

Unemployment Claims Rise as Job Market Remains Sick

Jobless Claims Again Top 1 Million

Initial claims for unemployment benefits had been trending lower and last Thursday's weekly report showed claims falling below one million for the first time since the pandemic began. Progress stumbled in the latest week, however, as claims climbed back above the one million mark. For the week ended August 15, the Department of Labor reported jobless claims rose to a seasonally adjusted 1,106,000, an increase of 135,000 from the prior week, which was revised up by 8,000. The increase in claims seems to fit the narrative that the economic recovery is stalling, but the picture is complicated by seasonal adjustments and just as likely reflects the reality that improvement in the labor market will come in fits and starts. Stripping out the seasonal adjustments the unadjusted claims figure totaled a lesser 891,510, though that was still a substantial 6.3% increase of nearly 53,000 from the prior week. Whether this week's number is 900k or 1 million is kind of beside the point. Prior to the pandemic, claims were averaging just 215k per week. Now, the four-week moving average is a bit shy of 1.2 million as we move into the sixth month of an employment catastrophe.

Continuing claims under state programs, which are reported with a one week lag, declined by 636,000 to 14,844,000 for the week ended August 8, extending their downward trend for an 11th straight week. Adding in federal programs, principally the Pandemic Unemployment Assistance that captures many people not covered by state programs, the total number of people claiming benefits under all programs in the week ended August 1 stood just above 28 million. In the same week one year ago, that figure was less than 2 million. It is this massive pool of unemployed workers that has economists worried about the recovery. Congress has thus far been unable to extend the \$600 weekly supplemental benefit, which expired July 31, and President Trump's initiative to provide a \$400 supplement has apparently been trimmed to \$300 as states seem unable to come up with their share. All of this serves to cloud the outlook for consumer spending into the fall months.

Mortgage Delinquencies Surge

It has been a light week for economic data, but one story that may have slipped under the radar bears watching in the months ahead. The Mortgage Bankers Association reported the delinquency rate on mortgage loans for 1 to 4 unit residential properties rose to 8.2% in the second quarter, almost a four point jump from 4.4% in the first quarter and 3.7% in the fourth quarter of last year. The Federal Housing Administration (FHA) which provides mortgages to many first-time buyers, minorities, and low-income Americans, reported a delinquency rate of almost 16%, the highest level ever in records dating back to 1979. With so many out of work, it's not a surprise delinquencies are surging. Forbearance programs and temporary bans on foreclosures and evictions may have bought struggling borrowers some time, but eventually these bills will have to be paid.

Bond yields have fallen in reaction to this morning's data with the two-year Treasury yield slipping to a two-week low and the 10-year moving back to levels that prevailed prior to last week's supply induced sell-off.

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Market Indications as of 10:38 A.M. Central Time

DOW	Down 12 to 27,681 (HIGH 29,551)
NASDAQ	Up 69 to 11,216 (NEW HIGH)
S&P 500	Down 2 to 3,373 (HIGH 3,390)
1-Yr T-bill	current yield 0.117%; opening yield 0.122%
2-Yr T-note	current yield 0.135%; opening yield 0.139%
5-Yr T-note	current yield 0.26%; opening yield 0.28%
10-Yr T-note	current yield 0.64%; opening yield 0.68%
30-Yr T-bond	current yield 1.38%; opening yield 1.42%

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