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Rising Claims Suggest Moderation of Job Gains

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It's been another relatively light week for economic data. It's not that there are fewer releases, but rather most of them have little meaning these days in the midst of the virus cloud, a contentious fall election, social unrest, massive wildfires and the inability of Congress to provide additional relief funds. This morning, both initial jobless claims and continuing claims unexpectedly rose from the previous week. Weekly first-time filings for unemployment benefits climbed from 881k to 884k for the week ending September 5, while continuing claims for state benefits rose from 13.3 million to 13.8 million for the week ending August 29. Although the process of calculating the claims data was recently changed, the number of first-time filings are still four-to-five times the pre-pandemic level, and the fact that the number of filings is no longer decreasing indicates employers have grown cautious.

The total number of Americans receiving either state or federal unemployment benefits climbed by +380k to 29.6 million. Most of these folks were provided an supplemental federal benefit of $600 per week through July 31. When that program expired, the president signed an executive order to provide $300 per week, but this three-week stop-gap has subsequently expired as well. Third quarter (annualized) GDP growth will be historic, likely up between +15% and +30%, but the robust summer spending that fueled this rebound was made possible by the now-expired federal supplements.

Congress and the administration are well aware that the magnitude of future recovery will be a reflection of government assistance. It appears as though Senate Republicans will vote on a scaled-down package in the neighborhood of $500 to $700 billion as soon as today. This "skinny bill" would restore supplemental unemployment benefits and provide aid to small businesses, but leave out another round of stimulus checks and much-needed aid for state and local governments. Democrats favor a much larger deal with a focus on keeping state and local governments afloat.

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Also this morning, both the headline Producer Price Index (PPI) for August and core PPI (ex food and energy) rose by a larger-than-expected +0.3%. On a year-on-year basis, headline PPI was still declining at a -0.2% pace while core PPI increased from +0.2% to +0.3%. Producer prices aren't terribly important, but there are several points worth mentioning: The slight increase in August was driven almost entirely by the price of services; goods prices are still depressed, and overall producer prices are still negative year-over-year. Inflation may become a problem at some point in the future, but most indicators (including PPI) hint that it will be awhile. And as long as price pressures are tame, the Fed will hold short rates at zero.

Yesterday, mortgage loan applications rose +2.9% in the week ending September 4 after falling -2.0% the previous week. Both refi (+3.0%) and new purchase applications (+2.6%) climbed. This morning, Freddie Mac announced that average mortgage loan rates hit new lows with the 30-year fixed at 2.86% and the 15-year at 2.37%, down from 3.72% and 3.15% when the year began.

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Please see disclosure on page 2.

Market Indications as of 11:15 A.M. Central Time

DOW	Down 100 to 27,840 (HIGH: 29,551)
NASDAQ	Down 5 to 11,136 (HIGH: 12,056)
S&P 500	Down 61 to 3,394 (HIGH: 3,581)
1-Yr T-bill	current yield 0.13%; opening yield 0.13%
2-Yr T-note	current yield 0.15%; opening yield 0.15%
5-Yr T-note	current yield 0.28%; opening yield 0.28%
10-Yr T-note	current yield 0.71%; opening yield 0.70%
30-Yr T-bond	current yield 1.47%; opening yield 1.46%

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