

**ShadowStats Flash Economic Commentary, Issue No. 1457**

**January 2021 Unemployment, Payrolls and Benchmarking, Money Supply, CPI  
December 2020 Trade Deficit and Construction Spending**

**February 15, 2021**

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**Pandemic-Driven Unemployment Soared to an April 2020 Peak of About 32%,  
Worse Than in the Great Depression; Such Was Against a January 2020  
Pre-Pandemic U.3 Unemployment Rate of 3.5%**

**In the Latest Four Months, Pandemic-Driven Unemployment Has Levelled Off  
Around 12%, Worst Since Before World War II, Other than for the Pandemic**

**Payroll-Employment Benchmark Revisions Showed a Deepening, Accelerating  
Decline into an April 2020 Trough, With Renewed Deterioration at Present;  
Recovery from the Pandemic Shutdown Has Stalled and/or Is Regressing**

**January 2021 Annual Growth in Money Supply M1 and M2 Surged to Respective  
Record Highs of 69.7% and 25.8%, Despite Some Downside Benchmark Revisions**

**Near Record Growth of Currency in Circulation Foreshadows Inflation Risk**

**Nonetheless, January 2021 CPI-U Annual Inflation Hit a Soft, Ten-Month High of 1.4%,  
Boosted by Gasoline Prices, but Constrained by Mixed Food and Core Inflation**

**Stock Indices Are At or Near All-Time Highs, Coming into the  
First Anniversary of the Pre-Pandemic Stock-Market Peaks and Subsequent Crashes**

**Near-Term Financial-Market Turmoil Likely Is Far from Over,  
Given Renewed Deterioration in Economic Conditions**

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## Note to Subscribers

**Evolving Circumstances and *ShadowStats Commentaries*.** Observations in recent *Commentaries* as to deteriorating economic, Pandemic and political circumstances broadly continue to evolve negatively, despite transition to the new Administration in Washington and advances in COVID-19 vaccines and treatments. Allowing for a potential, intervening *Flash Commentary*, the long-planned *Special Benchmark Commentary* should publish late next week. It will provide a broad review of the economy, inflation and the financial markets, with an updated *ShadowStats Outlook* for 2021 and beyond. Specifically covered will be the continuing movement towards a U.S. hyperinflation and economic collapse, along with an updated assessment of the evolving political and Pandemic circumstances as they affect the economy and the markets. Today's *Flash Economic Commentary, Issue No. 1457* reviews January 2021 Monetary Conditions, Labor numbers, including the annual Payroll Employment Benchmark Revisions, the January CPI and the December Trade and Construction Spending reporting. Recovery from the Pandemic-driven collapse has stalled, with faltering U.S. economic activity on the brink of relapsed contraction, with a potential inflation surge beginning to pick up slowly. The latest financial-market activities are graphed as usual, along with some brief, related observations as the system broaches its first full year of Pandemic disruptions.

While the broad *ShadowStats Outlook* continues to evolve, again, it has not changed dramatically. The general themes and elements of the outlook for the U.S. economy, inflation and financial markets, including Federal Reserve Monetary and Federal Government Fiscal Policies, still foreshadow rapidly escalating risk of a *Hyperinflationary Depression*. The Pandemic already has inflicted lingering, massive structural damage on the United States' economy and on the lives and psyche of its people. Renewed, intensifying economic damage from the Pandemic appears likely in at least the next quarter or two. One can hope that circumstances will begin to stabilize, as vaccines and treatments begin to tame the Pandemic and hopefully to restore some confidence to the public outlook. Nonetheless, continuing major, expansive Federal Reserve Monetary Policies are being hyped into 2023, and further, expansive new Federal Government Fiscal Policies already are under negotiation, likely will be needed and also continue well into 2022 and beyond. Increasing risks of a hyperinflationary economic collapse by the end of 2021, early 2022 remain uncomfortably high. – **WJW**

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**Background ShadowStats Features:** New circumstances, breaking economic news and ShadowStats Schedule Changes are highlighted, as they happen, in the [Daily Update](#) Section of the [ShadowStats Home Page](#). Covered are rapidly shifting headlines, reporting details, intervening events, unusual developments in the markets, with the FOMC or the economy, and *ShadowStats* scheduling. Initial assessments are reviewed there usually within a couple hours of the official posting of a given news development.

General background to the current *ShadowStats Outlook* includes key economic, market and systemic assessments of the last year, including [Special Commentary, Issue No. 1429](#) (FOMC Panic), [Special Commentary, Issue No. 1430](#) (Systemic Solvency), [Flash Commentary, Issue No. 1433](#) (Retail Sales Benchmarking), [Flash Commentary No. 1434](#) (1q2000 GDP), [Special Economic Commentary, Issue No. 1437](#) (Economic Update), [Special Hyperinflation Commentary, Issue No. 1438](#) (Risks of a

Hyperinflationary Economic Collapse), [\*Flash Commentary No. 1439\*](#) (Distorted May Labor Conditions, NBER Recession Call, FOMC Outlook), [\*Economic Commentary, Issue No. 1441\*](#) (Economic Update).

Consider as well, [\*Special Economic Commentary, Issue No. 1444\*](#), which examined Systemic, Economic and Financial-system disruptions, particularly as reflected in the price of Gold. [\*Flash Commentary, Issue No. 1445\*](#) reviewed the GDP annual benchmarking and an updated outlook for Gold and Silver following the August 11th sell-off. [\*Special Economic Commentary, Issue No. 1446\*](#) assessed current and prospective economic and inflation conditions, with initial *ShadowStats* GDP forecasts for the balance of 2020. [\*Flash Commentary, Issue No. 1447\*](#) reviewed and updated ongoing statistical shenanigans with the New Claims for Unemployment Insurance for the week ended August 29th, and assessed economic implications of the August 2020 Payrolls and Unemployment and Employment reporting, along with the July 2020 Merchandise Trade Deficit. [\*Flash Commentary, Issue No. 1448\*](#) reviewed the New Claims for Unemployment, August 2020 CPI- and PPI-Inflation and the Money Supply. [\*Flash Commentary, Issue No. 1449\*](#) reviewed developments from the September 2020 FOMC Meeting, with [\*Flash Commentary, Issue No. 1450\*](#) covering the Third-Quarter 2020 GDP and related unfolding economic circumstances. [\*Flash Commentary, Issue No. 1451\*](#) updated the November FOMC, along with [\*Flash Commentary, Issue No. 1452\*](#), [\*Economic Commentary, Issue No. 1453\*](#), [\*Issue No. 1454\*](#) and [\*Issue No. 1455\*](#) and [\*Issue No. 1456\*](#), updating the latest economic and inflation numbers, FOMC actions and evolving U.S. political and Pandemic circumstances.

## **ShadowStats Broad Outlook for the Economy, Inflation and the Markets**

In context of the new Administration in Washington and the still-evolving COVID-19 crisis, the ShadowStats broad outlook in the weeks and months ahead remains for:

- A continuing and potentially hyperinflationary U.S. economic collapse, with significant bottom bouncing and an unfolding, troubled and protracted “L”-shaped non-recovery, reflected in
- Continued flight to safety in precious metals, with accelerating upside pressures on gold and silver prices, likely headed for new record high levels, irrespective of any temporary market interventions, machinations or corrections to the contrary,
- Continued mounting selling pressure on the U.S. dollar, against the Swiss Franc and other more-stable currencies, more broadly measured against the ShadowStats Financial-Weighted Dollar (FWD) and the Federal Reserve’s Trade-Weighted Advanced-Foreign-Economies (AFE) Dollar.
- Despite recent extreme Stock Market volatility and current record or near-record high levels in the popular U.S. stock-market indices, ongoing high risk of major instabilities and a pending massive liquidation of U.S. equities,
- Complicated by ongoing direct, supportive market interventions arranged by the U.S. Treasury Secretary, as head of the President's Working Group on Financial Markets (a.k.a. the “Plunge Protection Team”), and/or as otherwise gamed by the FOMC.

**Your questions and comments always are welcomed. Please call or e-mail me any time. Leave a message if your call goes to Voicemail. I shall be back to you.**

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## OVERVIEW

**Pandemic-Driven Unemployment Likely Peaked Around 32% in April 2020,  
Worse Than the Great Depression Record High**

**Pandemic-Driven Unemployment Appears to Have Leveled Off Around 12%,  
October 2020 to January 2021, at Highest Levels Since Before World War II**

**Headline Labor Details Signal Weakening  
Consumer Conditions and Economy in First-Quarter 2021**

**Annual and Fourth-Quarter 2020 Real Merchandise Trade Deficits  
Indeed Were Worst Ever**

**Still Heavily Suppressed by Collapsed Oil Prices, the  
January 2021 CPI Inflation Hit a 10-Month High**

**Continuing Record and Exploding Annual Growth in Money Supply and  
Currency Foreshadow an Unfolding, Major Inflation Problem**

**Holdings of Physical Gold and Silver Help Investors Preserve the Purchasing Power of  
U.S. Dollar Assets Against Dollar-Debasing Inflation**

**Economic Outlook Continued to Darken for Early 2021.** Subsequent to [\*ShadowStats Economic Commentary, Issue No. 1455\*](#), which covered the bulk of January 2021 economic releases, and prior [\*Flash Commentary, Issue No. 1456\*](#), which reviewed the initial Fourth-Quarter 2020 GDP estimate, among other areas. Today's *Flash Commentary, Issue No. 1457* provides significant further economic updates, including from January 2021 Payroll Employment reporting and related annual benchmark revisions, and particularly Unemployment conditions, specifically as to how they have been affected by COVID-19, with specific headline Pandemic-disrupted unemployment rates, drawing upon special Bureau of Labor Statistics (BLS) survey sampling. The various data suggest a renewed faltering in the U.S. economy and a stalled Pandemic recovery. The latest Monetary and Money Supply numbers continue to signal serious risk of pending major inflation, despite data disruptions containing headline annual CPI-U inflation, which just hit a ten-month high of 1.4%. The consumer remains constrained by liquidity, employment and related Pandemic issues. Evidence continues to mount of a renewed, economic contraction unfolding in First-Quarter 2021. Economic releases of last week or so are covered here, specifically in:

**Section 1 – January 2021 Payrolls and Revisions, Employment and Unemployment, and Pandemic Disruptions**, beginning on page 9, reviews the headline January labor data. The January 2021 headline  
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numbers for Unemployment and Payrolls (including annual benchmark revisions) continued to reflect weaker-than-expected economic activity, suggestive of a pending, renewed and relapsing downturn in headline First-Quarter 2021 U.S. Gross Domestic Product activity. ShadowStats also publishes here a new, broad review of Pandemic-driven unemployment, which hit an all-time peak 32% (modern reporting post-1929) in April 2020. Pandemic-driven unemployment has settled down to around 12% in the last four months (through January 2021), a level of unemployment that has not been seen or exceeded since before World War II, outside of the Pandemic (see page 9).

