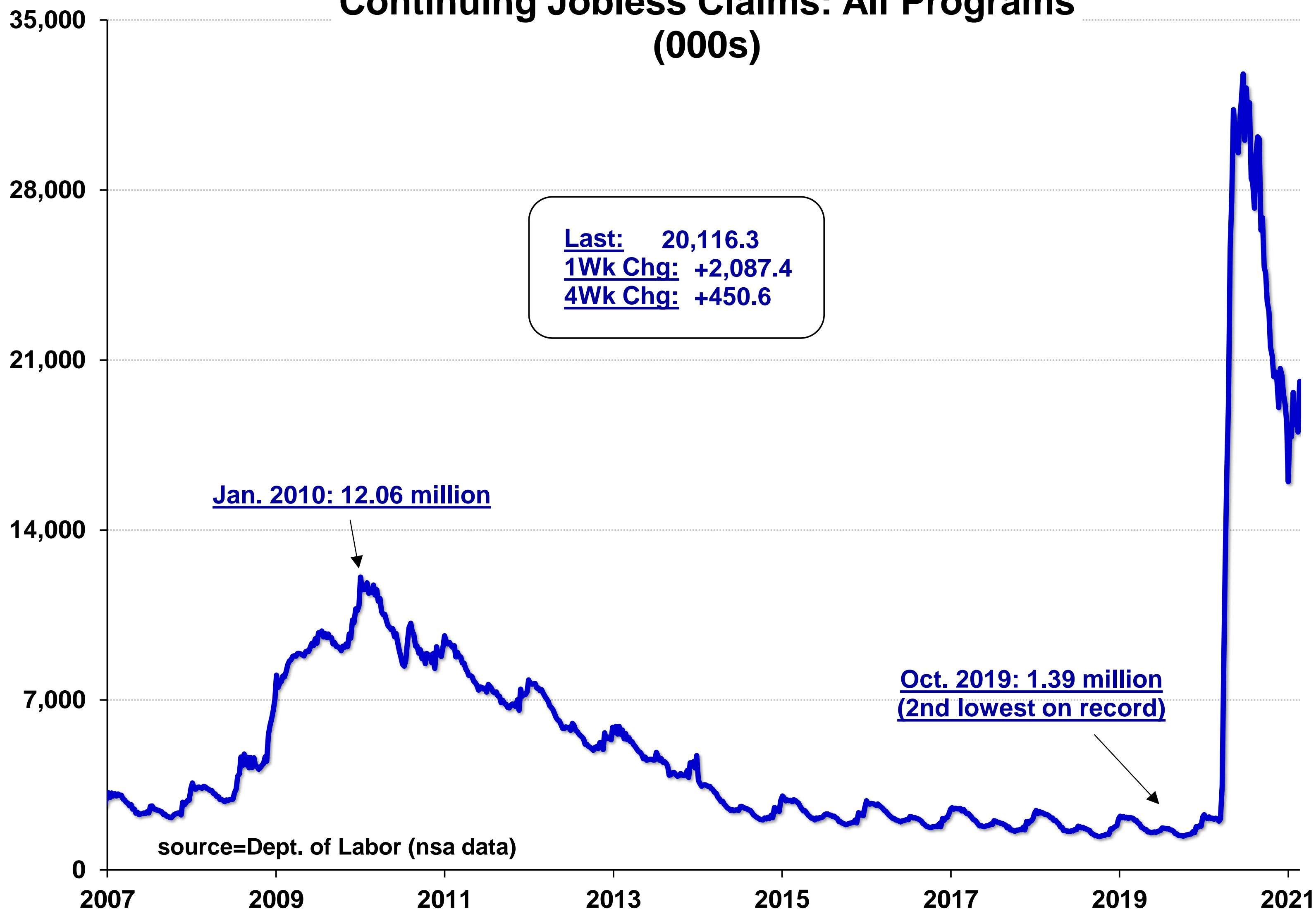
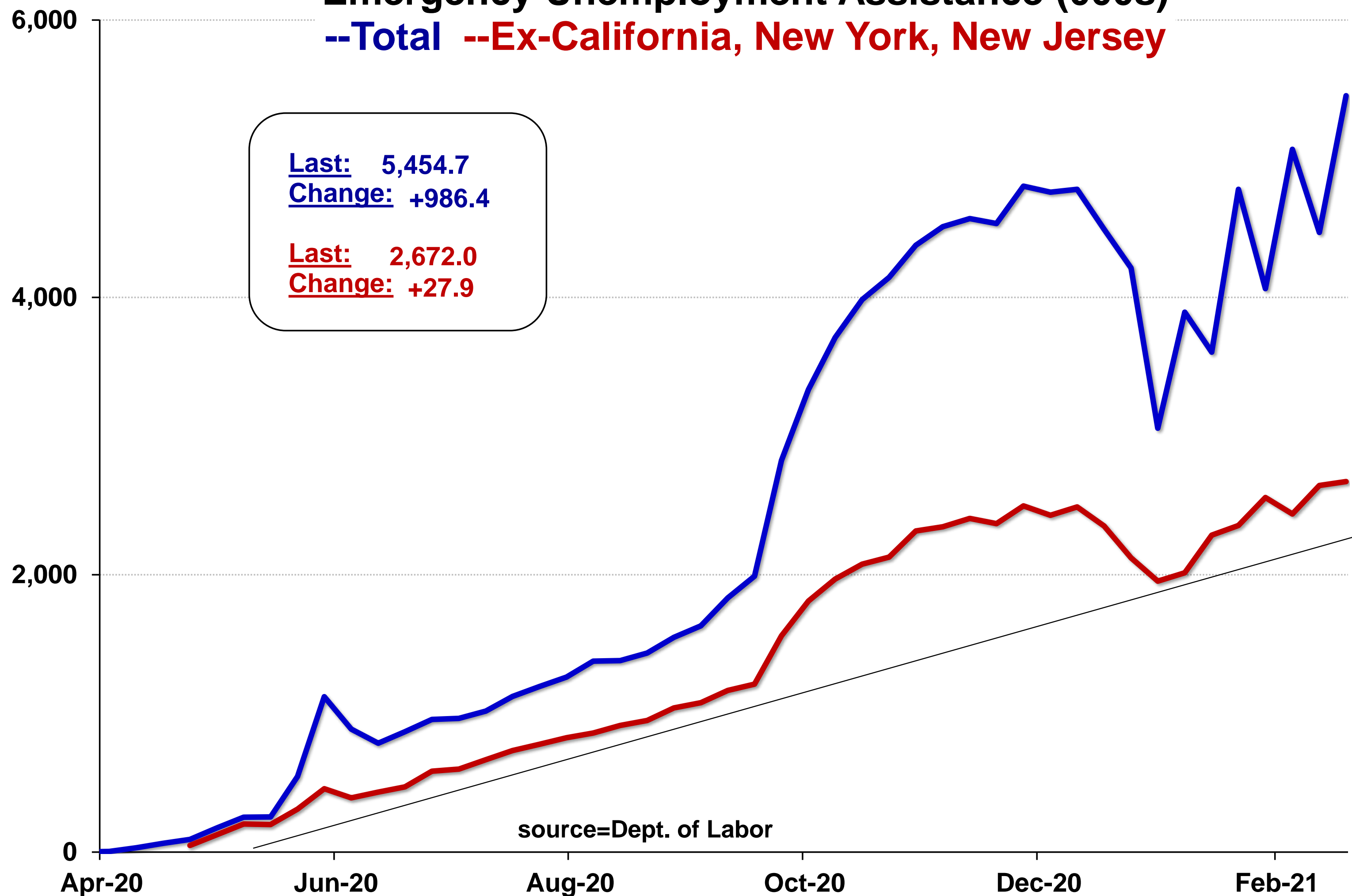
Jobless Claims drop to 712k for week ending March 6th, 2nd lowest level in the last year; Continuing Claims continue to drift lower.

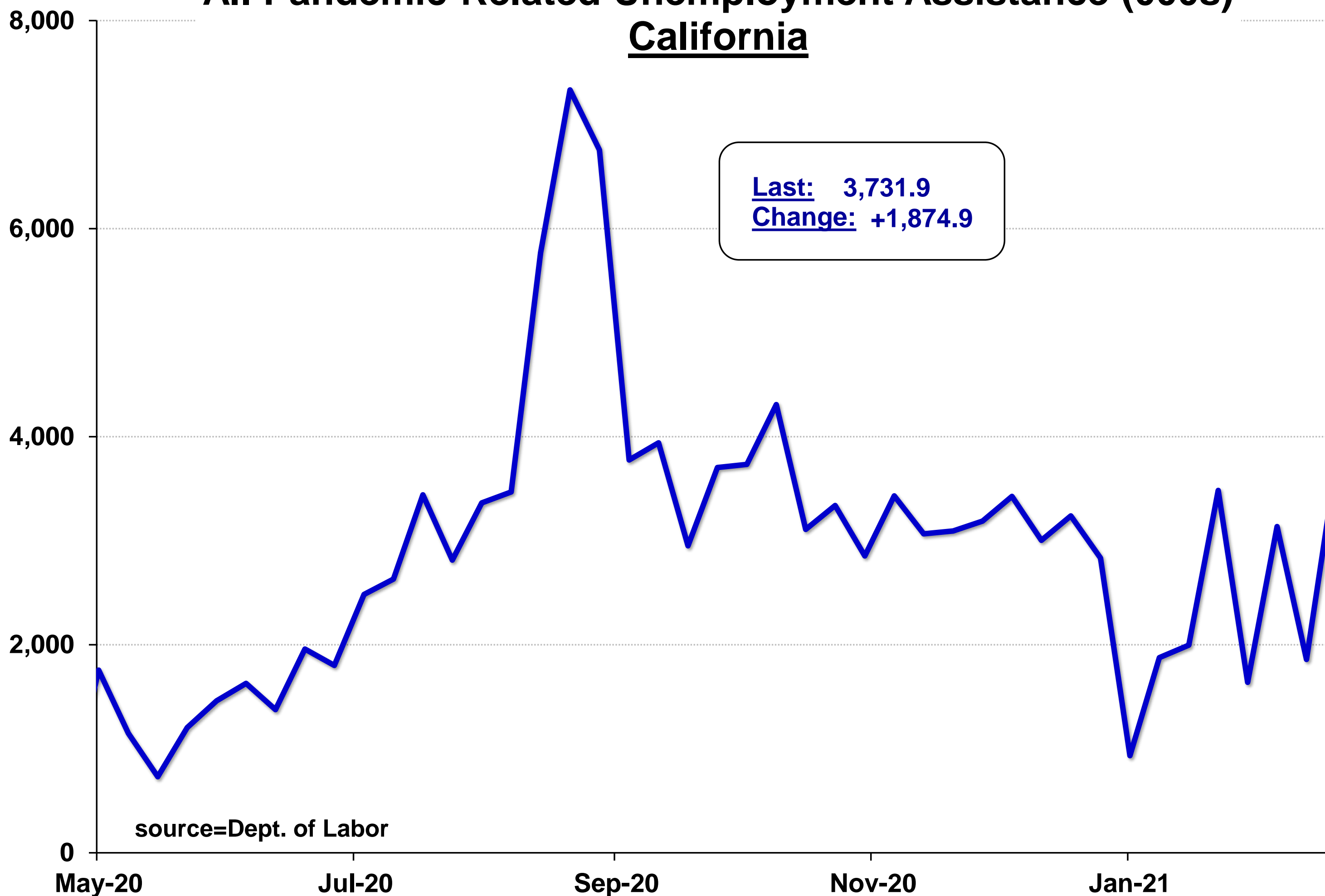
**Bad news**: Total Continuing Claims (all programs) **spike 2.09 million w-w to 20.12 million…highest since first week of December** (14x higher than Oct. 2019 low reading; note: this data is 1-week behind headline Initial Jobless Claim data)



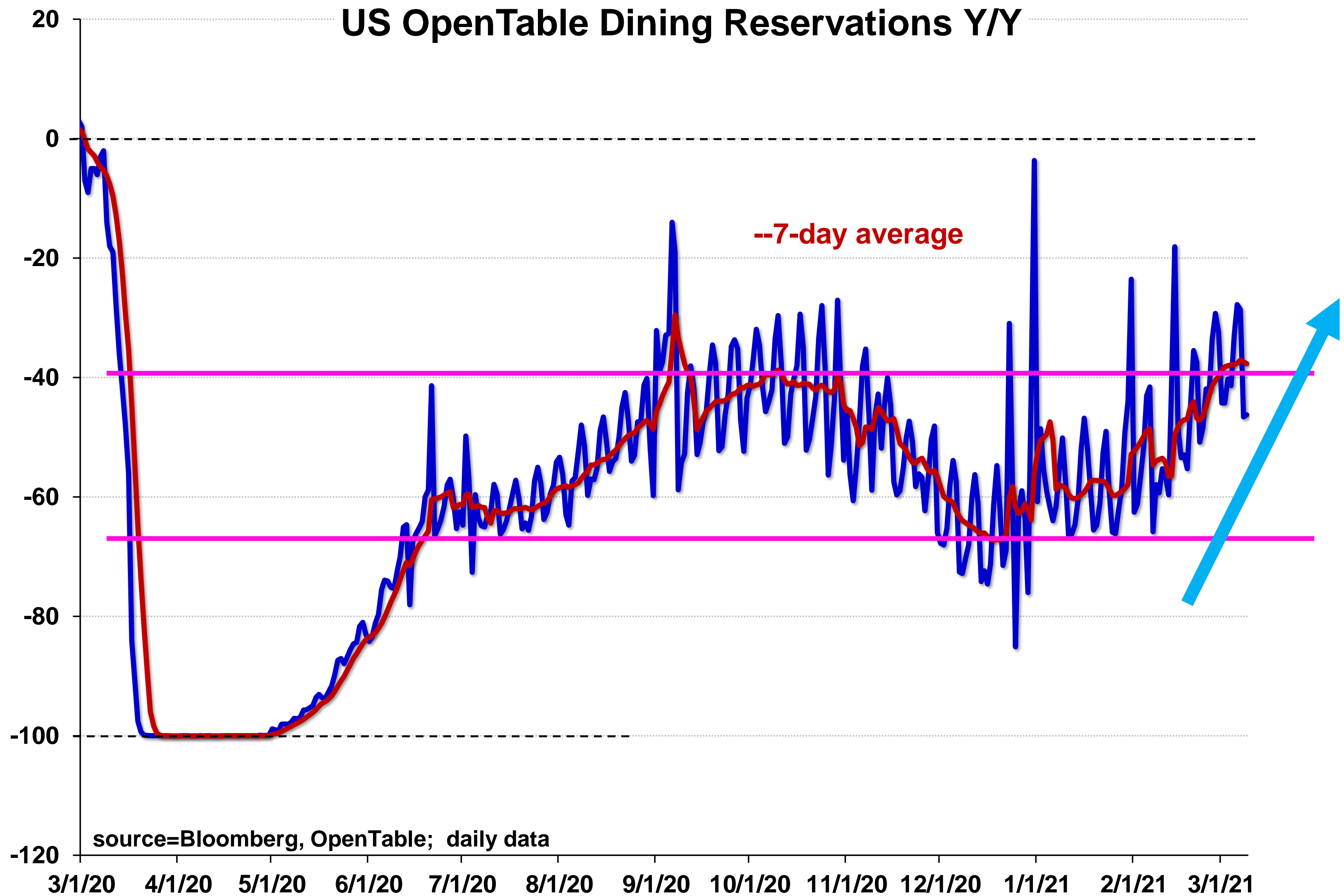
Emergency Continuing Claims rise 986k to record 5.45 million, with California accounting for 980k of the rise. Should we see states with largest number of claimants (CA, NY, NJ, IL, PA) lift restrictions in full, we will surely see economic data improve.



