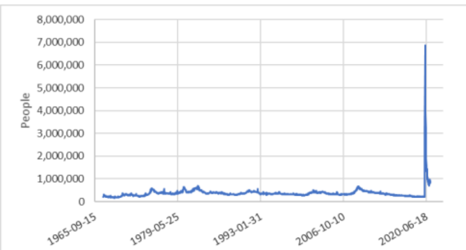
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

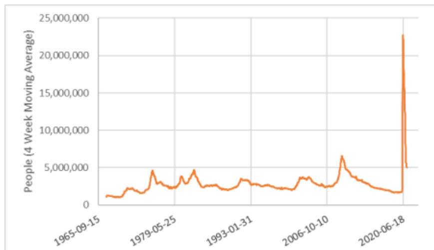
The Weekly Data: February 7, 2021

Weekly Jobless Claims



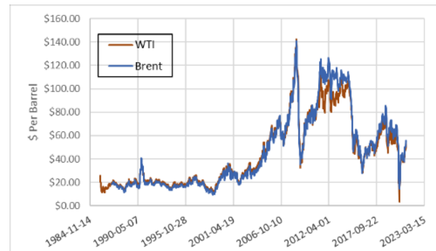
New claims for unemployment insurance dropped from 847,000 to 779,000 last week.

Continuing Claims for Unemployment



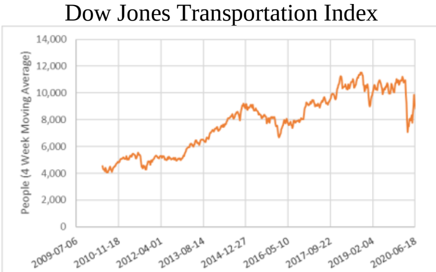
The four-week moving average of unemployment claims declined last week from 4,998,000 to 4,881,750.

WTI Spot Oil Price



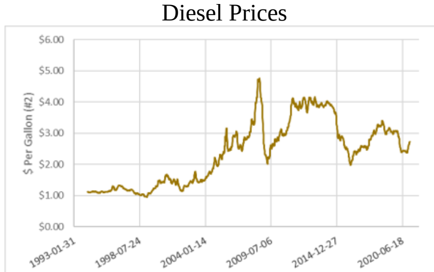
WTI spot crude is down from $52.82 per barrel to $52.52, while Brent increased from $55.44 to $56.42 per barrel.

Dow Jones Transportation Index



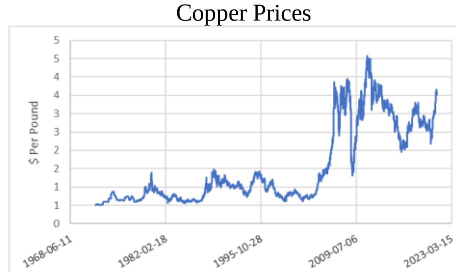
The Dow Jones Transportation Index rose from 12,452.62 to 12,559.36.

Diesel Prices



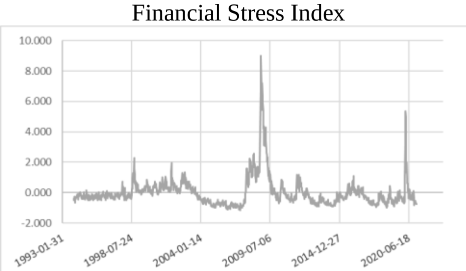
Diesel prices rose last week from $2.72 to $2.74 per gallon.

Copper Prices



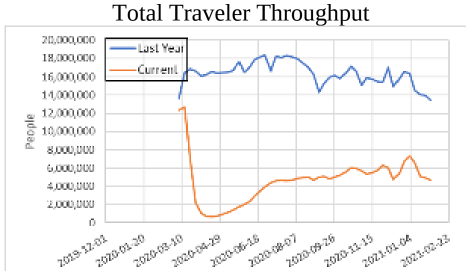
Spot copper prices increased last week from $3.54/lb to $3.62/lb.

Financial Stress Index



The weekly St. Louis Fed financial stress index increased last week from -0.7417 to -0.4489 indicating less stability.

Total Traveler Throughput

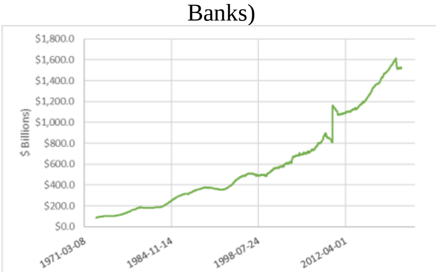


TSA checkpoint traveler throughput increased last week from 4,674,466 passengers to 4,864,159 or 35.71 percent compared to 13,622,832 passengers a year ago.