**Section 2 – Record Real Quarterly and Annual Merchandise Trade Deficit**, beginning on page 23, confirmed the Annual Trade Deficit and Net Export coverage in prior [Flash Commentary, Issue No. 1456](#). The headline reporting of the December 2020 U.S. Real Merchandise Trade Deficit showed that the full Fourth-Quarter 2020 and full Annual 2000 deficits were the worst in modern-economic reporting.

**Section 3 – December 2020 Construction Spending**, on the plus side, showed continuing upside revisions to recent monthly activity tied to a booming **Residential Construction Sector**, beginning on page 25, while **Non-Residential Construction** continued in a downtrend.

**Section 4 – January 2021 Consumer Price Index**, beginning on page 28, showed a relatively tepid 1.4% year-to-year gain in the CPI-U, but such was at a ten-month high, reflecting unusual underlying conditions. Unfolding Oil-Industry developments and Monetary conditions suggest inflation may be about to pick up meaningfully

**Section 5 – January 2021 Money Supply**, beginning on page 30, reviews headline Money Supply and Monetary Base conditions. As graphed, despite some small downside benchmark revisions to last-half 2020 Money Supply levels, the patterns of soaring monthly annual growth in M1 and M2 remained intact, hitting new historic highs in January 2021. Monthly Annual growth in January 2021 Currency in Circulation (part of the Monetary Base) jumped sharply, nearing its historic December 1999 peak, which was tied to fears of Y2K disruptions, not an economy in collapse.

**Section 6 – Financial Market Graphs Updated Through February 12, 2021**, begins on page 39. Currency markets show a deepening decline in the level and annual downturn in the U.S. dollar, particularly against the Swiss Franc, the Euro and the Australian Dollar. The weakening U.S. dollar and rising oil price suggest rising inflation in the United States, which tends to be bullish for the precious metals. Despite both the S&P 500 and the Dow Jones Industrial Average having just pulled back from their historic highs, the price of Gold and Swiss Franc have continued to outperform those stock-market measures since their February 2020 Pandemic-driven crashes from then record-high levels. Combine the negative dollar, with soaring oil prices and with Federal Reserve monetary and U.S. Government fiscal malfeasance, and the broad outlook for the price of gold could not be much stronger.

**[Section 1 – January 2021 Payrolls and Revisions,  
Employment and Unemployment begins on the next page.]**



## **Section 1 – January 2021 Payroll Employment and Benchmark Revisions, Employment and Unemployment, and Pandemic Disruptions**

**Revised Payrolls Showed a Deeper, Accelerating Decline into the April 2020 Trough,  
With a Brief, Low-Level Bounce in October/November Now Beginning to Sink Anew**

**For the 11th Straight Month, Bureau of Labor Statistics Still Could Not Count  
All the Unemployed, and the Missed Reporting Is Exploding Anew**

**Special Surveying by the BLS Confirmed the Extraordinary Scope of the Pandemic-Driven,  
Distorted Unemployment Explosion: Worse than the Great Depression at Its Worst,  
Worst Since Before World War II at Its Best**

**Pre-Pandemic Unemployment Rate Was 3.5% in January 2020**

**Pandemic-Driven Unemployment Hit a Peak of About 32% in April 2020,  
Worse than During the Great Depression**

**Pandemic Unemployment Has Leveled Off Around 12.0% in the Last Four Months,  
Highest Since Before World War II, Outside of the Pandemic**

**Meaningful Signals of a Still-Faltering Economy Accelerated**

### **Payroll Employment and Annual Benchmark Revisions**

**With Payrolls Still Shy by 6.5% (-6.5%) of Recovering Pre-Pandemic Levels, the Payroll Benchmark Revision Showed a Deeper Collapse into March and April 2020, a Muted Interim Peak in October-November, Then Renewed Decline.** The Pandemic-collapse roller coaster ride in Payroll Employment is not over. In context of the 2020 annual benchmark revisions to Payroll Employment and new seasonal factors for 2021 Unemployment and Employment, the headline January 2020 labor numbers had various twists.

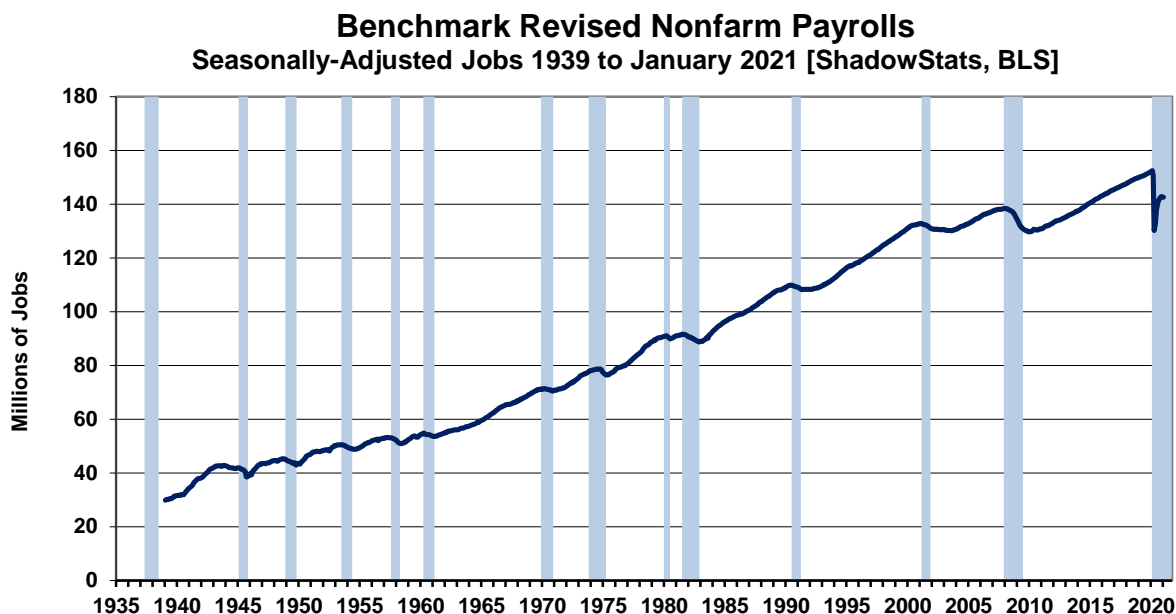
Consider first the Payroll revisions from 2016 to date. As reported February 5th by the, Bureau of Labor Statistics (BLS), the dominant changes were tied to the Pandemic-driven collapse, with a deeper monthly March 2020 decline leading into the April 2020 trough. A rally in payrolls followed into a relatively low and short-lived peak in November 2020, falling off anew in December and stagnating in January 2021 (see *Graphs 3* and *4*. Such should prove to be the eventual pattern of headline economic activity,

including a still unfolding broad pattern of deteriorating economic growth in revised and later GDP reporting. The Payroll revisions were not of a magnitude to visually show revamped monthly differences in the highly volatile 2020 series, so there is no separate plot of revised versus prior reporting. The following graphs of Payroll activity simply show the latest headline detail.

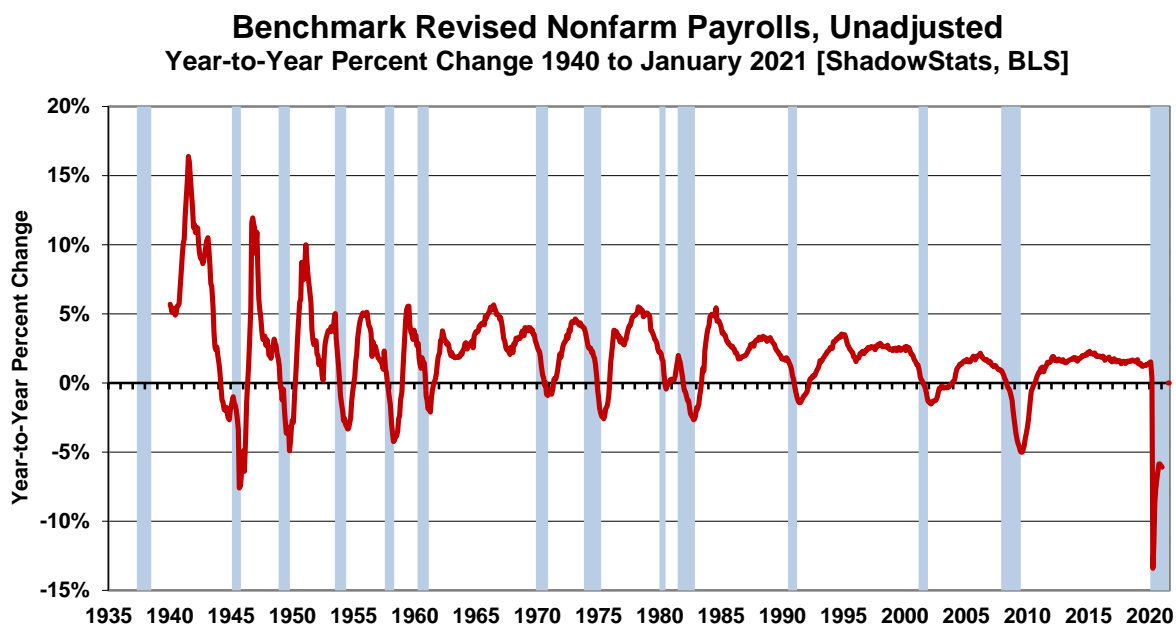
In context of the downside Benchmark Revisions, January 2021 Payrolls gained 49,000 in the month, which was not statistically meaningful. The 90% confidence interval around that 49,000 was +/- 250,000. Such followed a downwardly revised drop of 227,000 (-227,000) [previously 140,000 (-140,000)] in December 2020.