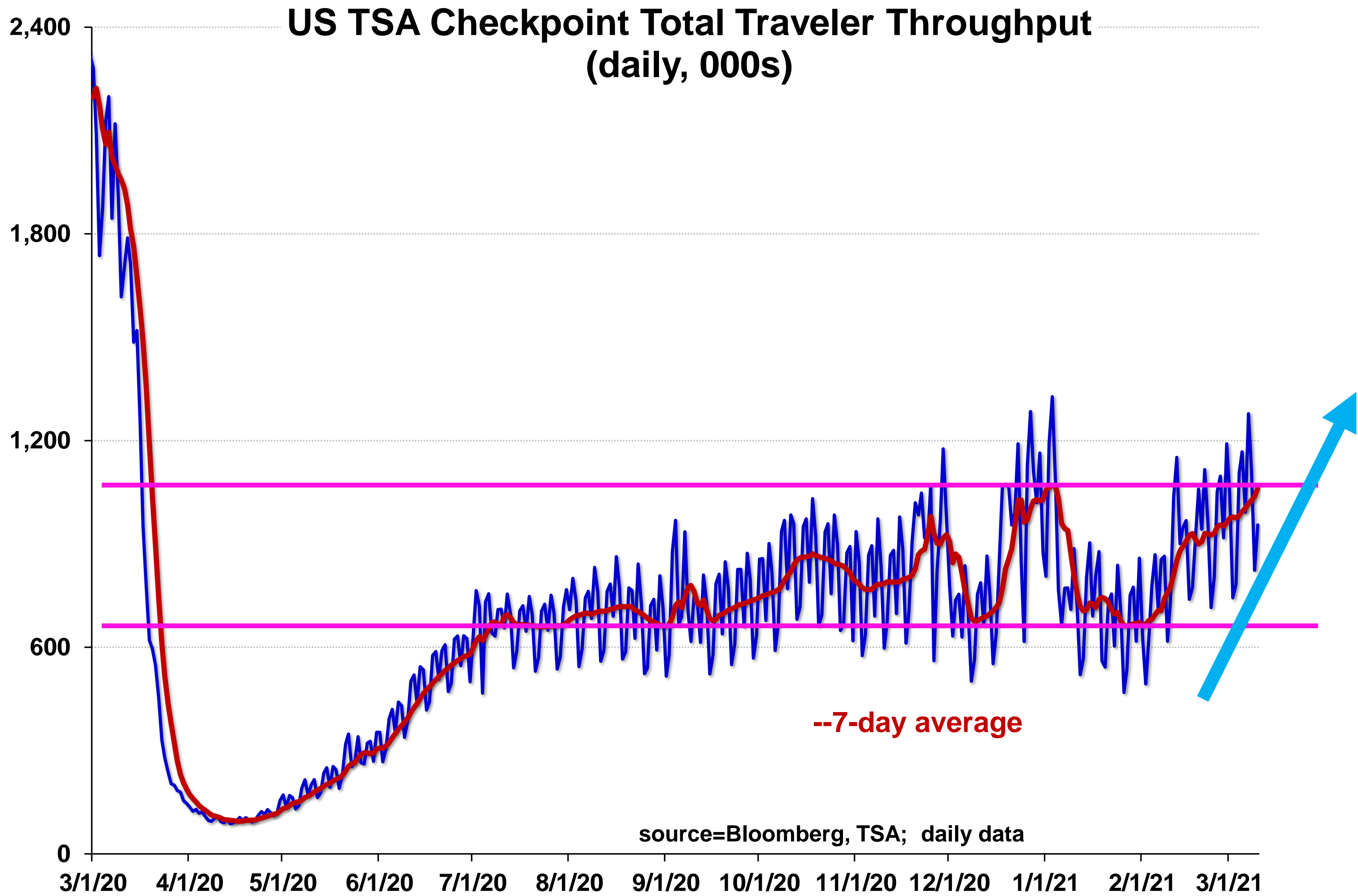
Case in point: California is moving in the wrong direction as the state's Continuing Claims (pandemic-related) more than doubled w-w to 3.73 million (highest since October 9th), accounting for the bulk of the 2.09 million rise in total Continuing Claims (all programs). California of course contributes the most of any state to national GDP…yet, at present, the state shows no real signs of a positive turnaround.



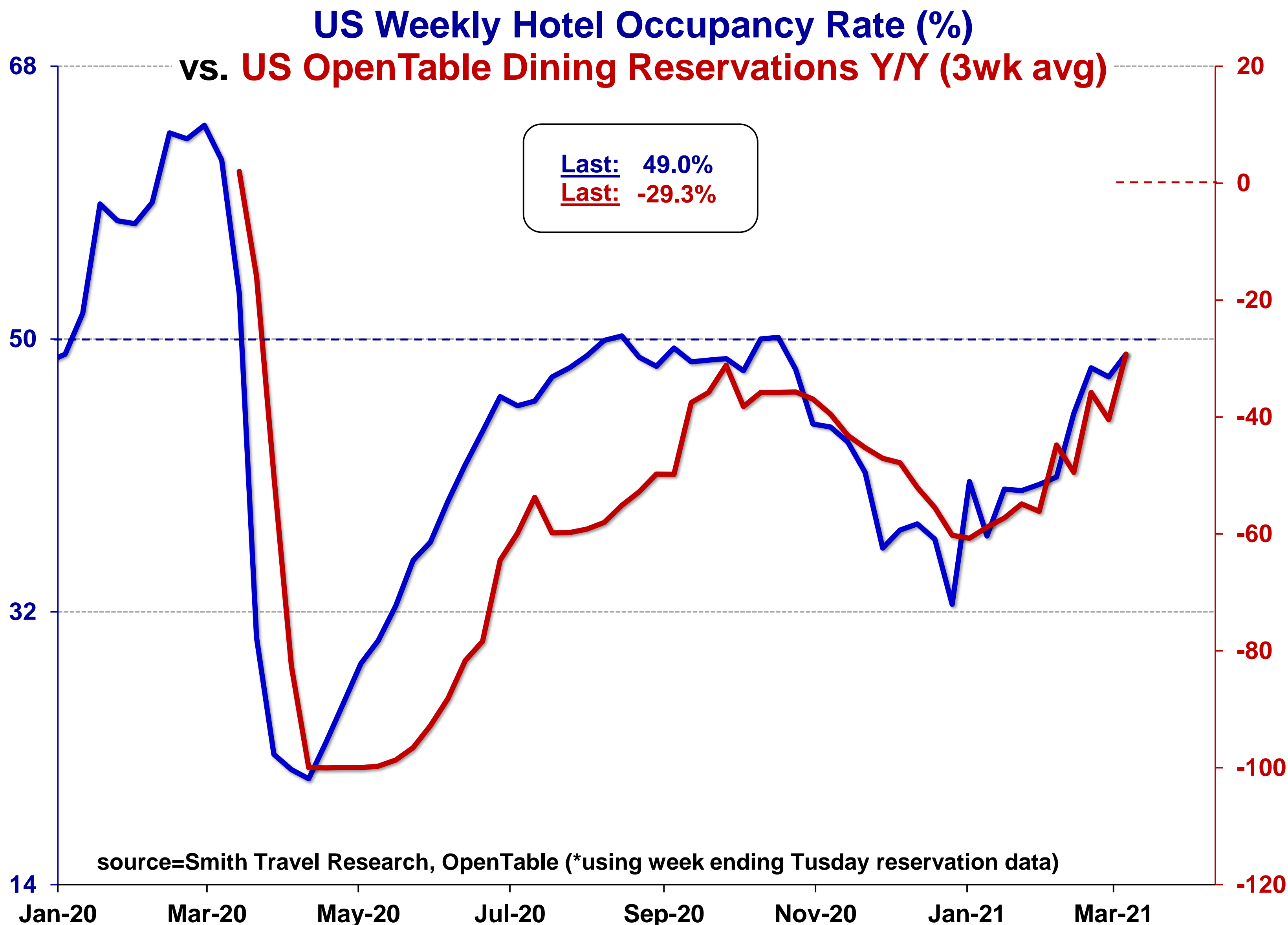
**Good news**: Dining activity breaks slightly above upper-end of range with upside momentum expected.



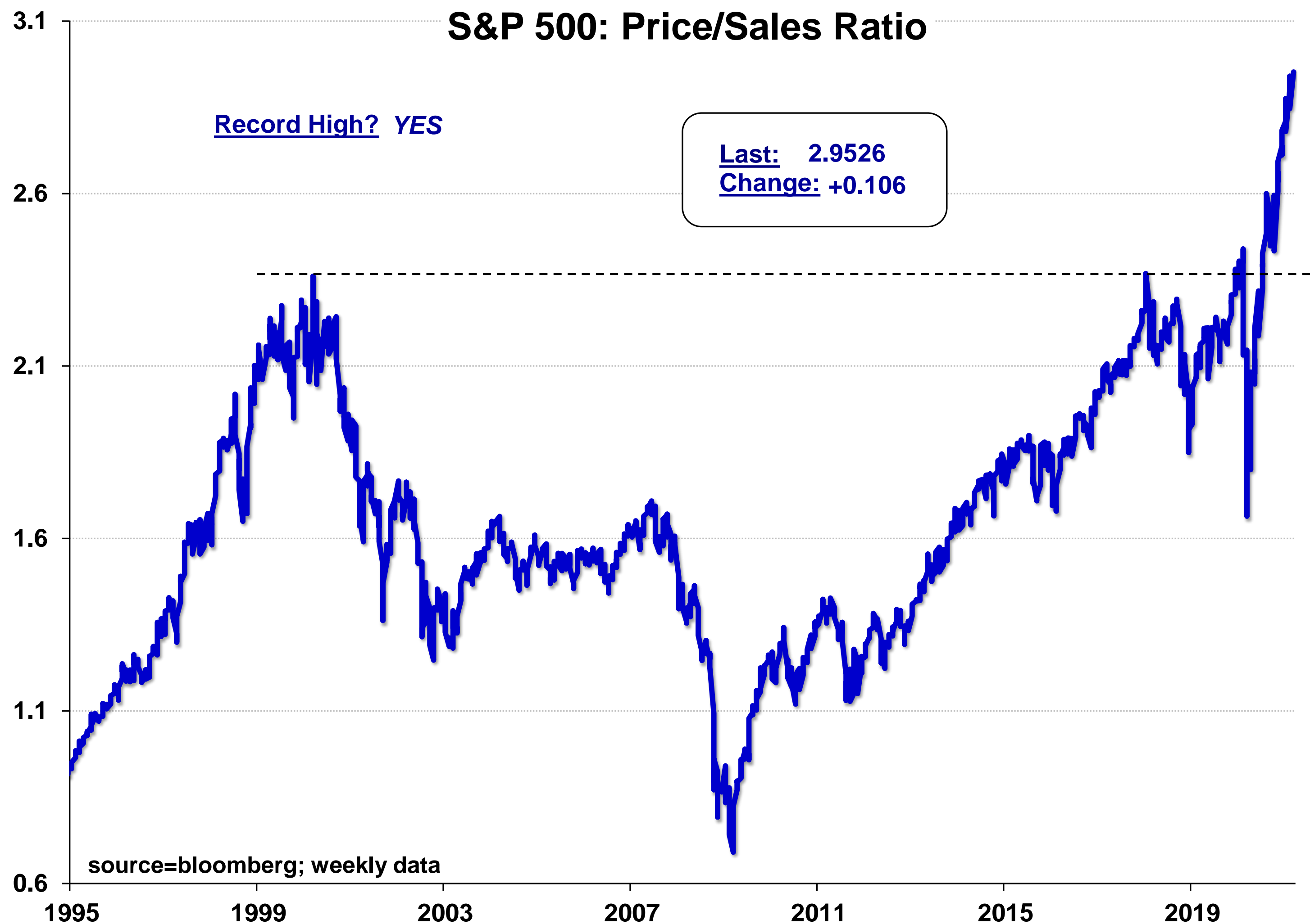
**Good news**: Air travel activity also looking as if ready to break out to the upside