10-Year Treasury Yield

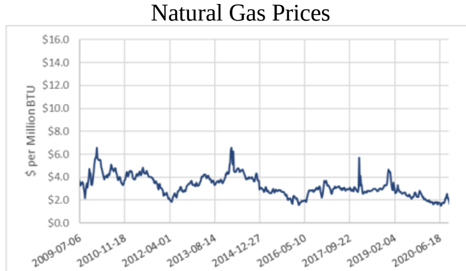
Interest rates on 10-year Treasury Bonds decreased from 1.11 to 1.06.

Consumer Credit Outstanding (Commercial Banks)



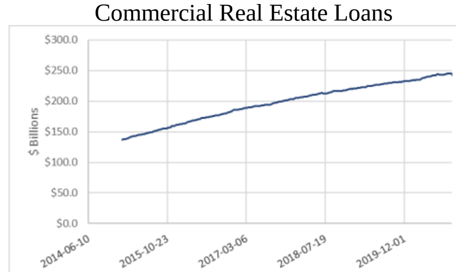
Consumers debt decreased as loans outstanding fell from $1,516.20 billion to $1,512.59 billion.

Natural Gas Prices



Natural gas prices rose from $2.54 to $2.71 per million BTUs.

Commercial Real Estate Loans



Commercial real estate loans decreased - from $247.88 billion to $247.71 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.

The Weekly Commentary

Key takeaways for the week:

1. At the request of one of our readers, we have added a new chart tracking Natural Gas Prices. Anything else you would like us to track? Send an email to jrd@guerrillaeconomics.com.
2. The Tampa Bay Buccaneers won Superbowl 55 up the road in Tampa on Sunday. According to the *Super Bowl Indicator*, a win by the NFC team suggests that 2021 will be a bull market for the S&P 500. Of course, the SBI is based on coincidence not causality – though it has been right 75 percent of the time.
3. The January jobs report, the Employment Situation Summary, showed yet another flat month (jobs up just 49,000) and posted an adjustment of 159,000 fewer persons employed for November and December. Miraculously (see below) the unemployment rate plummeted by 0.4 percentage points from 6.7 to 6.3 percent.
4. Interest rates for a 30-year fixed mortgage fell slightly – from 2.95 to 2.92 percent, even though rates on the 10-year note continue to rise, closing the week at 1.17 percent. The rate on the10-year note is now 125 percent higher than it was at its post-depression low.
5. According to the Labor Department, non-farm business productivity plummeted by 4.9 percent in the 4th quarter and manufacturing productivity was up by 3.0 percent, so the declines in the service sector were sizable. Productivity tends to spike as an economy comes out of recession, so these numbers are not suggestive that a recovery is afoot.

"I believe in Miracles," sang Errol Brown, lead singer for the British band Hot Chocolate in the 1975 B-side classic. Anyone who really thinks that the US unemployment rate has fallen to 6.3 percent, while about 17 or 18 million people are receiving some sort of unemployment benefits, really does believe in miracles.

The January Employment Situation Summary Report released last Friday said just that. In addition to the 5.1 million people currently receiving state unemployment insurance, an additional 12 million or so are receiving some other sort of Federal COVID related unemployment relief. The actual number of employed people has actually been falling slightly since November of 2020. How then did the unemployment rate fall by 0.4 percentage points in January?

Simple, if one can't change the numerator of a fraction (the number of people employed), change the denominator (the workforce). This is what the BLS has done. Note that I am in no way saying that the people at the agency are cooking the books. I truly believe that they do yeoman's work and I am amazed at how good US economic statistics are. But I do understand that there are shortcomings in the methodologies used.

In January, the BLS recalculated the size of the overall US population using newer data from the US Census Bureau. This effectively decreased the estimated size of the civilian noninstitutional population in December by 476,000, the civilian labor force by 200,000, employment by180,000, and the number of persons not in the labor force by 277,000. The entire reduction in the unemployment rate was therefore due to this adjustment, not actually due to people getting jobs.

There are still 6.9 percent fewer people working than were employed prior to the implementation of the government-imposed shutdown of the economy. If unemployment were really 3.5 percent prior to COVID, it should be about 10 percent now, not the 6.3 percent reported by the BLS.

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.