**[Graphs 1 to 6 begin on the next page.]**

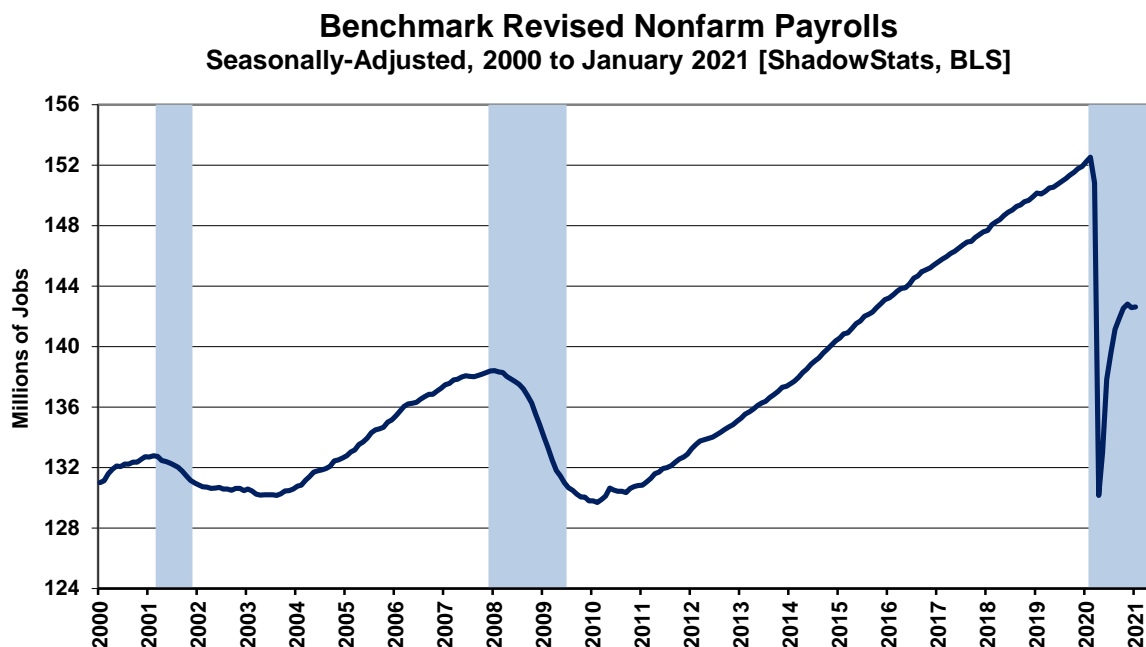
**Graph 1: Total Nonfarm Payroll Employment (1939 to January 2021)**



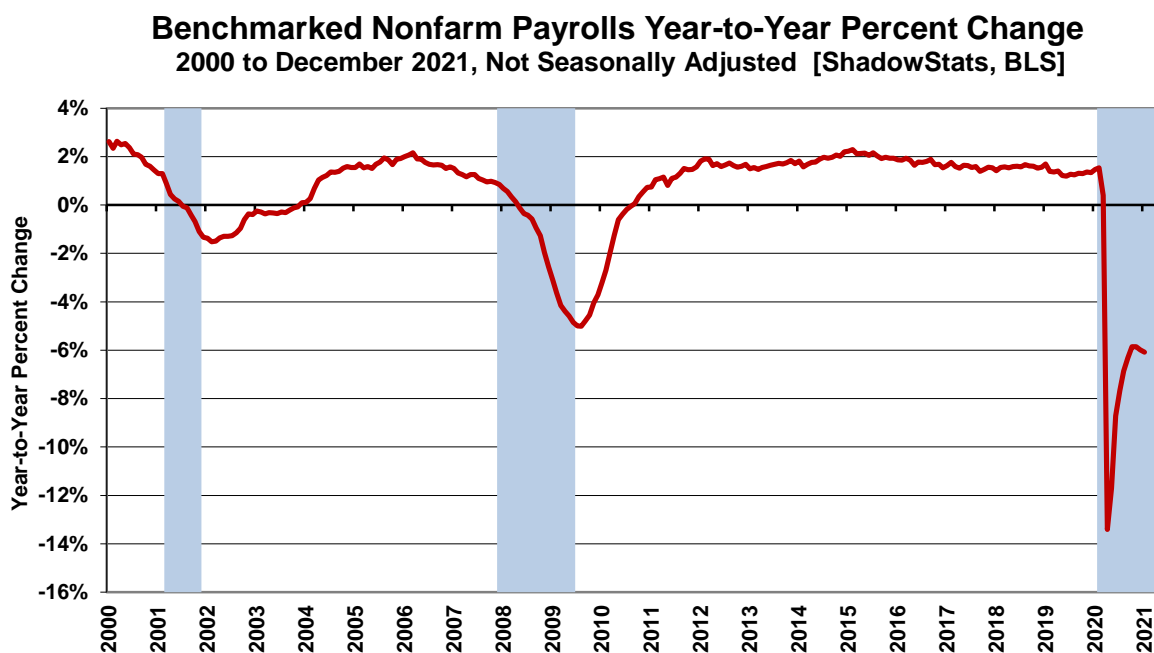
**Graph 2: Total Nonfarm Payroll Employment, Year-to-Year Change (1940 to January 2021)**



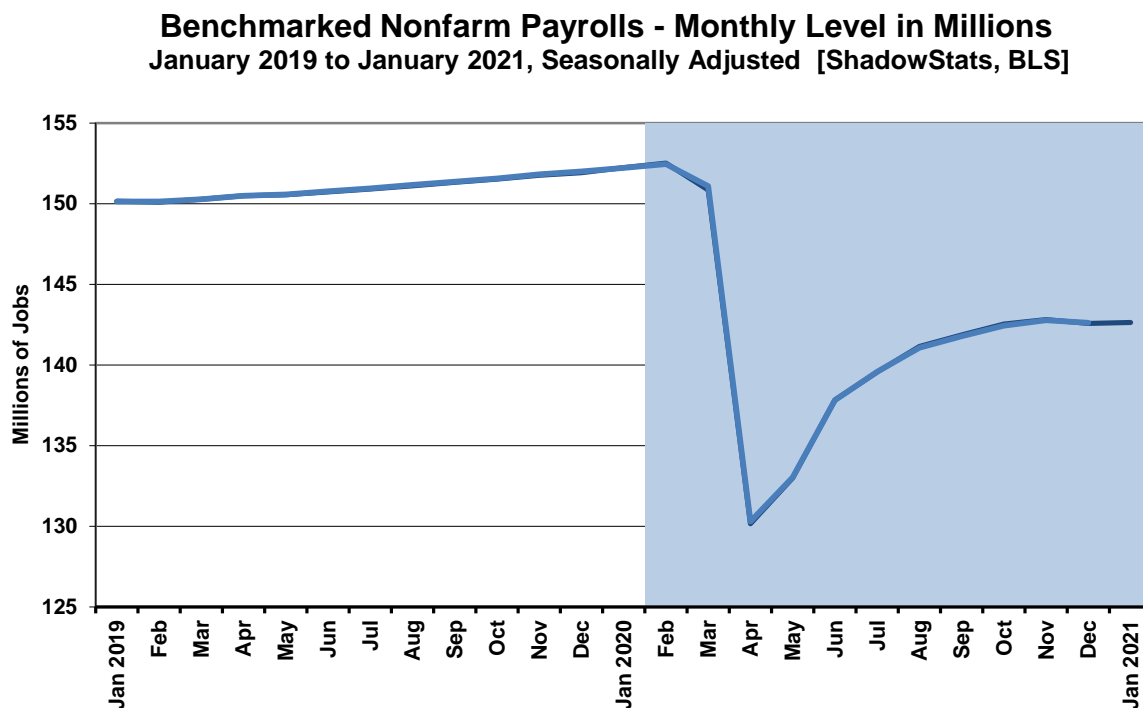
**Graph 3: Total Nonfarm Payroll Employment (2000 to January 2021)**



**Graph 4: Total Nonfarm Payroll Employment, Year-to-Year Change (2000 to January 2021)**

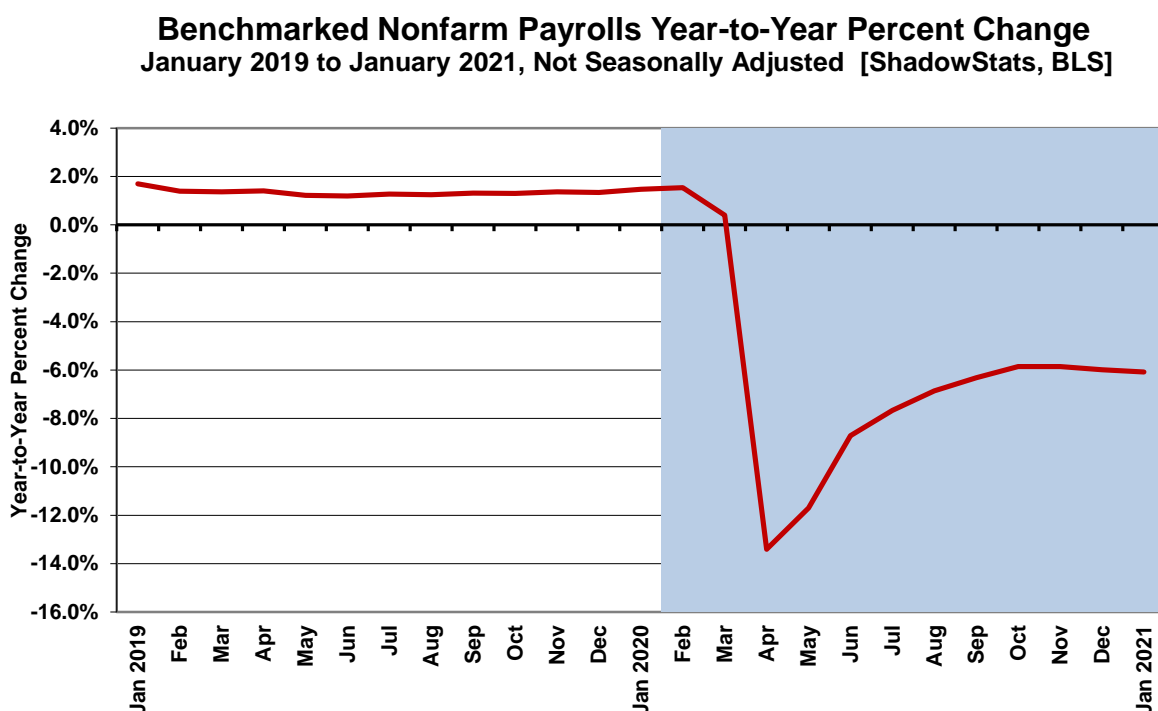


**Graph 5: Payroll Employment (January 2019 to January 2021)**



[See later versions of these short-term graphs vs. GDP, in *Graphs 13 to 16*, beginning on page 20.]