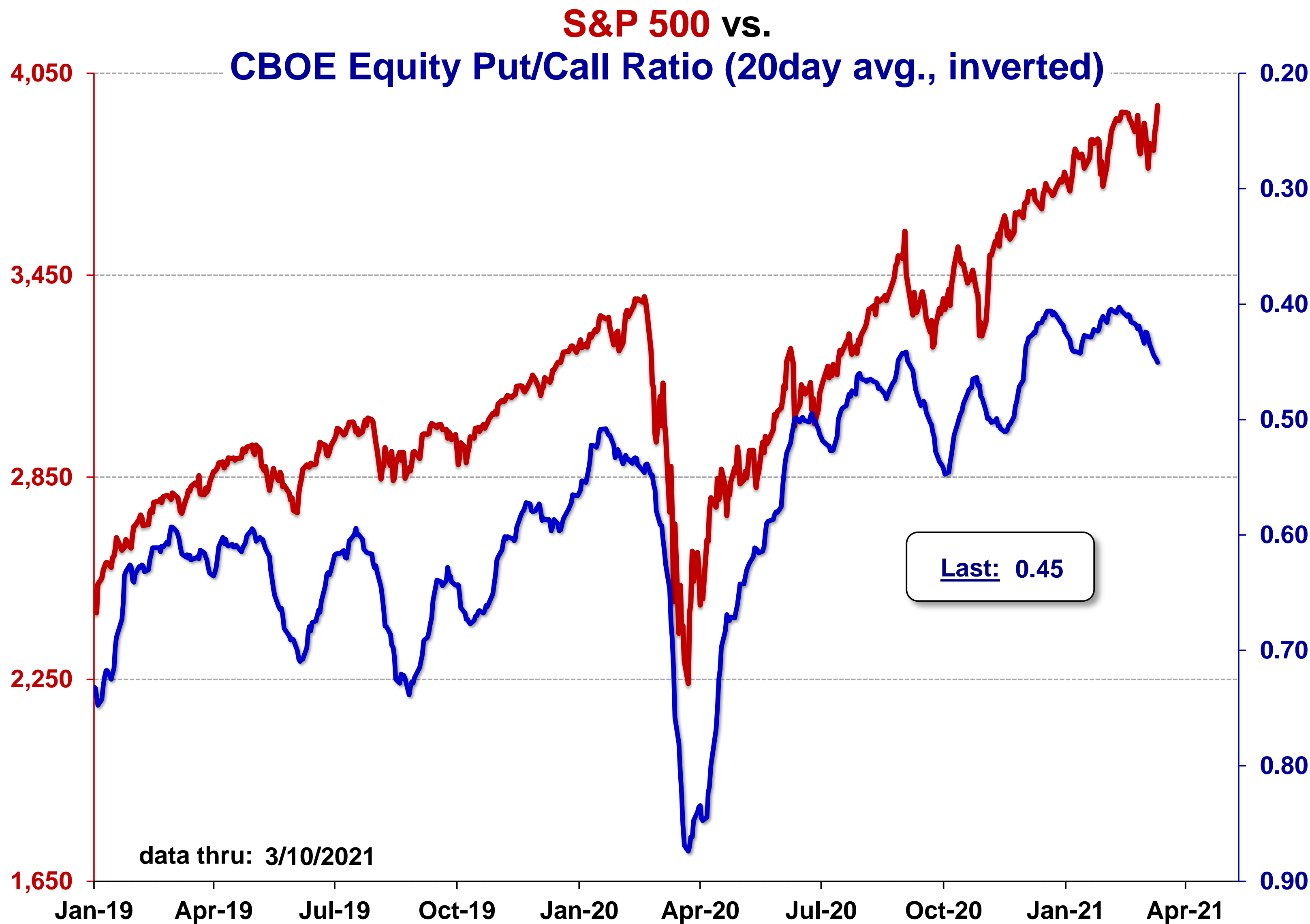
**Upside momentum building**: dining activity breakout coinciding with 20-week high for Hotel Occupancy



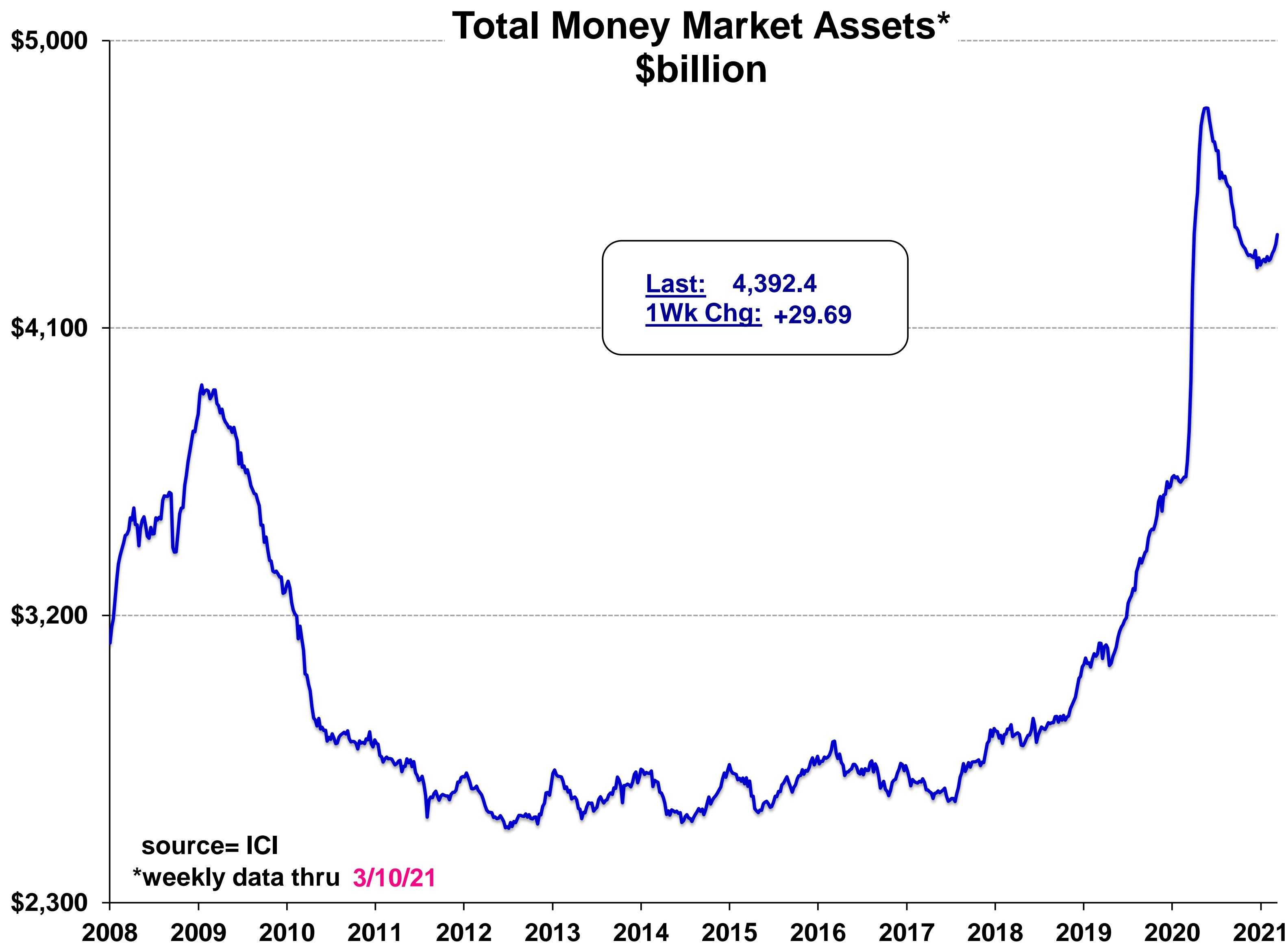
Meanwhile S&P 500 Price/Sales Ratio hit a record high today. It seems almost certain may people have been using stimulus money (and, for millions, unpaid rent 'income') to buy stocks….no doubt providing significant fuel for the market. However, what happens when stimulus checks are no longer in the mail and the eviction moratorium is finally lifted? We suspect those who owe (and plan to pay) back-rent will sell stocks, thus taking at least temporary air out off the market.



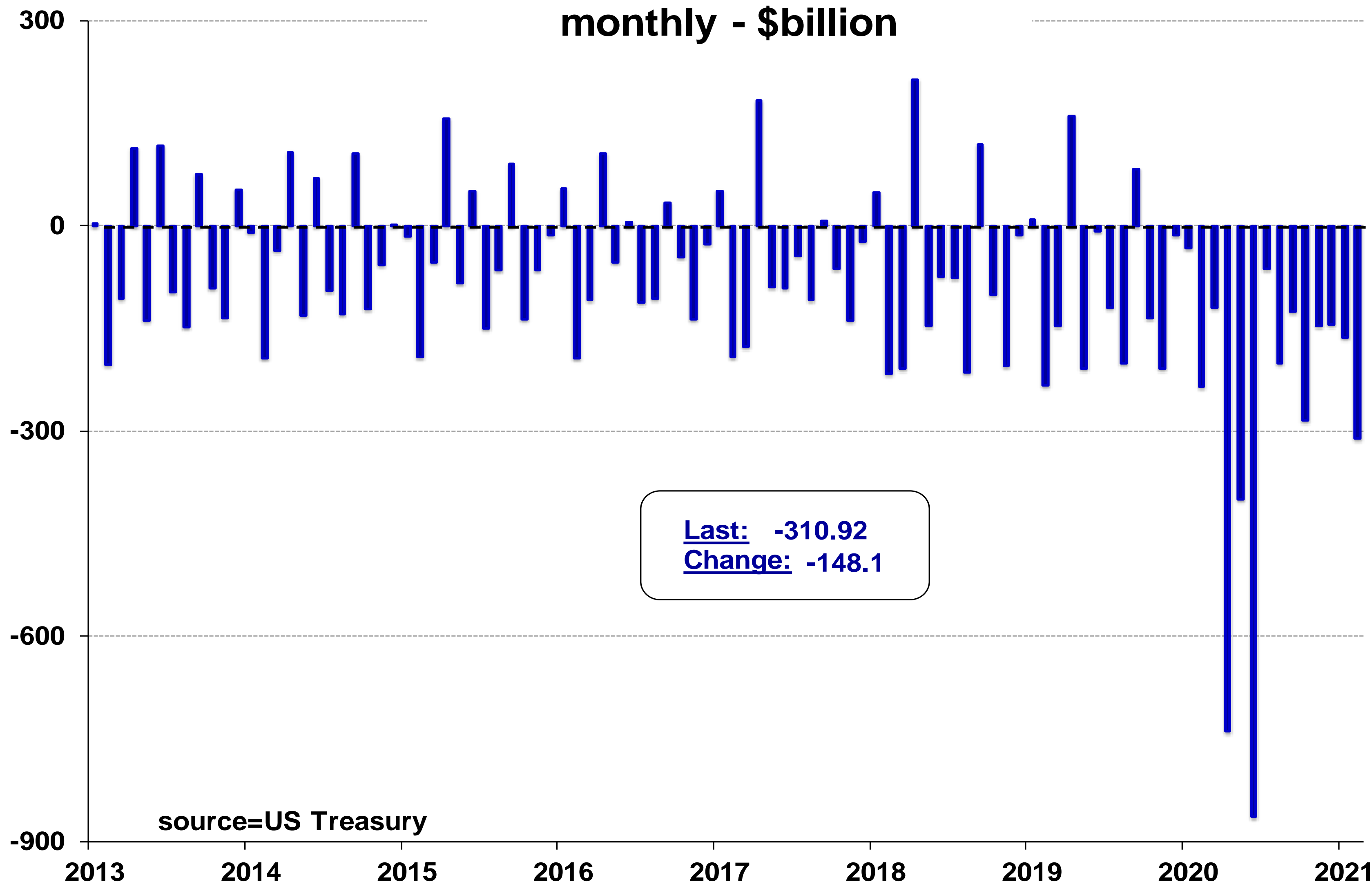
Look who's doing their own thing: S&P 500 lurches into record territory as Equity Put/Call Ratio trends higher…



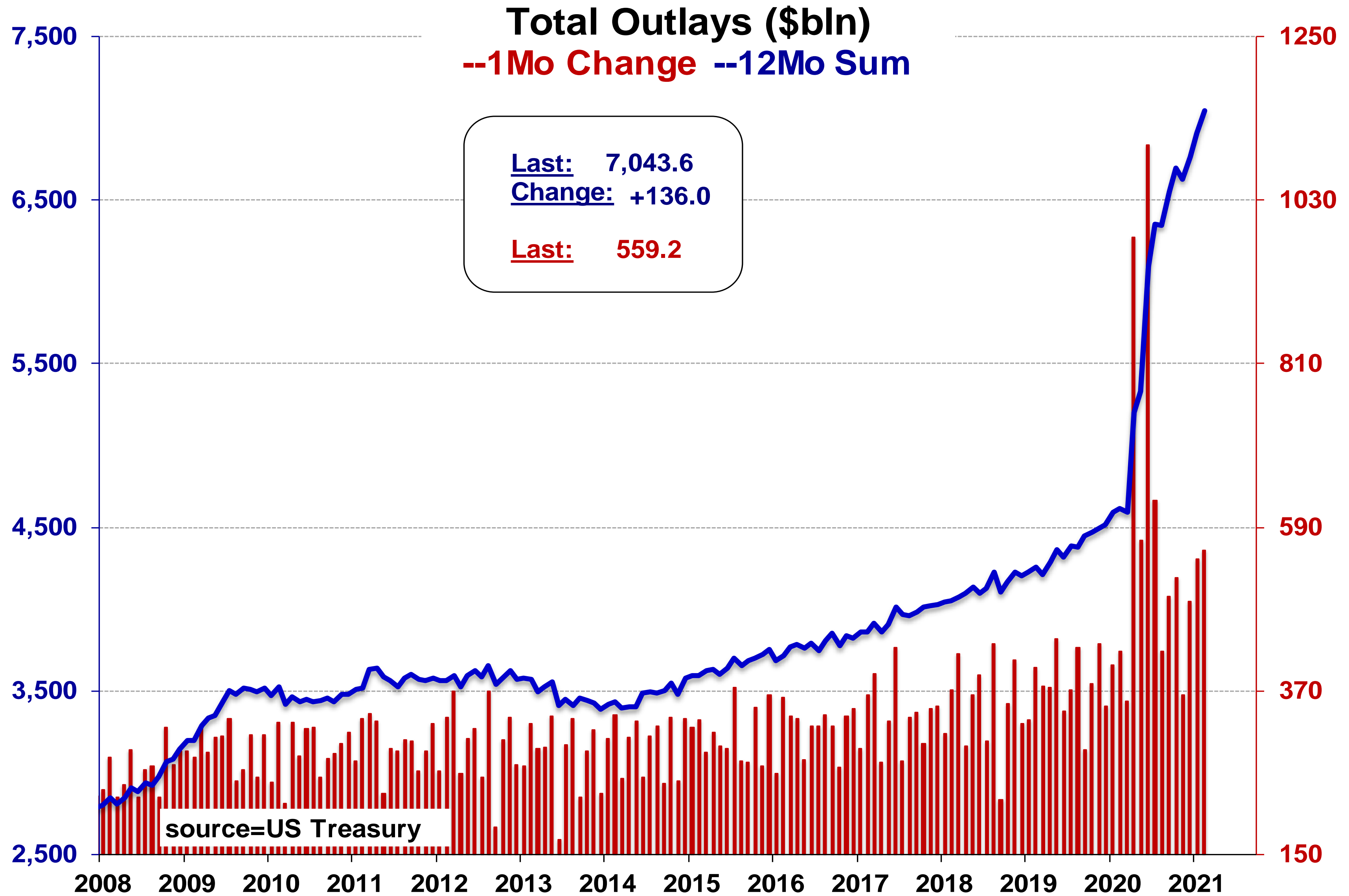
…and as some investors may be heading to the exits. See: Money Market Assets up $30bln w-w and up $104 billion since mid-December



