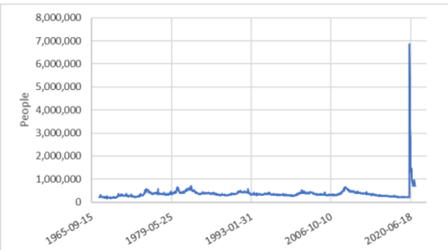
The Weekly Breadline
A weekly analysis of the most recent economic indications

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]

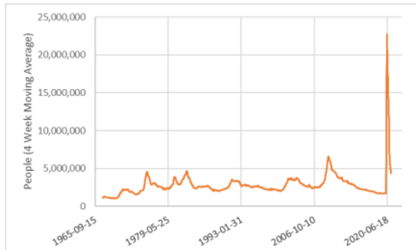
The Weekly Data: March 14, 2021

Weekly Jobless Claims



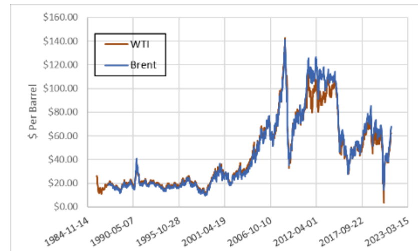
New claims for unemployment insurance fell from 745,000 to 712,000 last week.

Continuing Claims for Unemployment



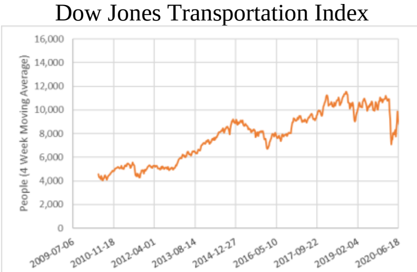
The four-week moving average of unemployment claims declined last week from 4,448,000 to 4,355,000.

WTI Spot Oil Price



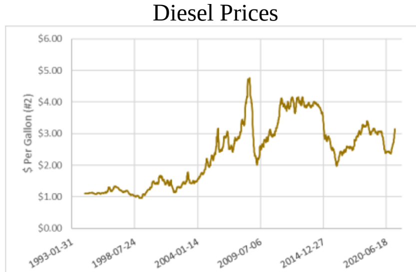
WTI spot crude is down from $62.30 per barrel to $62.29, while Brent increased from $64.50 to $68.00 per barrel.

Dow Jones Transportation Index



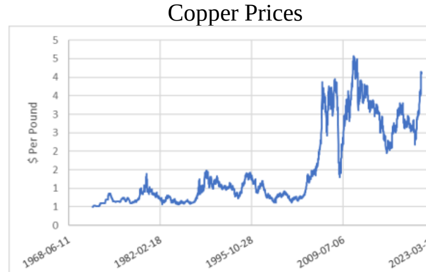
The Dow Jones Transportation Index rose from 13,517.23to 13,911.35.

Diesel Prices



Diesel prices rose last week from $3.07 to $3.14 per gallon.

Copper Prices

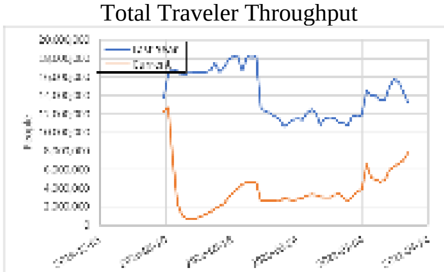


Spot copper prices increased last week from $4.11/lb to $4.13/lb.

Financial Stress Index

The weekly St. Louis Fed financial stress index rose last week from -0.5901 to -0.5661 indicating less stability.

Total Traveler Throughput



TSA checkpoint traveler throughput rose last week from 6,955,059 passengers to 7,806,974 or 59.23% percent compared to 13,180,920 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds increased from 1.42 to 1.49.

[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. Employment numbers continue to slowly improve as states begin to allow the service sectors of their economies to slowly reopen. The number of actual initial claims under state programs was 709,458 in the week ending March 6, a decrease of 6.2 percent from the prior week, but still 3.5 times the figure for the same week in 2020.

2. Meanwhile energy prices continue to surge, as world (Brent) oil prices closed last week at just under $70 per barrel, roughly 17 percent higher than they were prior to the beginning of the COVID-19 depression. West Texas Intermediate crude prices are up about 22 percent closing the week at $65.60.

3. The Producer Price Index (PPI) continues to show that inflation is surging, as would be expected with the vast amounts of borrowing and government spending. Prices for final demand goods rose 1.4 percent in February, the same as in January. Over two-thirds of the broad-based February increase was due to energy prices which were up by 6.0 percent on the month.

4. Inflation is also forcing up interest rates with the 10-year holding above 1.6 percent, ahead of the Federal Reserve meeting later this week.

Elections have consequences, and in 2020, voters granted control of the Federal government to the Democrats. The party platform called for among other things, higher energy prices, corporate tax increases, more regulation and massive government borrowing. This is not a political statement either way on our part, it is what the party campaigned on, and voters granted them not only the executive branch, but a technical majority in both chambers of the legislature.

The economic indicators are now showing that the majority party in Washington is beginning to achieve its goals. Energy prices have skyrocketed since the election, and crude oil production in the United States is down by about 15 percent. The price of diesel fuel is up by about 31 percent since the election. It takes a little time, but these prices are now being reflected in producer prices and will be showing up in the CPI in the months to come.

Overall, in February producer prices were up by 0.5 percent, following a surge of 1.3 percent in January. This is in spite of rising goods prices, as prices for services remained relatively flat. Transportation costs were up by roughly 1.1 percent on the month led by a surge in passenger transportation costs as people began to slowly come out of travel hibernation, but other service prices were flat on the month.

Over the last three months, producer prices rose by 0.3, 1.3 and 0.5 percent respectively. If they continue to increase at an average of this level, prices for the year will be up by 8.7 percent. Producer prices have not increased this rapidly since late 2007 – just prior to the *Great Recession*, and when mortgage rates averaged about 6 percent.

The Federal Reserve will try to talk down inflation this week and will likely begin another round of asset purchases in an attempt to force down market rates. Investment advisors often say that one should not bet against the Fed, but betting against markets can be just as risky. One thing is for certain though, prices are rising at the fastest rate since at least 10 years ago, and this will be one of the big economic stories of 2021.

<u>Notes:</u>
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.