**Graph 6: Payroll Employment, Year-to-Year Change (January 2019 to January 2021)**



## **Traditional Unemployment Versus Pandemic-Driven, Disrupted and Distorted Unemployment**

**Headline January 2021 U.3 Unemployment Dropped to 6.32%, from 6.69%, “Unaffected” by New Population Controls.** The BLS revamped its Population Controls in January 2021, with the effect that given equivalent reporting in December 2020, the Civilian noninstitutional population was reduced by 476,000 (-476,000) people from its prior estimate. The Labor Force was reduced by 200,000 (-200,000), with the number of Employed and Unemployed down respectively by 180,000 (-180,000) and 20,000 (-20,000). The effect was that the headline January 2021 U.3 Unemployment declined to 6.32% from 6.69% in December 2020 [little affected, where it would have been 6.68% with the new headline population controls in effect during December].

**Yet, After Eleven Months, the Bureau of Labor Statistics (BLS) Still Cannot Count the Number of Unemployed, and Its Bookkeeping Is Getting Worse.** Headline U.3 Unemployment remains deep in non-recovery territory. The BLS acknowledged continuing, likely misclassification of some “unemployed” persons as “employed,” in the Household Survey. Where the estimate was an “upside limit” of 952,000 persons in December 2020, the January 2021 upside estimate was an inconsistent 849,000 (it should have been 1.15 million, using a consistent approach)]. The difference would be a potential headline U.3 of 7.0%, instead of today’s headline 6.3%. Broader January 2021 headline U.6 unemployment [including short-term discouraged workers and those employed part-time for economic reasons] eased to 11.1% from 11.7% in December. Including long-term discouraged/ displaced workers, the January 2021 ShadowStats Alternate Measure -- moving on top of U.6 – eased to 25.7%, down from 26.2% in December 2020, having held at 26.3% in November and October. The latest Unemployment Rates have been posted to the *ALTERNATE DATA* on the [www.ShadowStats.com](http://www.ShadowStats.com).

Where a number of these issues, ranging from some Unemployed being “misclassified” as “Employed,” reflected in the usual headline and alternative *Graphs 8 to 10*, to the obvious, substantial “missing” Labor Force reflected in traditional *Graphs 11 and 12*, much of the distortion can be accounted for by Pandemic-driven effects on headline employment and unemployment, as based on separate, special Pandemic-related surveying conducted by the Bureau of Labor Statistics (BLS). Consider the following, before proceeding to the regular “out of whack” *Graphs 8 to 10*.

## **Pandemic-Driven Levels of Current U.S. Unemployment Were Last Seen Before World War II, If Ever**

**COVID-19 Pandemic-Distorted U.3-PD (Pandemic-Driven U.3 Unemployment) Broke Above Great Depression Highs in April 2020 and Stabilized in October 2020 to January 2021 at Levels Not Seen Since Before World War II.** Initially defined by *ShadowStats* in [No. 1453](#), and amongst evolving efforts to refine the estimates in subsequent *Commentaries*, *ShadowStats* has been able to utilize separate surveying by the BLS of monthly Pandemic conditions to put forth a meaningful estimate of a Pandemic-driven “Unemployment” estimate, reflecting underlying economic circumstances, as well as Pandemic-



unique distortions That earlier *ShadowStats* estimation has been upgraded meaningfully and redefined to incorporate and adjust for supplemental data surveyed by the *Bureau of Labor Statistics* (BLS), reported on page 3 of the February 5, 2021 *Employment Situation – January 2021* (available at [bls.gov](https://www.bls.gov)) [ShadowStats brackets]:

### Household Survey Supplemental Data

In January, the share of employed persons who **teleworked because of the coronavirus pandemic** edged down to 23.2 percent [23.7 percent in December, 21.8 percent in November]. These data refer to employed persons who teleworked or worked at home for pay at some point in the last 4 weeks specifically because of the pandemic.

In January, 14.8 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic—that is, they did not work at all or worked fewer hours at some point in the last four weeks due to the pandemic. This measure is 1.1 million lower than in December [15.8 million, 14.8 million November]. Among those who reported in January that they were unable to work because of pandemic-related closures or lost business, 12.7 percent received at least some pay from their employer for the hours not worked, little changed from the previous month.

Among those not in the labor force in January, 4.7 million persons were prevented from looking for work due to the pandemic; this measure is little changed from December [4.8 million, 3.9 million November]. (To be counted as unemployed, by definition, individuals must be either actively looking for work or on temporary layoff.)

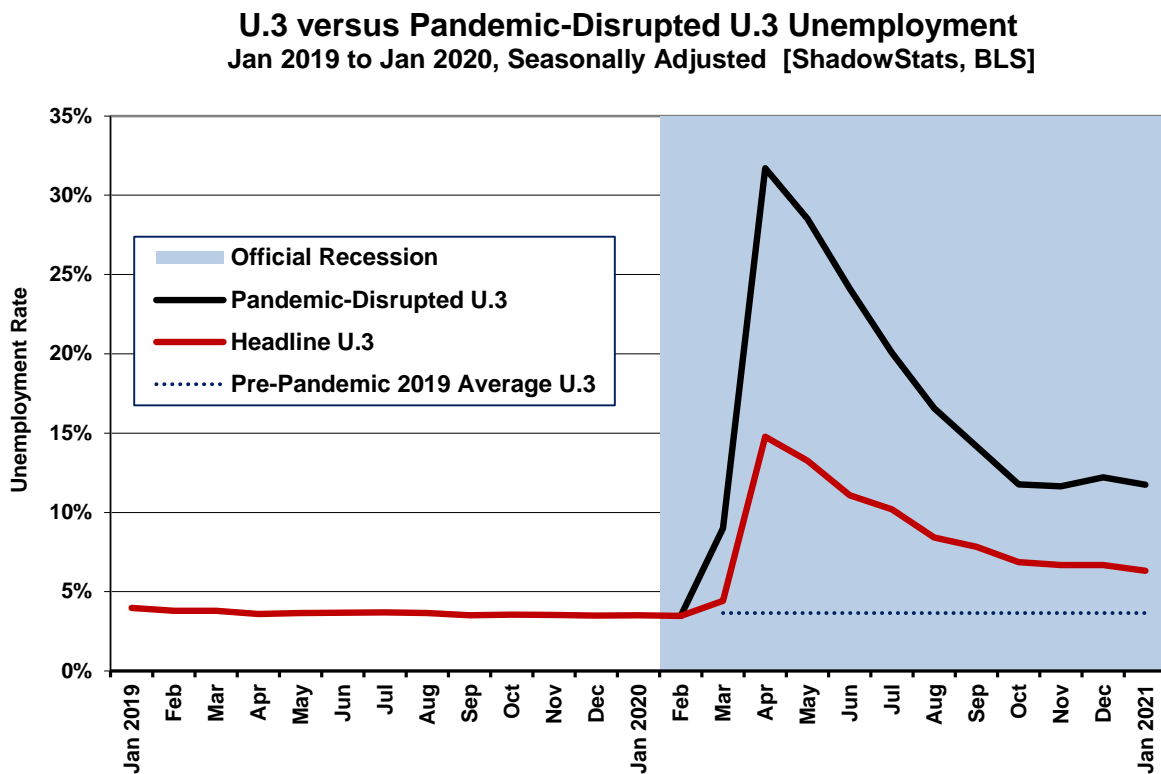
These supplemental data come from questions added to the household survey beginning in May 2020 to help gauge the effects of the pandemic on the labor market. The data are not seasonally adjusted. Tables with estimates from the supplemental questions for all months are available ... [from a link in the earlier referenced *Employment Situation – January 2021*].

Using the available supplemental surveying details back to May 2020, along with previous historical estimation of the Household Survey data, *ShadowStats* has been able to put together a relatively consistent picture for the data out of the Bureau of Labor Statistics (BLS). What *ShadowStats* is looking at here are traditional “Unemployment” definitions modified only as to take “Pandemic” effects as separate from other considerations. For example, where the BLS noted that “To be counted as unemployed, by definition, individuals must be either actively looking for work or on temporary layoff,” *ShadowStats* counted 4.7 million individuals as unemployed because they “were prevented from looking for work due to the pandemic.”

The effect was that headline Pandemic-disrupted unemployment peaked around 32% in April 2021, the highest unemployment rate in modern U.S. economic history, including the Great Depression. Subsequently, the Pandemic-driven unemployment rate has leveled off around 12%, in October 2020 to January 2021, a level that last was seen pre-World War II, outside of the current Pandemic.

Again, the headline detail of this still evolving series is seen in following *Graph 7*, and, again, the new detail in this series corrects for the other issues that were discrepancies highlighted earlier in *Graph 9* versus *Graph 8*, and *Graph 12* versus *Graph 11*. More follows in the pending *Special Benchmark Commentary*.