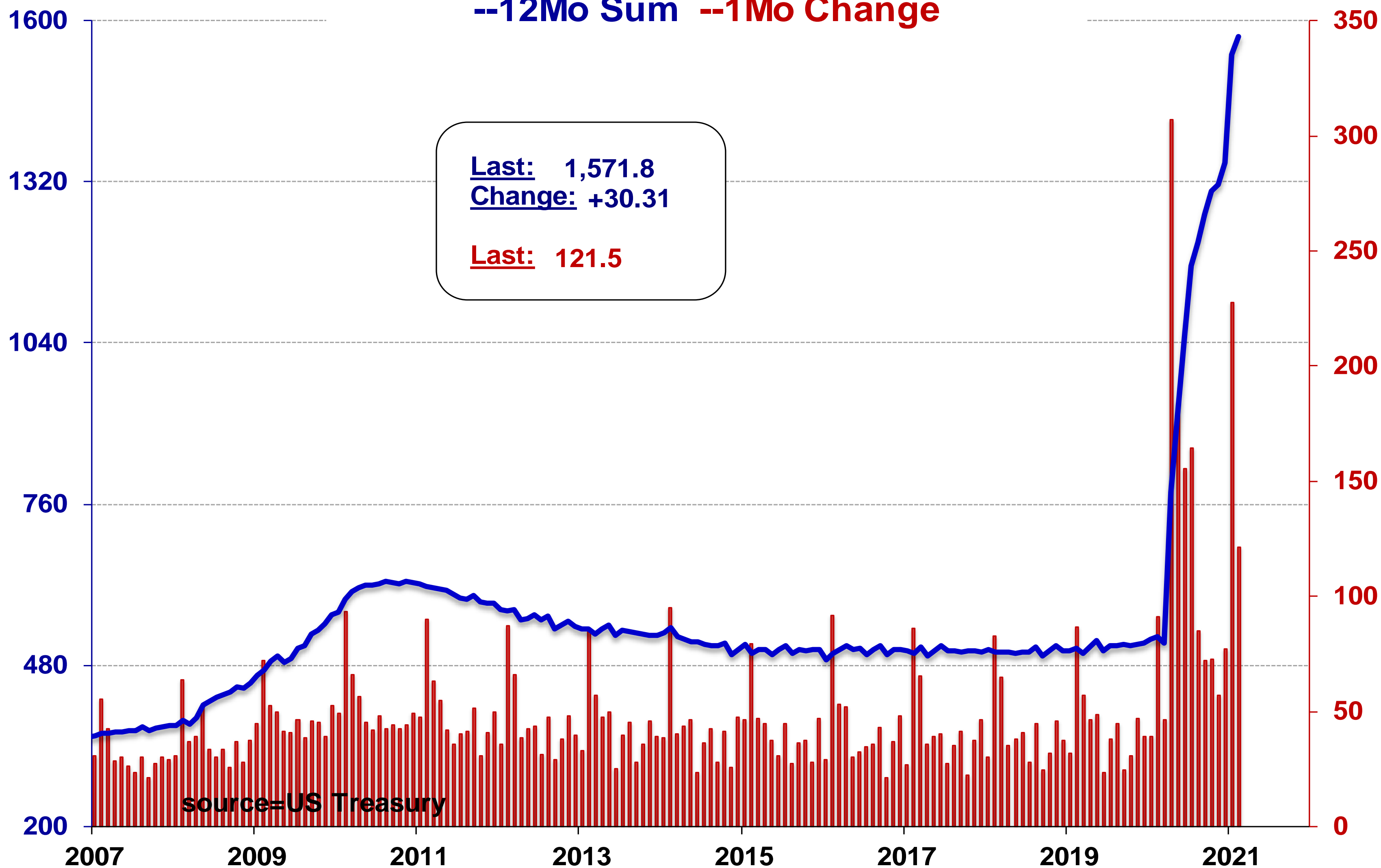
Budget woes continue: February sees 4th biggest monthly deficit on record at $311 billion; 12-month deficit expands to a record $3.55 trillion



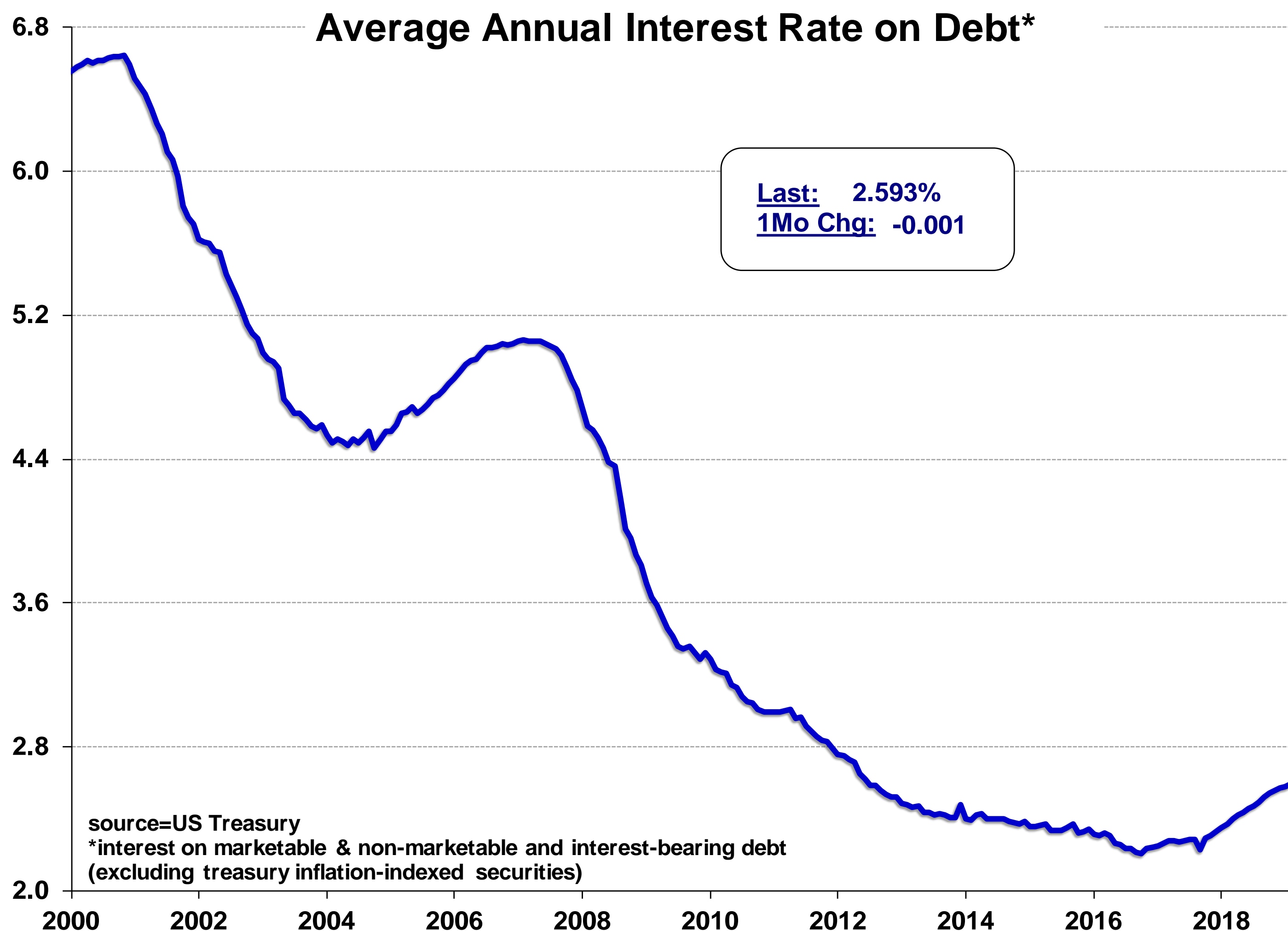
Outlays hit a record $7 trillion…



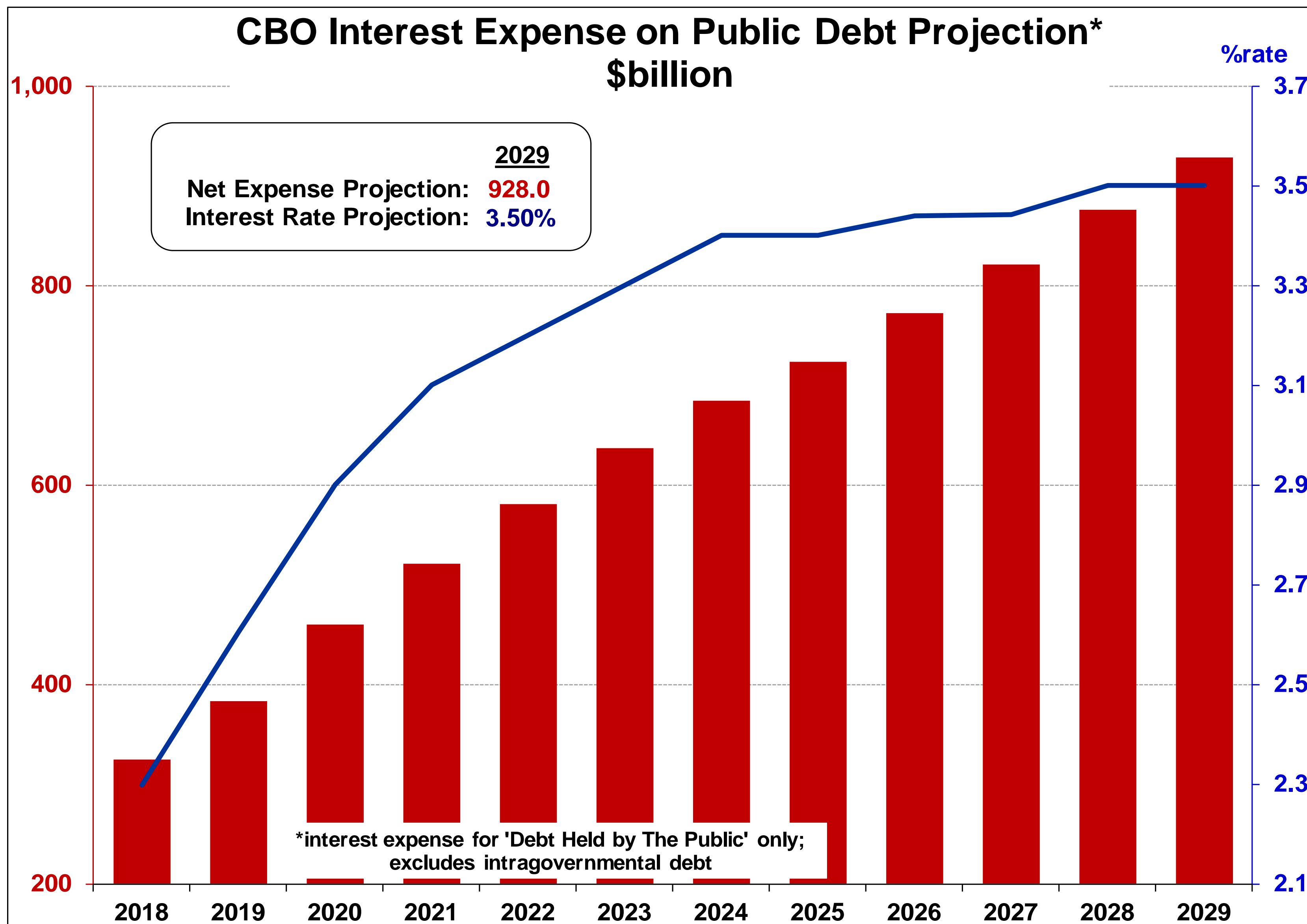
…as 12-month Income Security outlays hit a record $1.57 trillion and account for a record 22.3% of total (12-month) outlays



***The Fed Can't Raise Rates***: this chart is from our June 2019 update, showing interest rate on debt on the rise after the Fed began hiking rates in December 2015. It was around the time of this first hike in more than a decade we noted the Fed would never be able to 'normalize' rates due to debt levels and would be forced to cut sooner than later. It took longer than we expected, however they did finally reverse course after the late-2018 market selloff and weakening of economic data thru 2019.



In mid-2019, the projected (10yr) annual interest expense was $928 billion (at 3.5% expense rate) as budget deficit continued to expand.



Fast forward to today: debt is up nearly 28% from June 2019 level to $28 trillion, and we've seen nearly uninterrupted record (12-month) deficit numbers each month. It is also important to note that, since the Fed's Dec. 2015 rate hike, the Deficit went from $400 billion to $1.02 trillion in December 2019 (a 4-year period in which we saw an average of 2.5% growth (saar), to a $3.55 trillion deficit today. With a long road to recovery (see: 10 million still out of work), stimulus measures will not only be with us for the foreseeable future but some are more than likely to become a permanent feature of the economic landscape. As such, Interest rates must remain muted or interest expense will explode well beyond $1 trillion…IE – the US will begin maxing-out credit cards to pay the interest on a very large (and growing) stack of other maxed-out credit cards. The thought (or hope) is always that economic growth will outpace debt growth, yet the opposite has been true for some time and this latest economic downturn has all but ensured it will remain so for some time ahead.