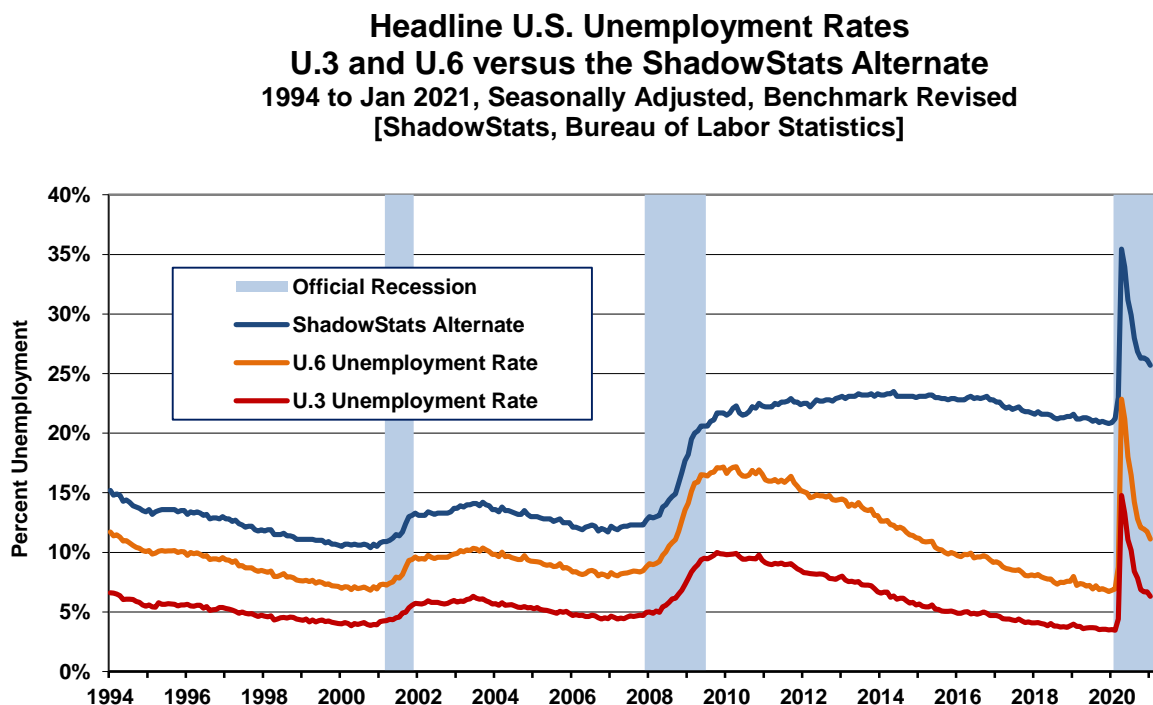
**Graph 7: Headline Unemployment U.3 versus Pandemic Disrupted U.3 (January 2019 to January 2021)**



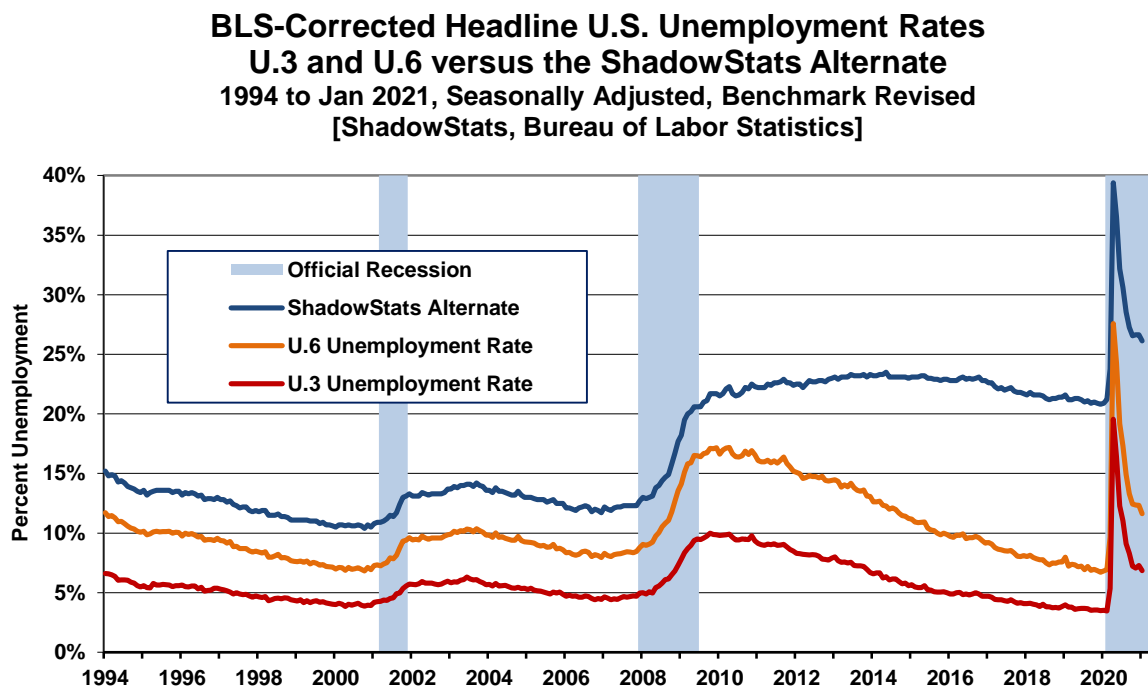
Again, issues raised with *Graphs 8 to 12* largely are resolved in *Graph 7*, including at least partial resolution to unemployed “misclassified” as “employed,” and the missing labor force.

**[Graphs 8 to 12 begin on the next page.]**

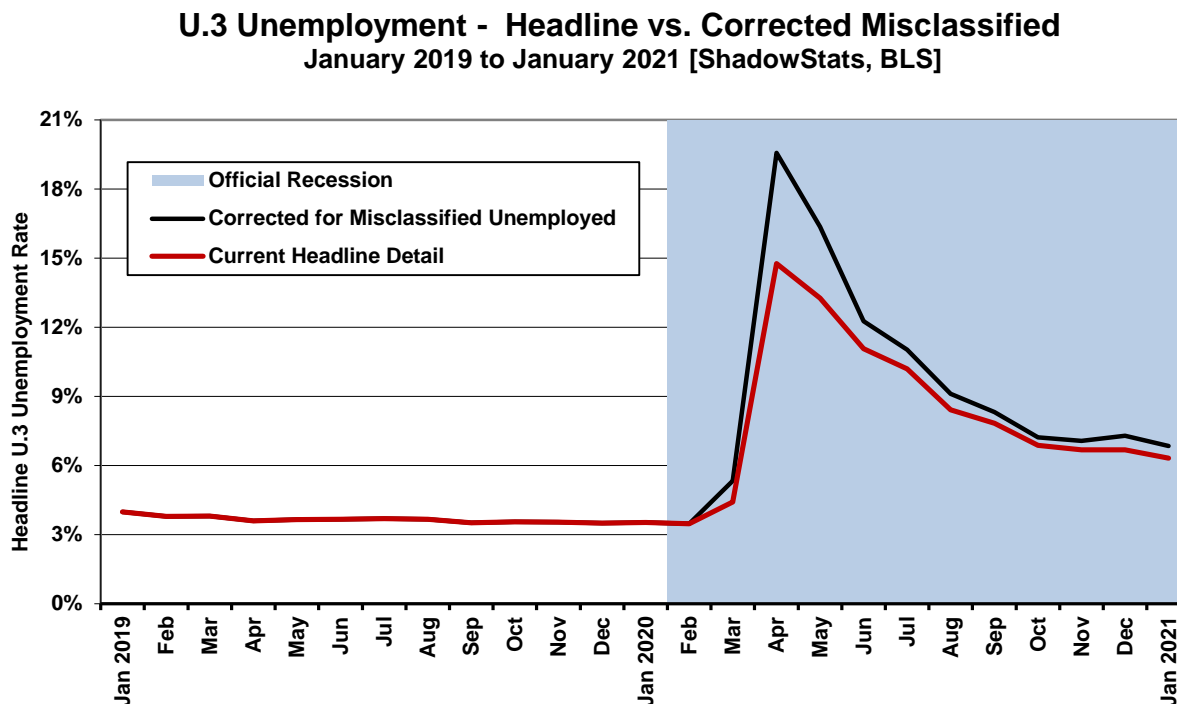
**Graph 8: Headline Unemployment Rates, Full History Current Series (1994 to January 2021)**



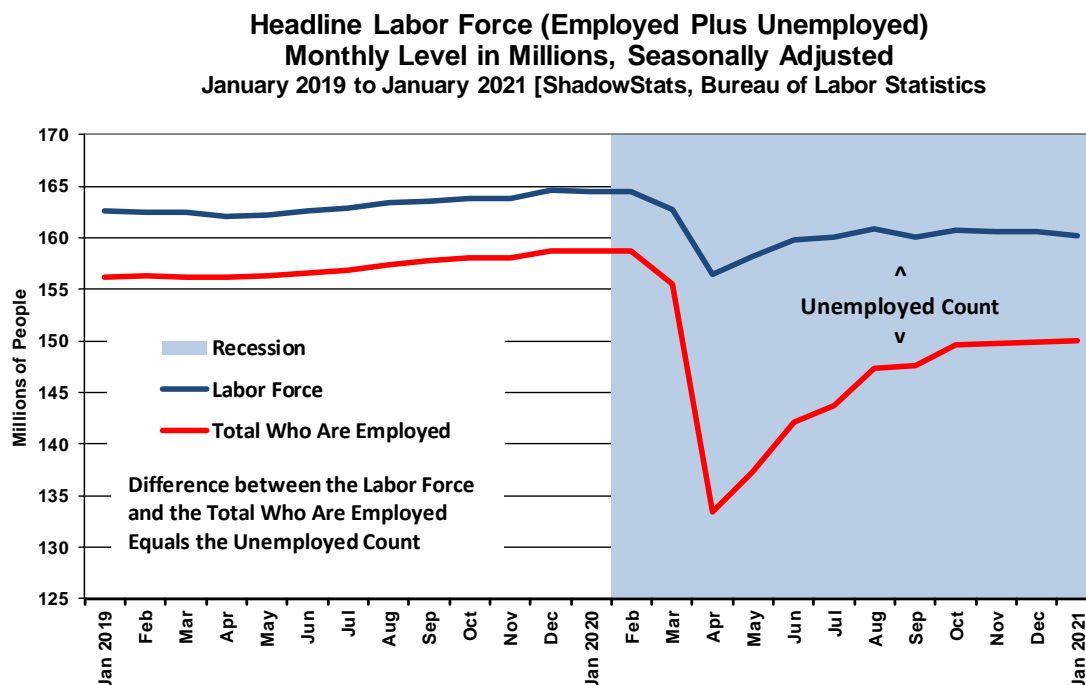
**Graph 9: Unemployment (1994 to Jan 2021) – Pandemic-Disrupted "Misclassified" Unemployed**



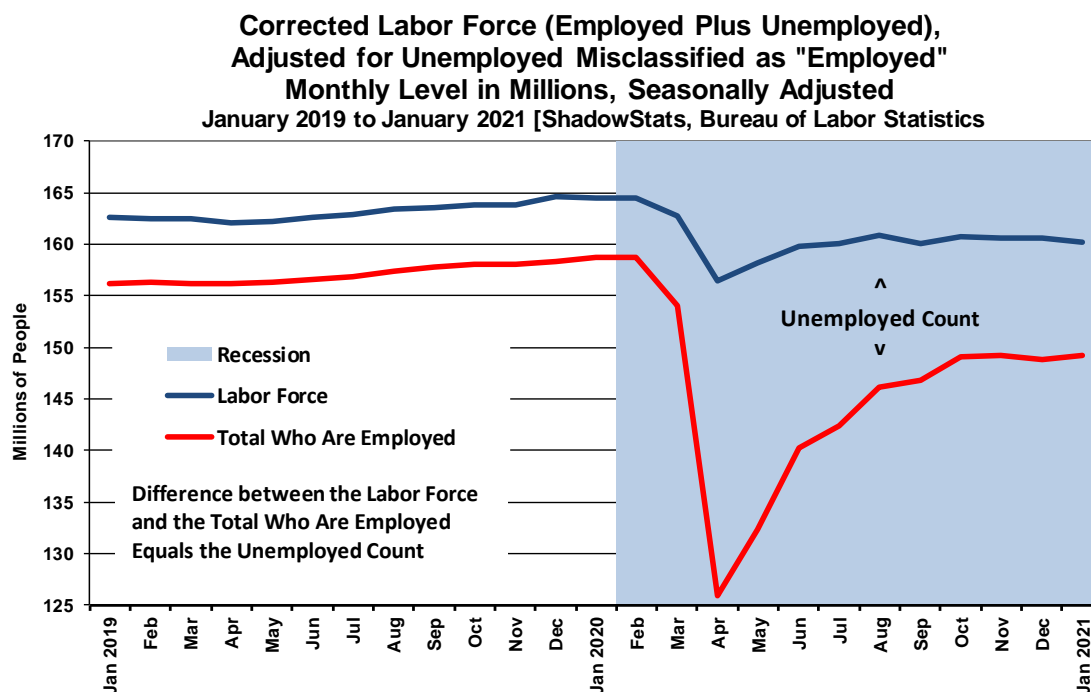
**Graph 10: Unemployment Rates (January 2019 to January 2021) – Headline vs. Corrected U.3**



**Graph 11: Headline Labor Force, and Missing Unemployed, January 2019 to January 2021**



**Graph 12: Headline Labor Force, and "Misclassified" Missing Unemployed, January 2019 to January 2021**



## Latest Employment and Unemployment Numbers Signal an Unfolding Flat-to-Downside Trend for First-Quarter 2021 GDP

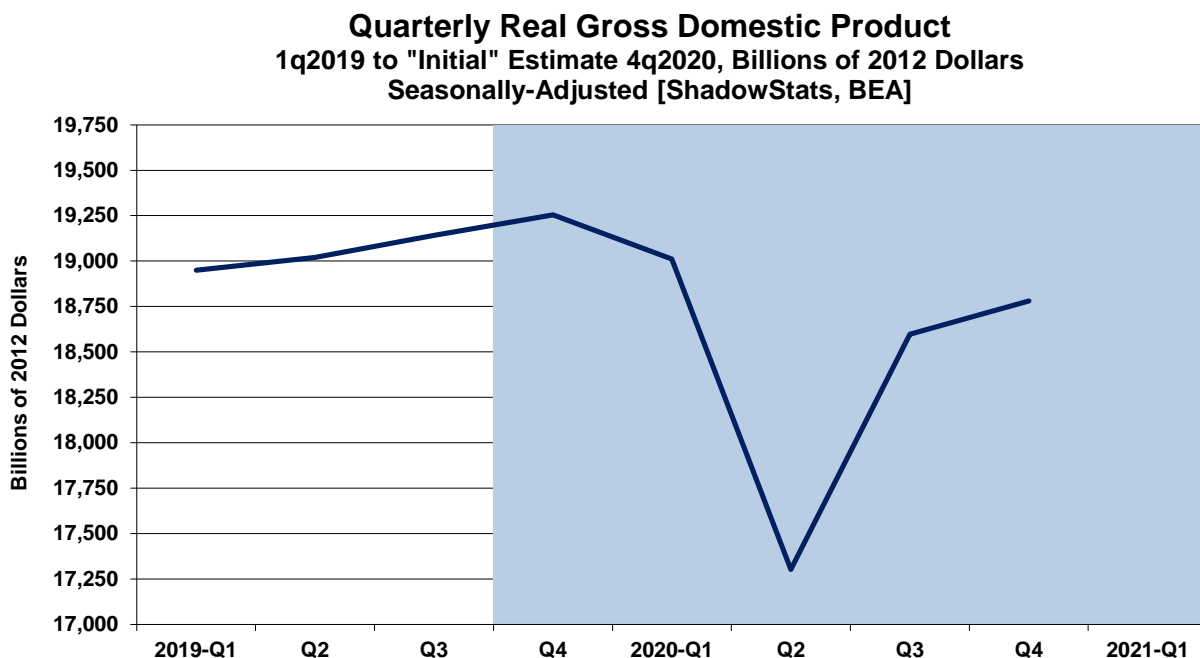
**January 2021 Payroll and Unemployment Numbers Give an Early Signal for a Weakening First-Quarter 2021 GDP.** Updated from [Issue No. 1456](#) (page 13 there), consider the following **Graphs 13** and **15** of the GDP through initial Fourth-Quarter 2020 reporting. Aside from the GDP, coincident Payroll Employment is the broadest indicator of domestic economic activity, followed by the headline Unemployment Rate. With just-reported January Payrolls and Unemployment in hand (**Graphs 14**, and **16** and **17**), some comparisons provide a very early indication of pending First-Quarter 2021 GDP activity.

Keep in mind that the GDP graphs are on quarterly basis, with an empty space for the First-Quarter GDP 2021 plot. The Employment and Unemployment graphs are on monthly basis, with January 2021 values plotted, but the not-yet published February and March 2021 values (needed to complete the full First-Quarter 2021) are blank. Again, see **Graphs 13** to **17**, beginning here on the next page 20.

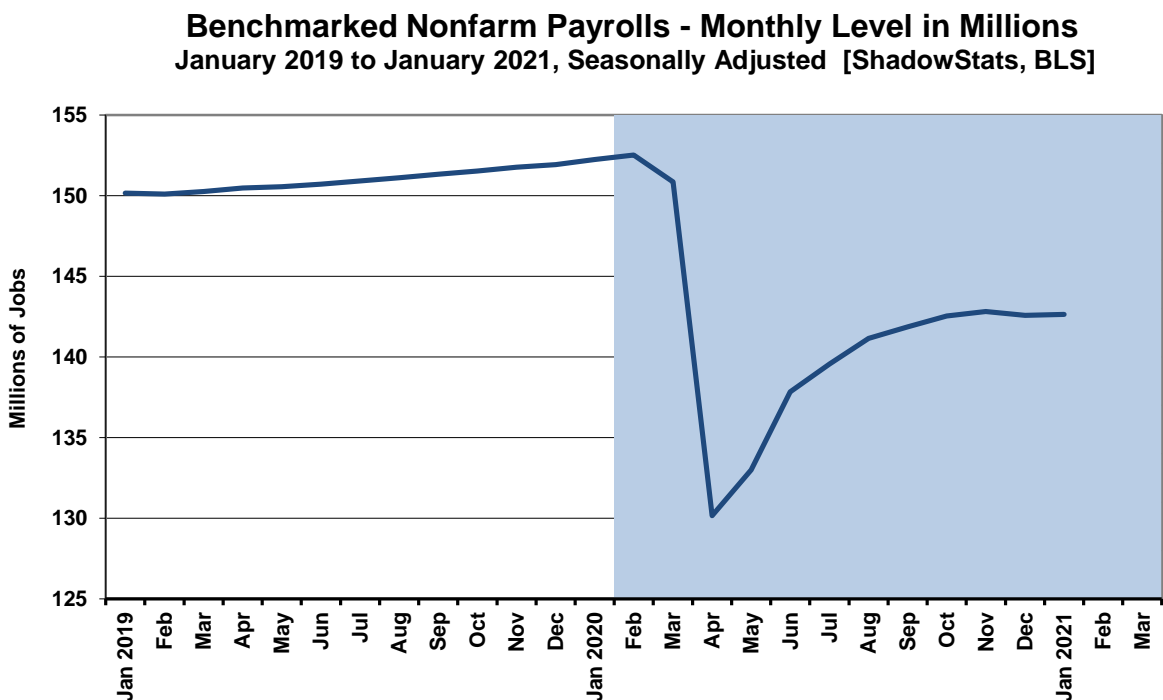
The suggestion from those labor-conditions plots is that pending First-Quarter 2021 is on early track for a flat- to downside-move in the current relative quarter-to-quarter activity.