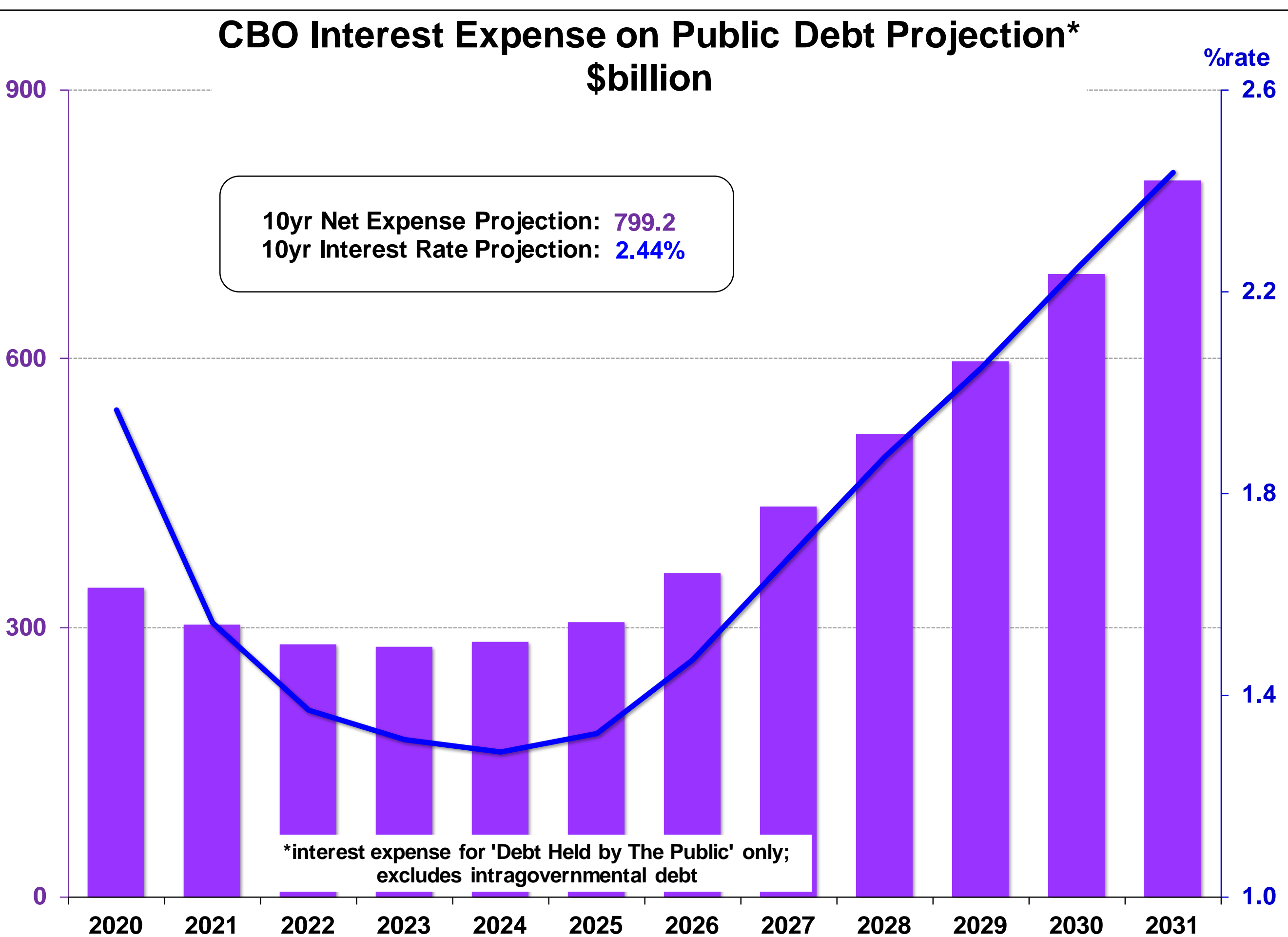
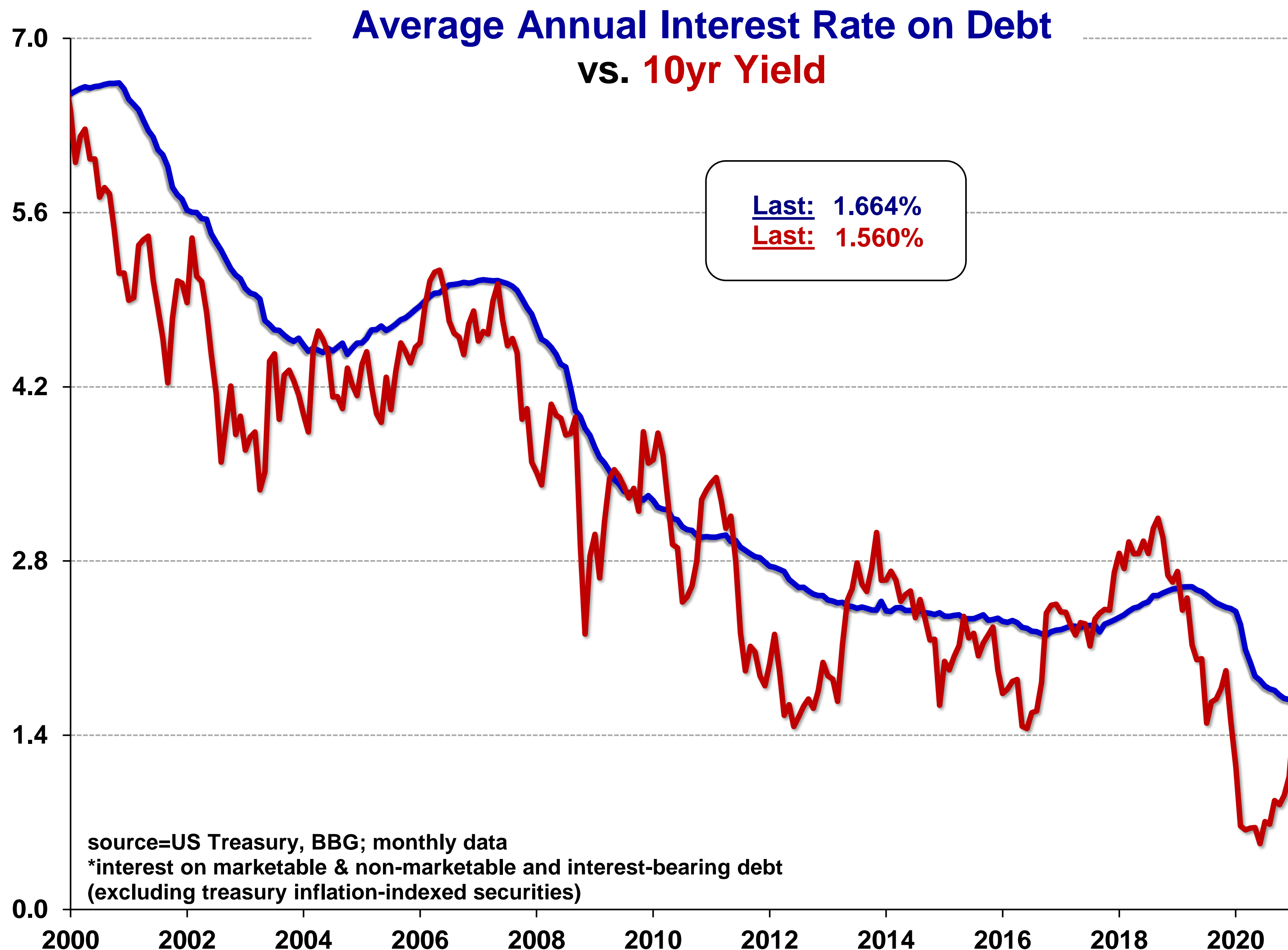
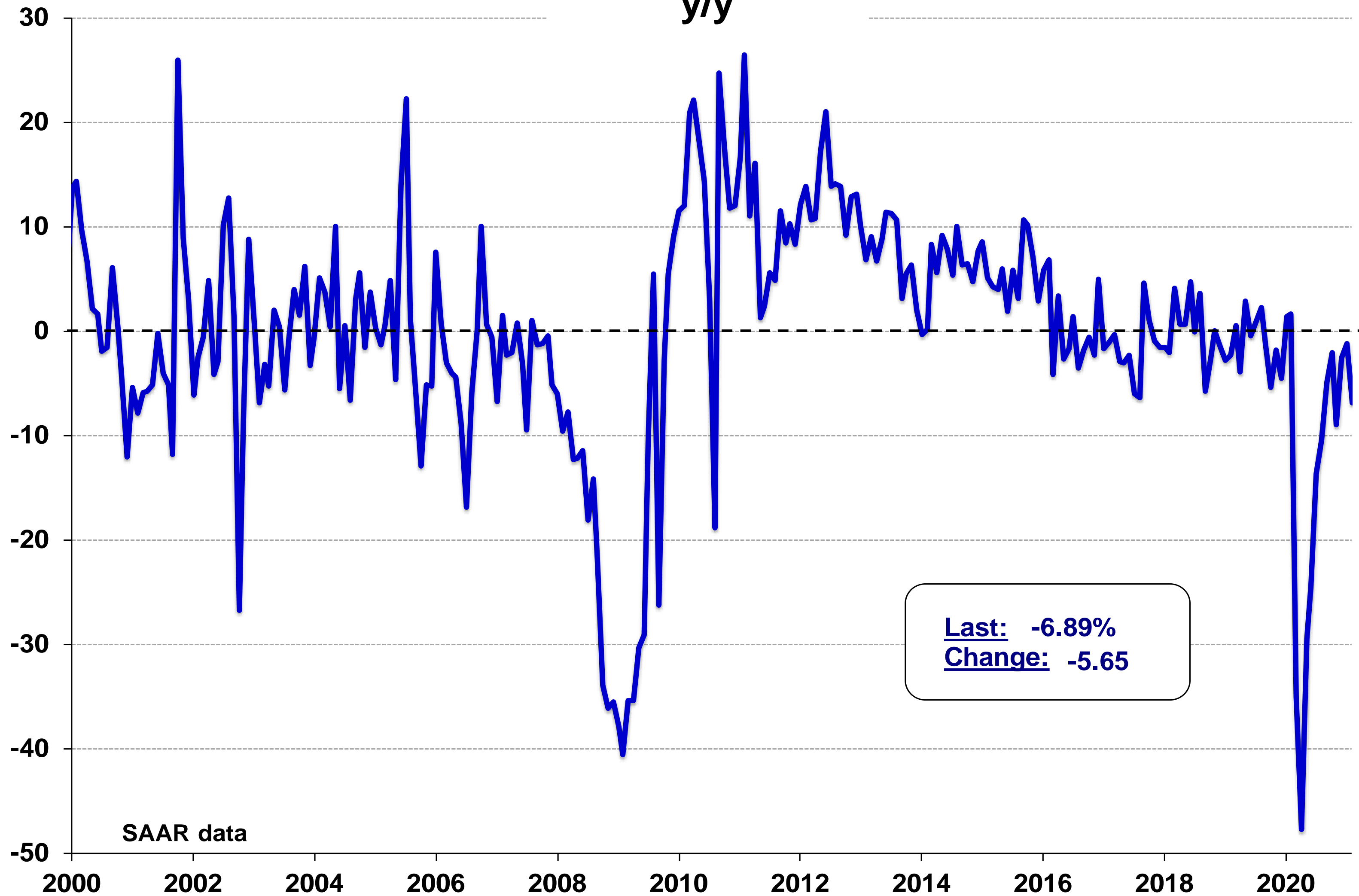



Chart: current 10yr interest expense estimated at $800 billion with expense rate down to 2.7%. With debt set to expand further, this rate will need to come down yet again to keep expense in check.

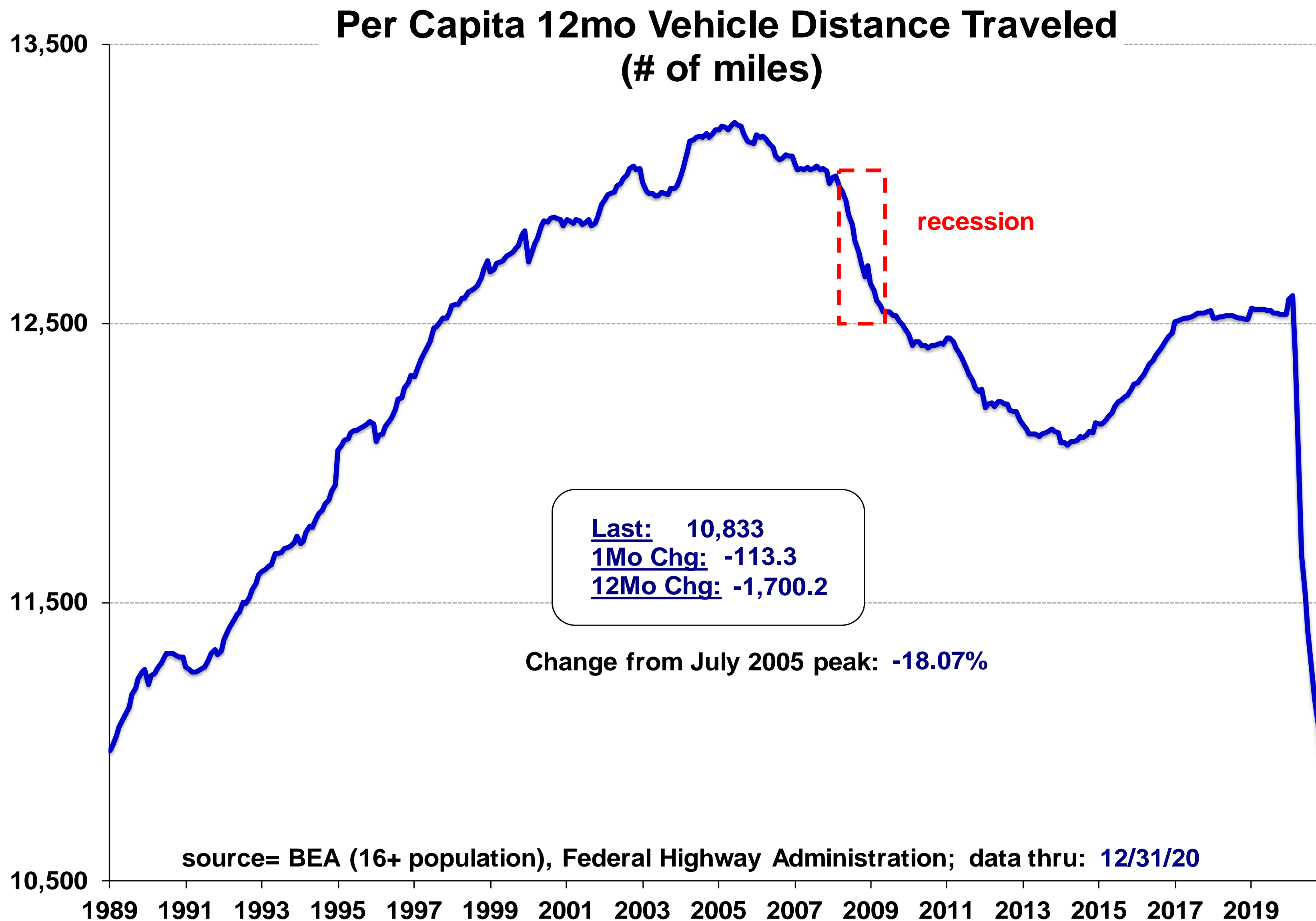
Chart: interest rate on debt vs. 10yr yield. Unless we've missed our guess, both are headed lower.