**[Graphs 13 to 17 begin on the next page.]**

**Graph 13: Real Gross Domestic Product – GDP (1q2019 to 4q2020 [1q2021 pending])**

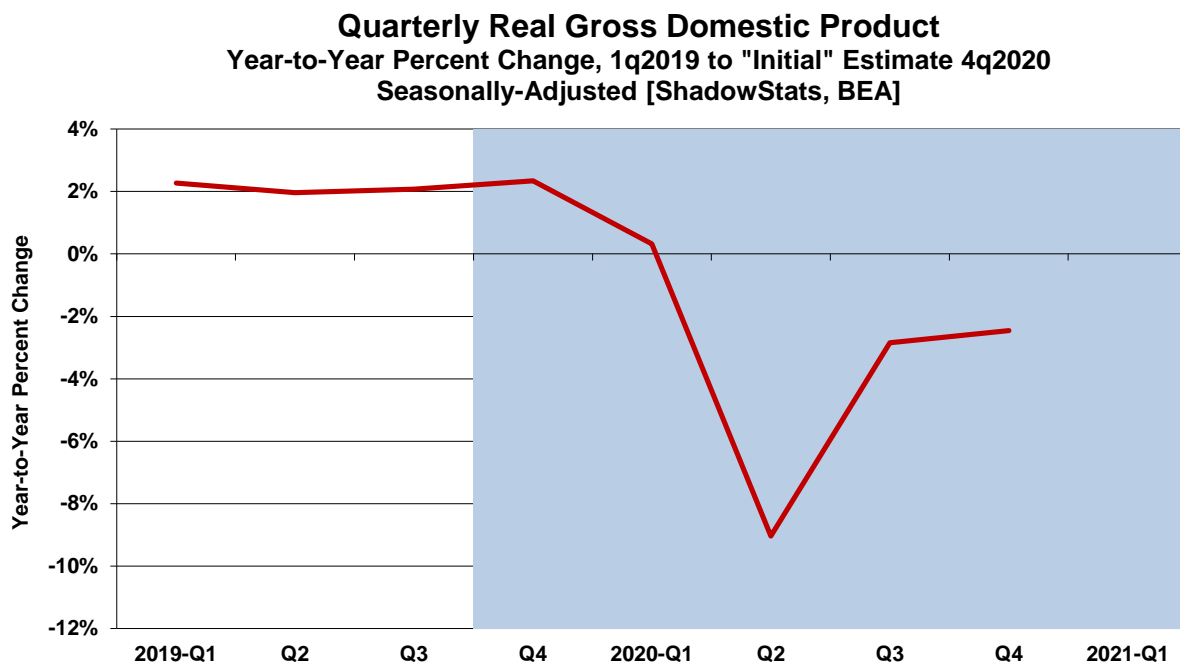


**Graph 14: Payroll Employment (January 2019 to January 2021 [February and March 2021 Pending])**

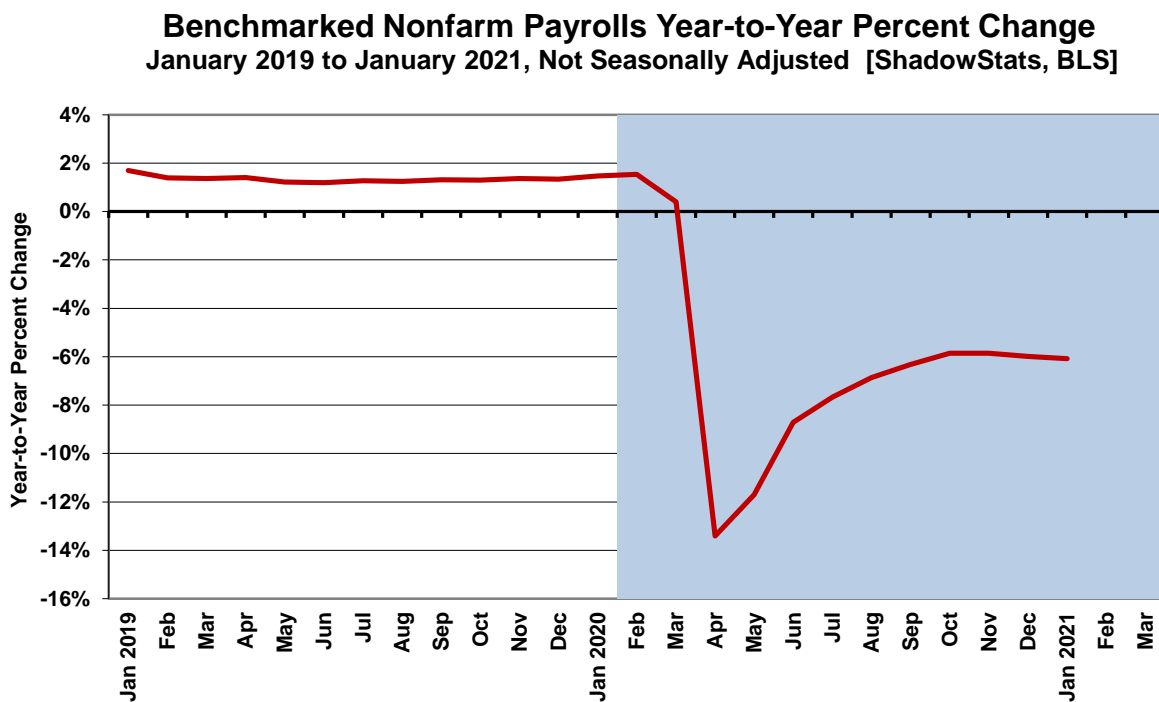




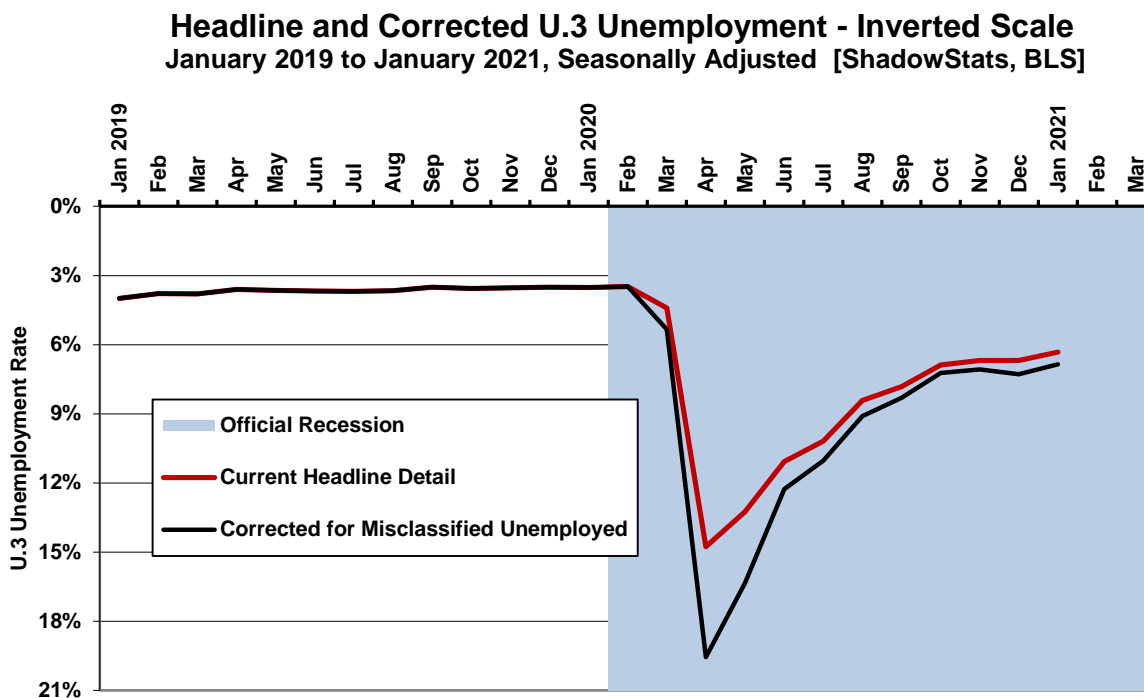
**Graph 15: Real Gross Domestic Product, Year-to-Year Change (1q2019 to 4q2020)**



**Graph 16: Payroll Employment, Yr-to-Yr Change (Jan 2019 to Jan 2021 [Feb and Mar 2021 Pending])**



**Graph 17: Unemployment Rate (Jan 2019 to Jan 2021 [Feb and Mar 2021 Pending]) – Headline vs. Corrected**



[Section 2 – December 2020 Merchandise Trade Deficit coverage begins on the next page]

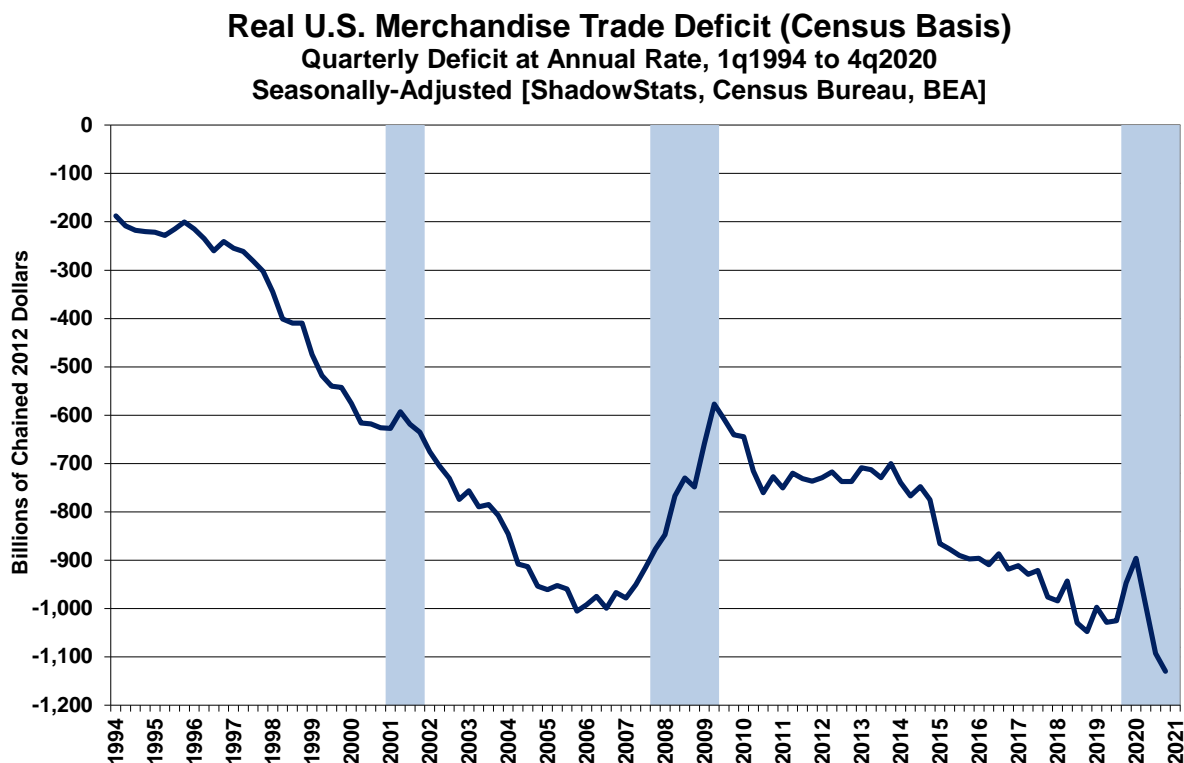
## **Section 2 – Record Real Quarterly and Annual Merchandise Trade Deficits Confirmed**

**Amidst Deepening, Negative Revisions and Headline December 2020 Detail, the Fourth-Quarter and Annual 2020 Real Merchandise Trade Deficits Were the Deepest in history.** Reported February 5th by the Census Bureau and Bureau of Economic Analysis, with some negative revision implications for the second estimate of Fourth-Quarter 2020 GDP, the seasonally- and inflation-adjusted December 2020 Real Merchandise Trade Deficit of \$94.807 billion was second only to November's revised \$97.248 [previously \$96.540] billion as the worst-ever monthly shortfall (see *Graph 18* on the next page.).