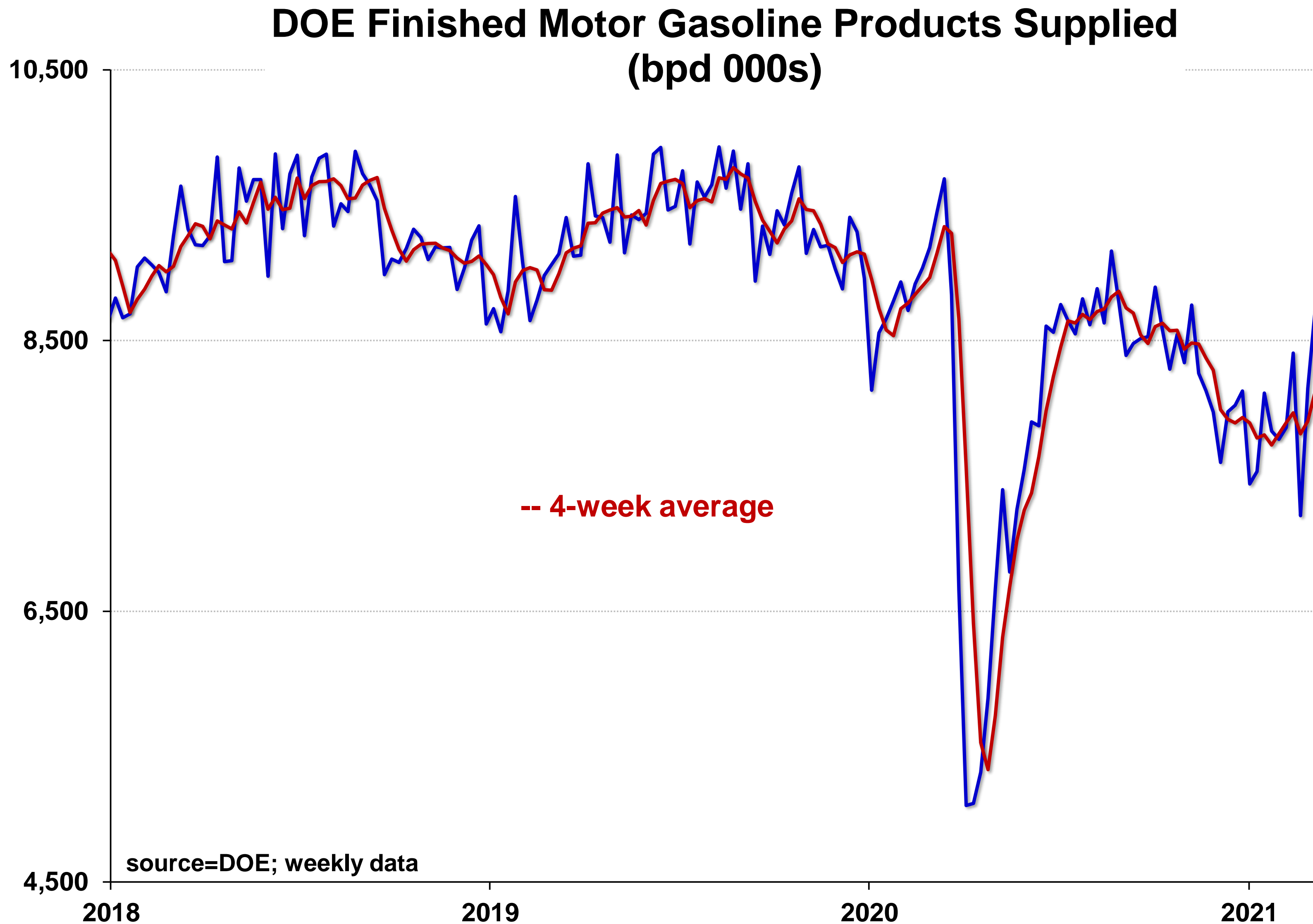
Auto Sales remain weak: 15.67mln (saar) in February vs. expectations of 16mln; drop -5.6pts to -6.9% y/y



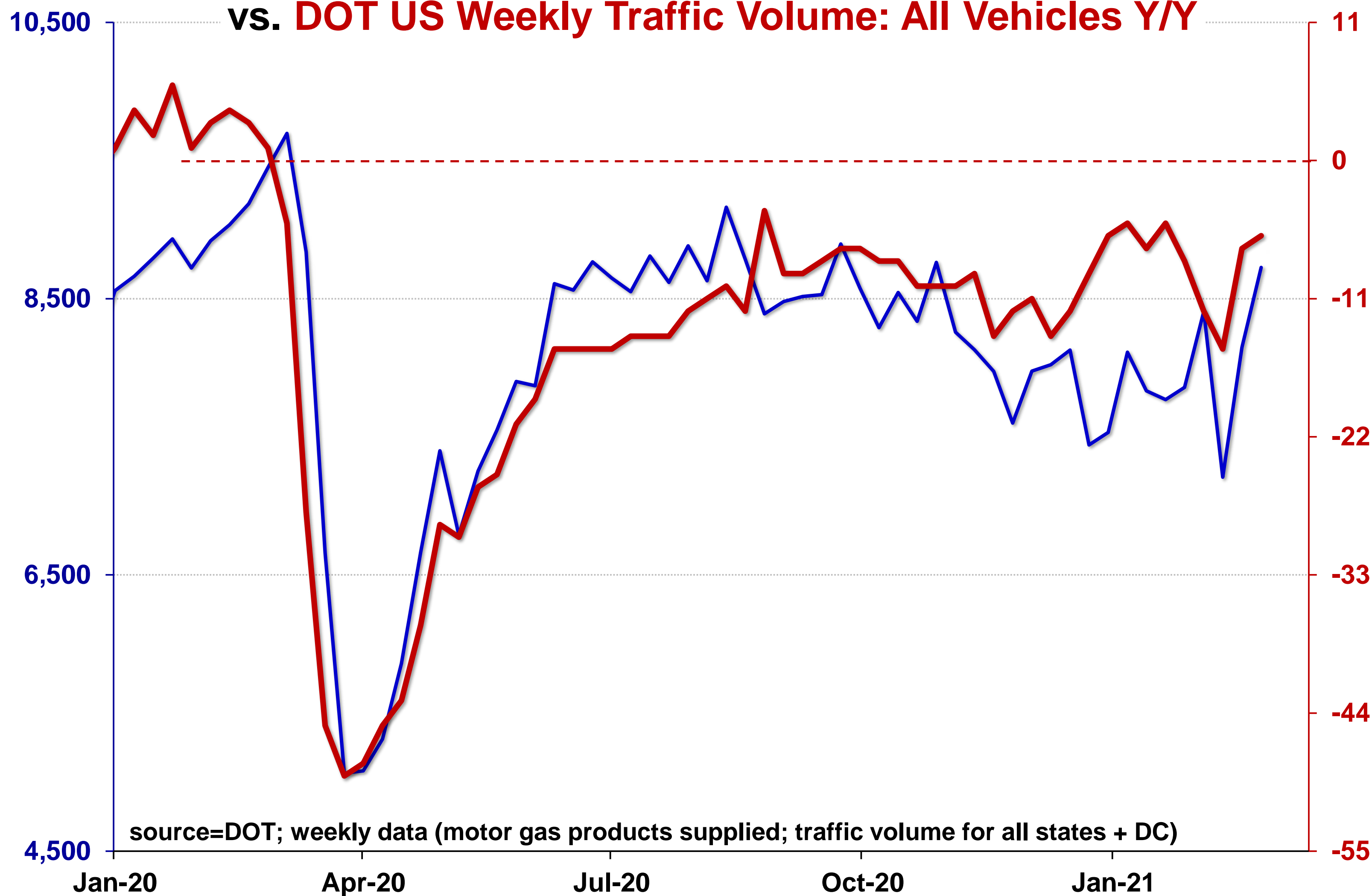
Meanwhile, 12mo vehicle distance tumbles to fresh record low suggesting economic activity remains weak



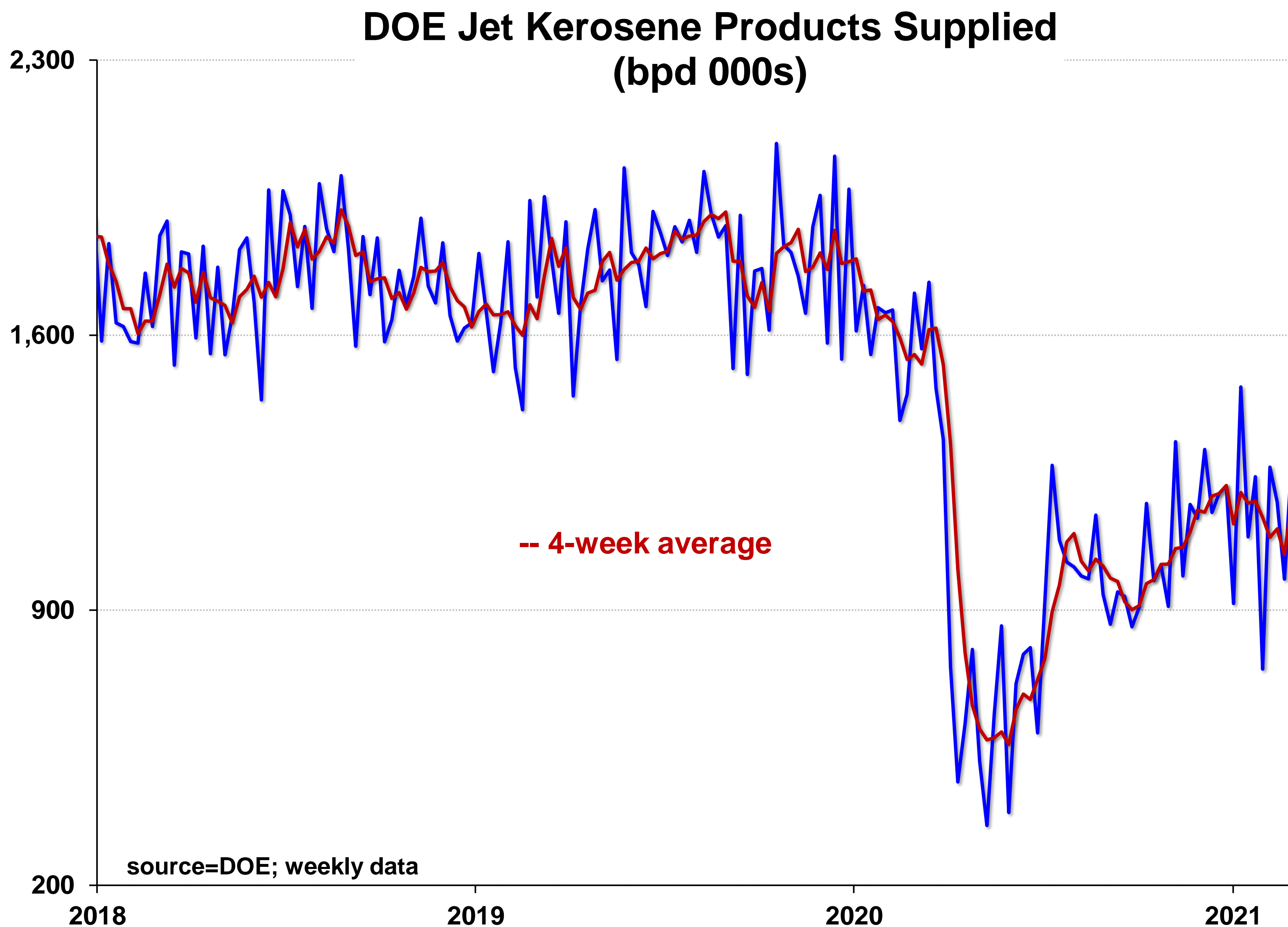
However, implied gasoline demand has improved in last 2 weeks suggesting activity may be set to improve



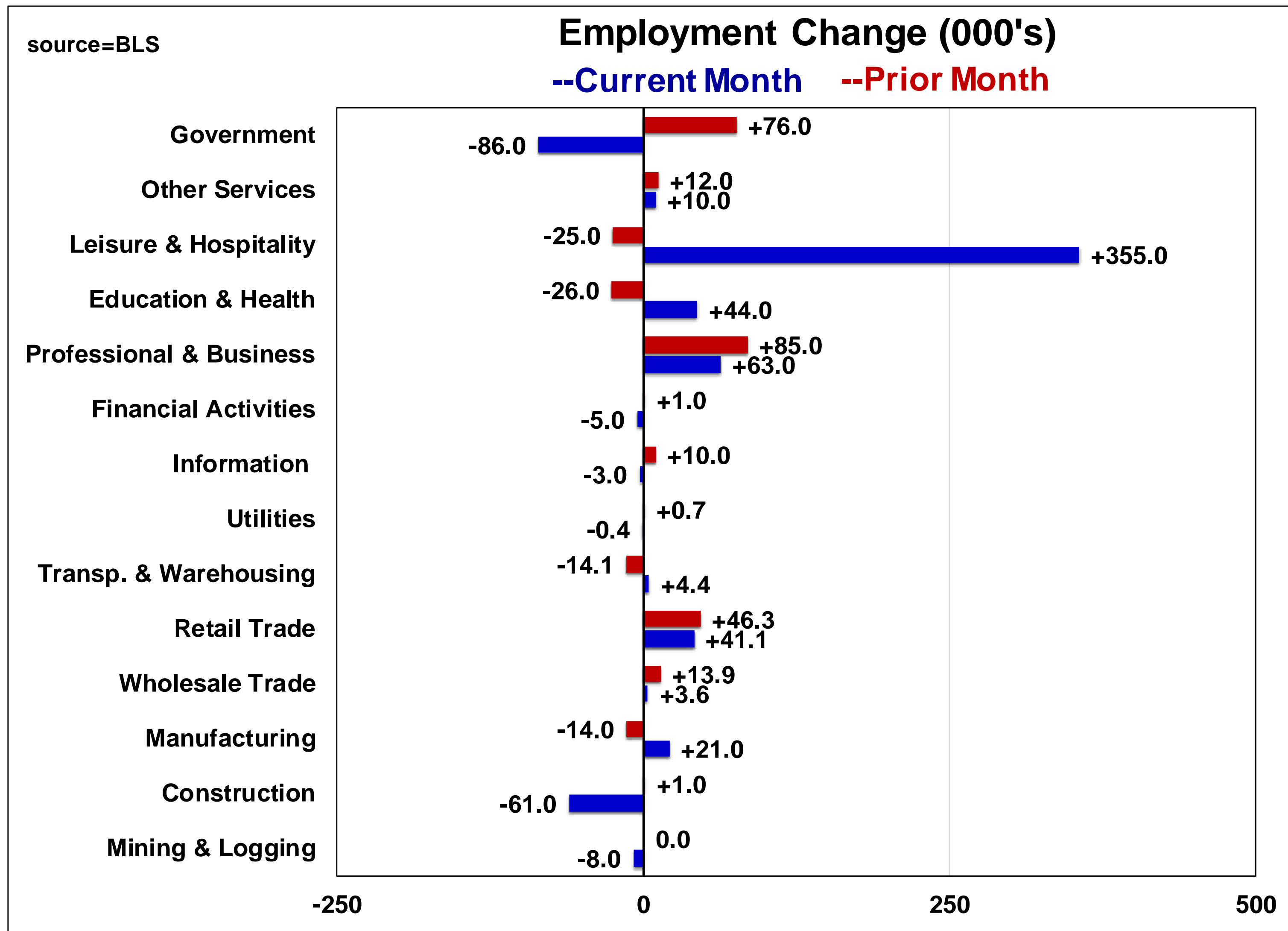
Weekly vehicle traffic ticks higher again for a second week. No clear trend yet, but there is hope for growth as we've seen dining activity and air travel passenger traffic improve.



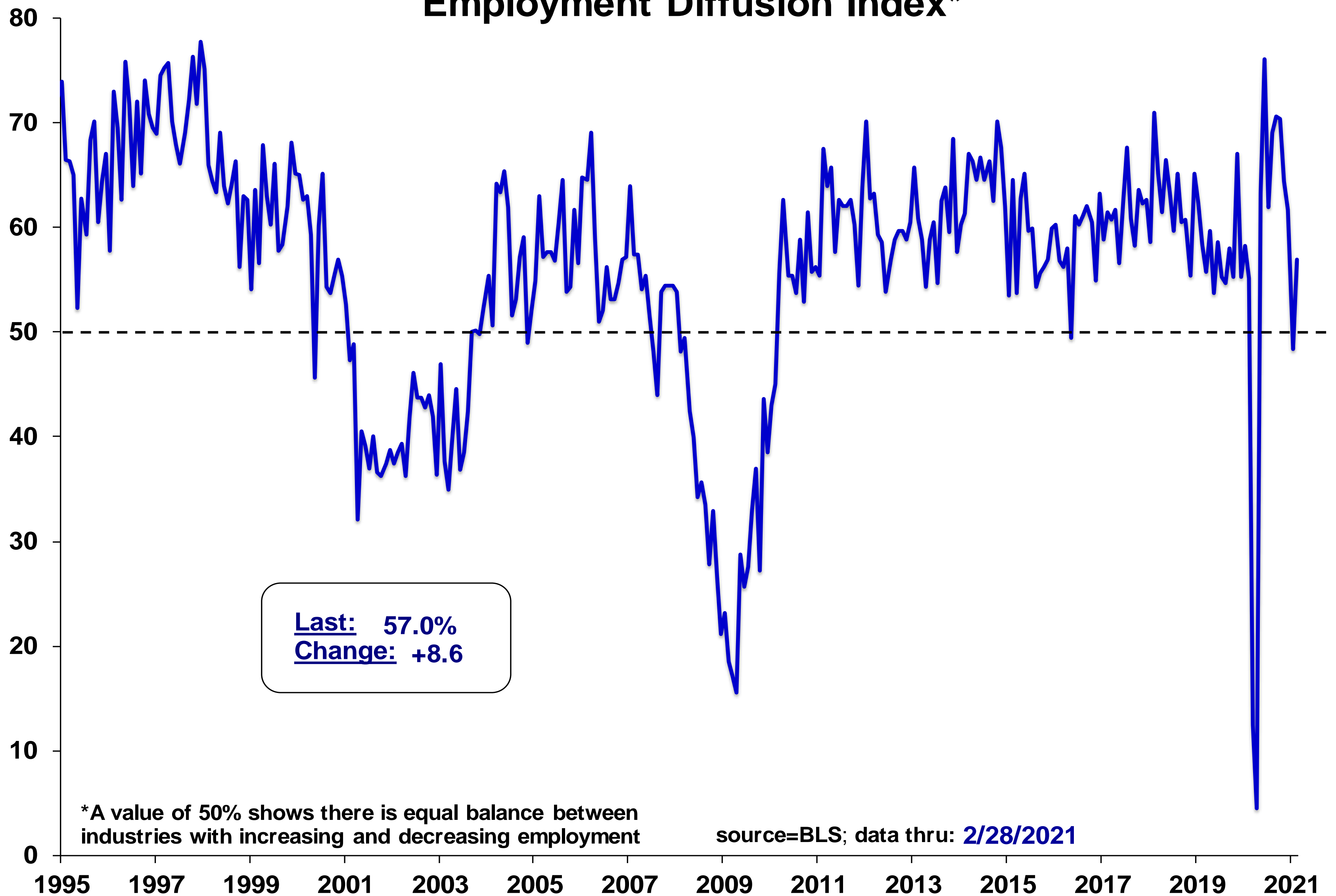
Speaking of air travel, implied demand for jet fuel remains weak even as passenger traffic improving a bit… suggesting activity/demand has not picked up enough for airlines to reinstate flights/routes previously suspended (ie – more passengers on existing scheduled flights; expansion of capacity/routes remains muted)



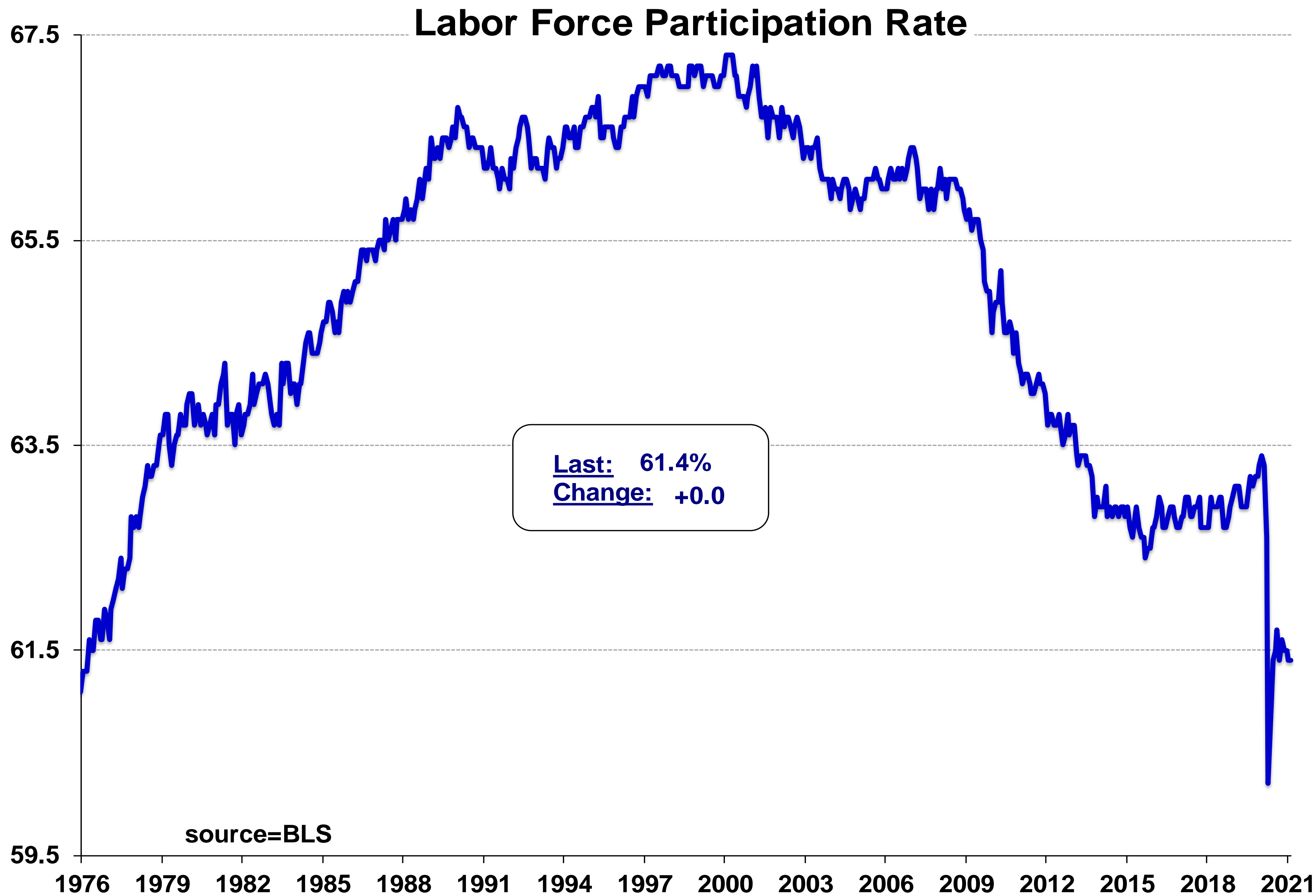
February payroll report had some mixed results. Private payrolls coming in at more than double expectations was a welcome surprise (+465k vs. 200k expected), the bulk of which came from Leisure & Hospitality (+355k), specifically Food Service and Drinking Places (waiters and bartenders, +286k)…a sign the weary service sector is coming back to life.



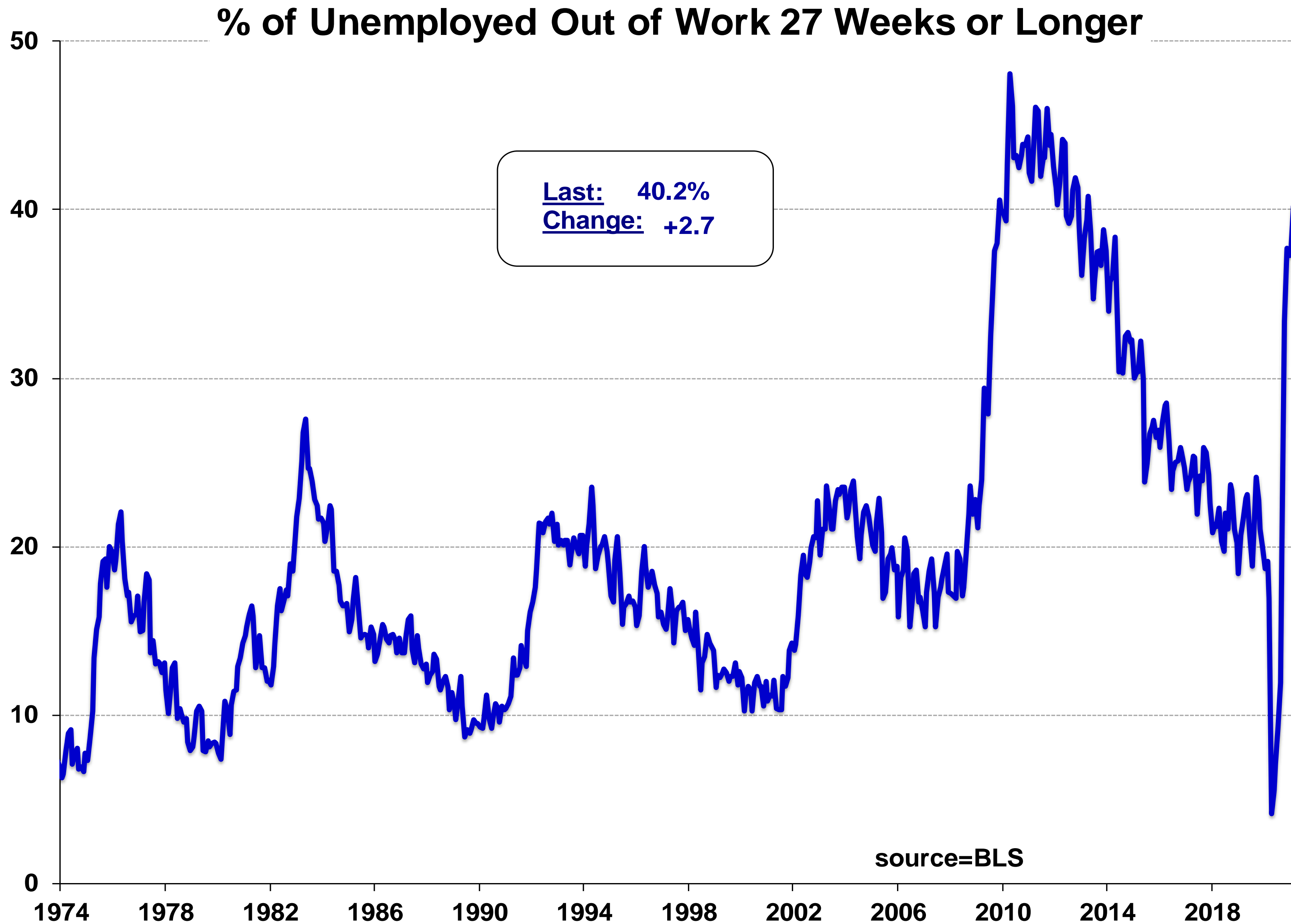
Good news: Employment Diffusion Index jumps back into expansion territory (more industries hiring than firing in February)



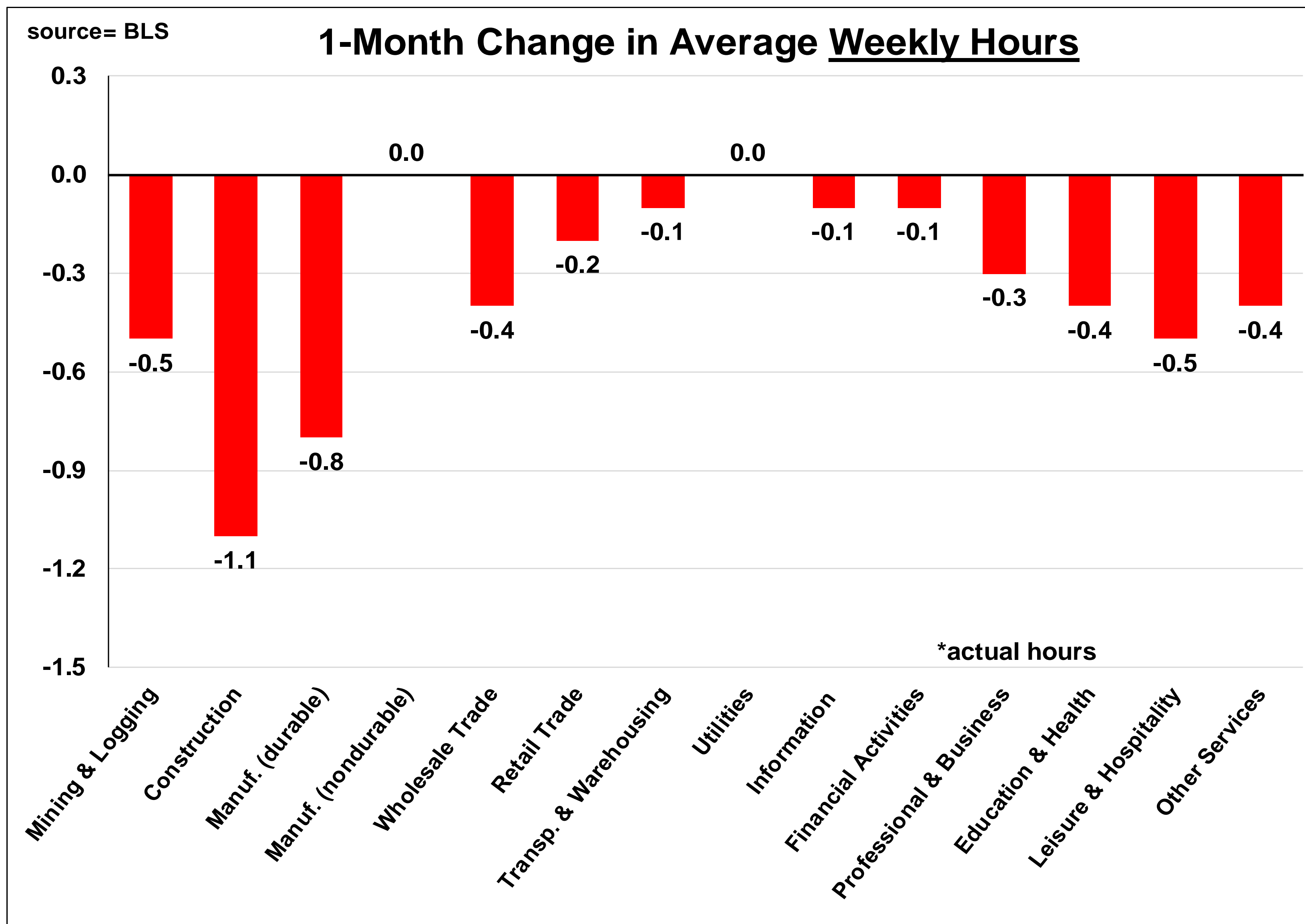
Bad news: Labor Participation remained unchanged at troubling 45-year low…



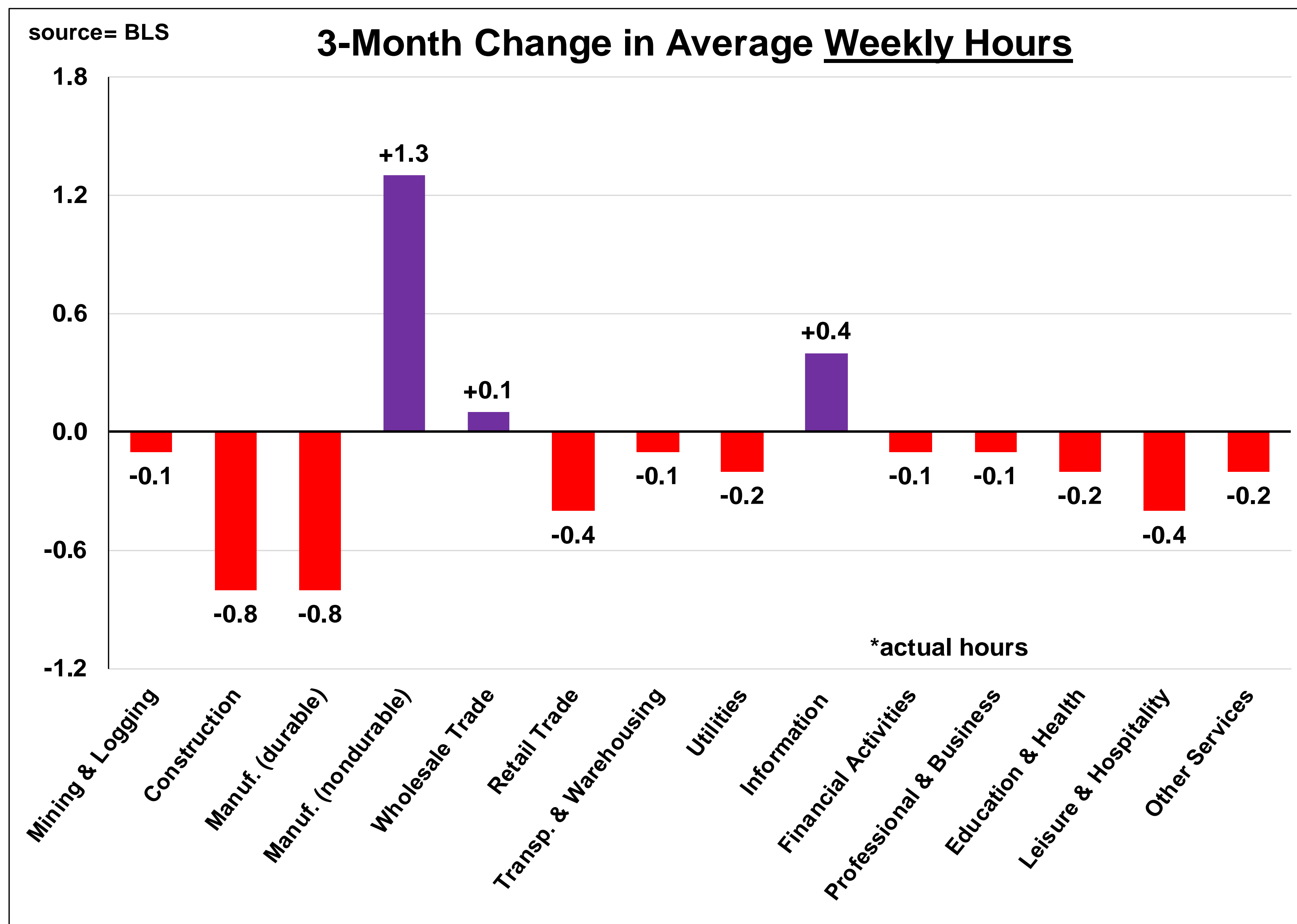
…and long-term unemployment jumped to 40.2%, highest since June 2012



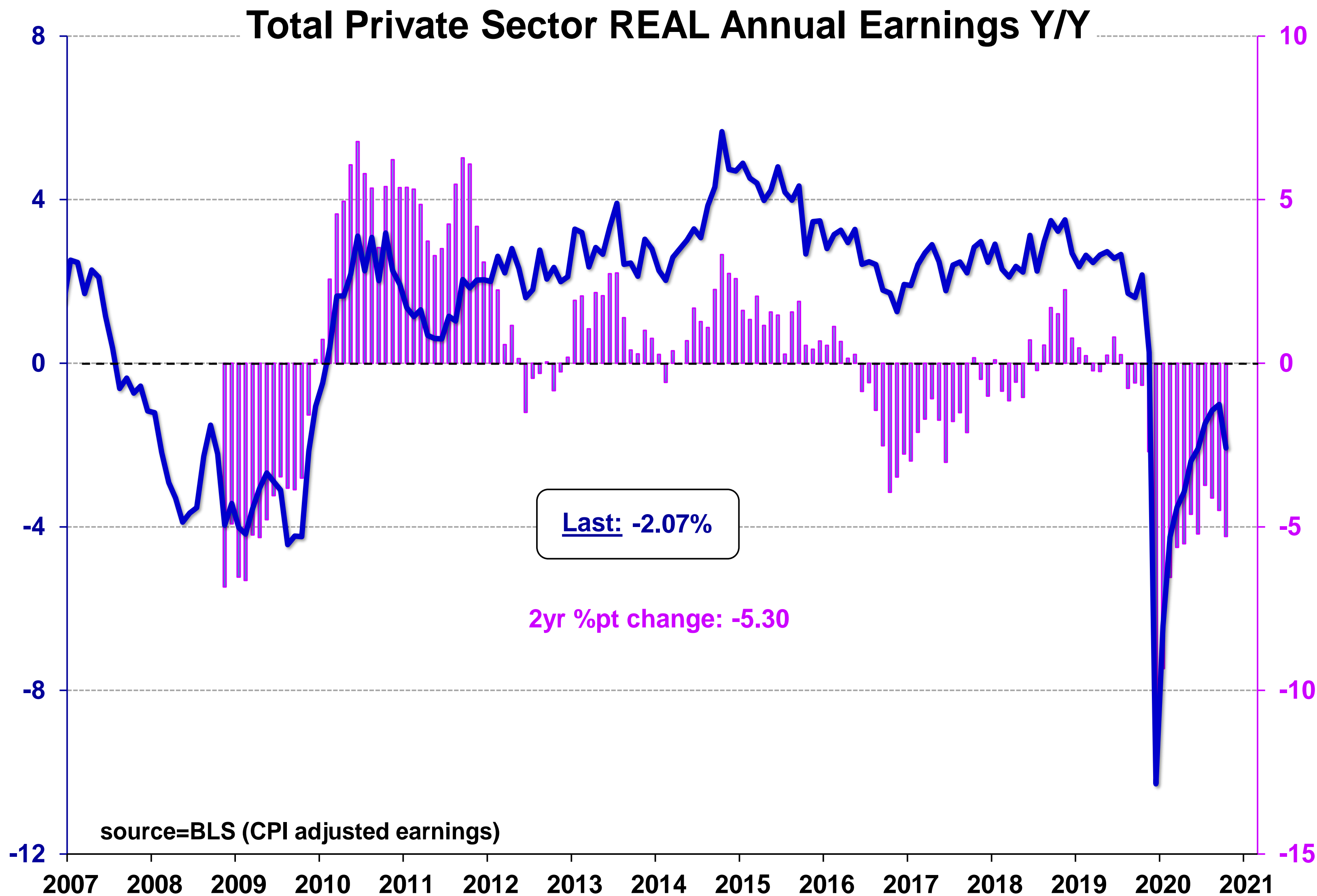
Bad news: average weekly hours declined in 12 of 14 major employment categories, suggesting demand still weak in both goods and services sectors.



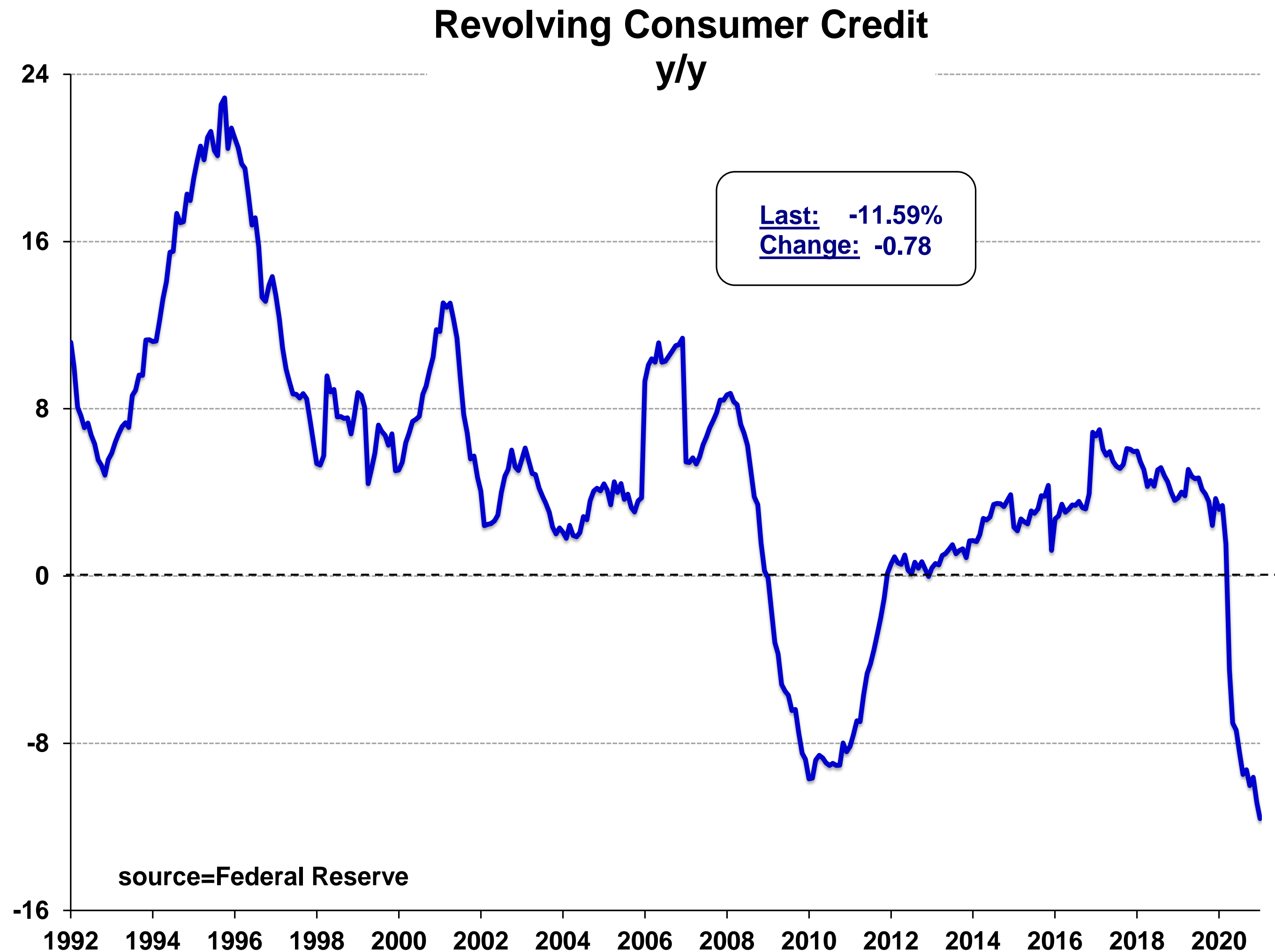
Average weekly hours also largely negative on a 3-month basis



The big picture: Total Real Private Sector Earnings y/y turn lower again after 9 straight months of rebounding off record low (still in recession territory at -2.1% y/y). In short: the bounce in service sector jobs is very welcome news, but we are certainly not out of the woods yet.



As we noted in the Personal Income & Spending update for January: *Along with soaring transfer payments and high savings rate, we should expect next Friday's Consumer Credit report (January data) to reveal further debt paydown.* And pay down debt they did: Revolving credit fell -$9.86 billion in January (down last 10 of 11 months and down a record -11.6% y/y.



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