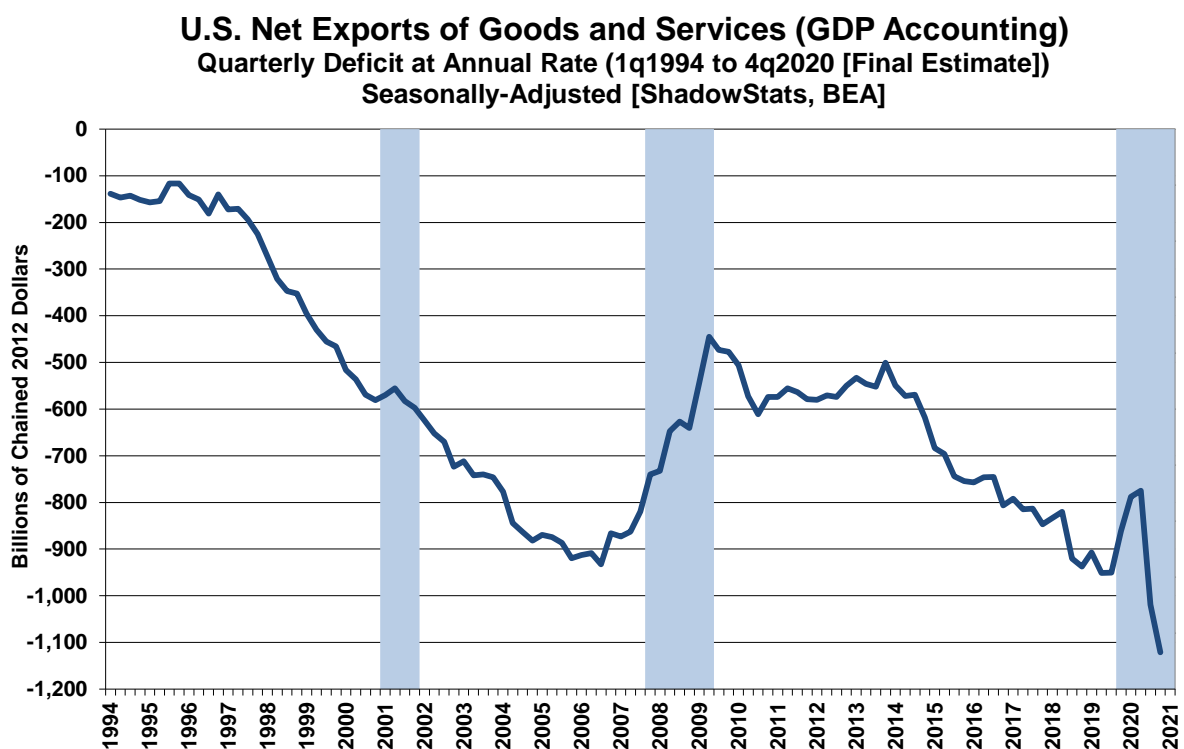
That locked in the full-year and Fourth-Quarter 2020 Merchandise Trade Deficits as the deepest in modern U.S. history. The broad historical circumstance (record quarterly and annual deficits) for the Net Exports account of the GDP (since 1929) was just reviewed in [\*Issue No. 1456\*](#) (*Graph 19* is a plot of the comparative Net Exports shown in *No. 1456* in the section beginning there on page 17.

**[Graphs 18 and 19 of the Quarterly Trade and Net Export Deficits follow on the next page]**

**Graph 18: U.S. Real Merchandise Trade Deficit (First-Quarter 1994 to Fourth-Quarter 2020)**



**Graph 19: Real U.S. Net Exports (First-Quarter 1994 to Fourth-Quarter 2020 – GDP Accounting)**



**[Section 3 – Coverage of December 2020 Construction Spending begins on the next page]**

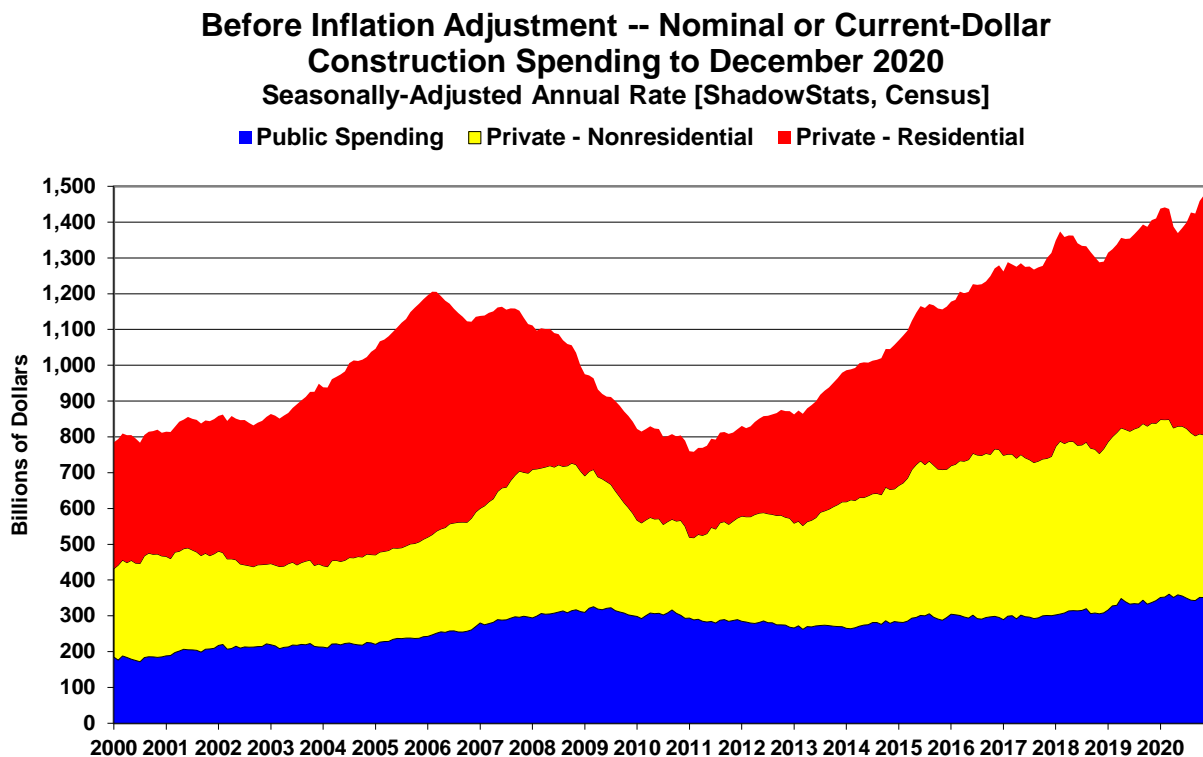
## Section 3 – Construction Spending, December 2020

**Dominant Residential Construction Spending continued to surge in December 2020, on top of prior period upside revisions.** As reported February 1st by the Census Bureau, renewed strength in upside revisions to Residential Construction dominated the December 2020 Nominal Aggregate Construction Spending year-to-year gain of 5.7%, which was up from a revised 5.0% [previously 3.8%] gain in November, and against an upwardly revised 5.2% [previously 4.3%, initially 3.7%] in October and against 2.2% in September.

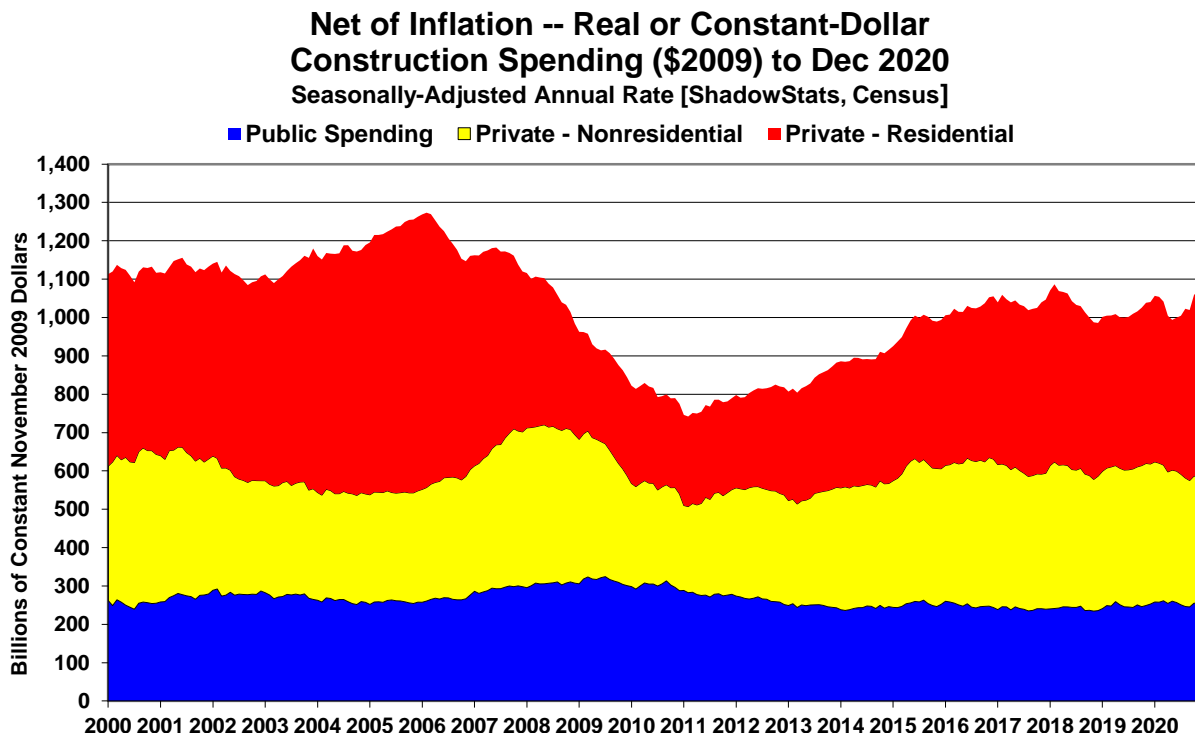
Yet, as discussed in [\*Issue No. 1456\*](#) (see page 24 there), Fourth-Quarter 2020 New-Home Sales contracted at an annualized quarterly pace of 35.3% (-35.3%), following respective annualized gains of 268.7% and 1.1% Third- and Second-Quarter 2020, and an annualized decline of 5.7% (-5.7%) in First-Quarter 2020. In contrast, inflation-adjusted Real Private Residential Construction Spending, gained at an annualized quarterly paces of 58.9% and 37.9% in Fourth- and Third-Quarter 2020, declined by 26.1% (-26.1%) in the Second-Quarter and gained by 8.2% in First-Quarter 2020. Both Private and Public Residential Construction gained in the month, with Nonresidential Construction declining in both sectors.

**[Graphs 20 to 23 of Construction Spending follow on the next page.]**

**Graph 20: Nominal Construction Spending (2000 to 2020)**

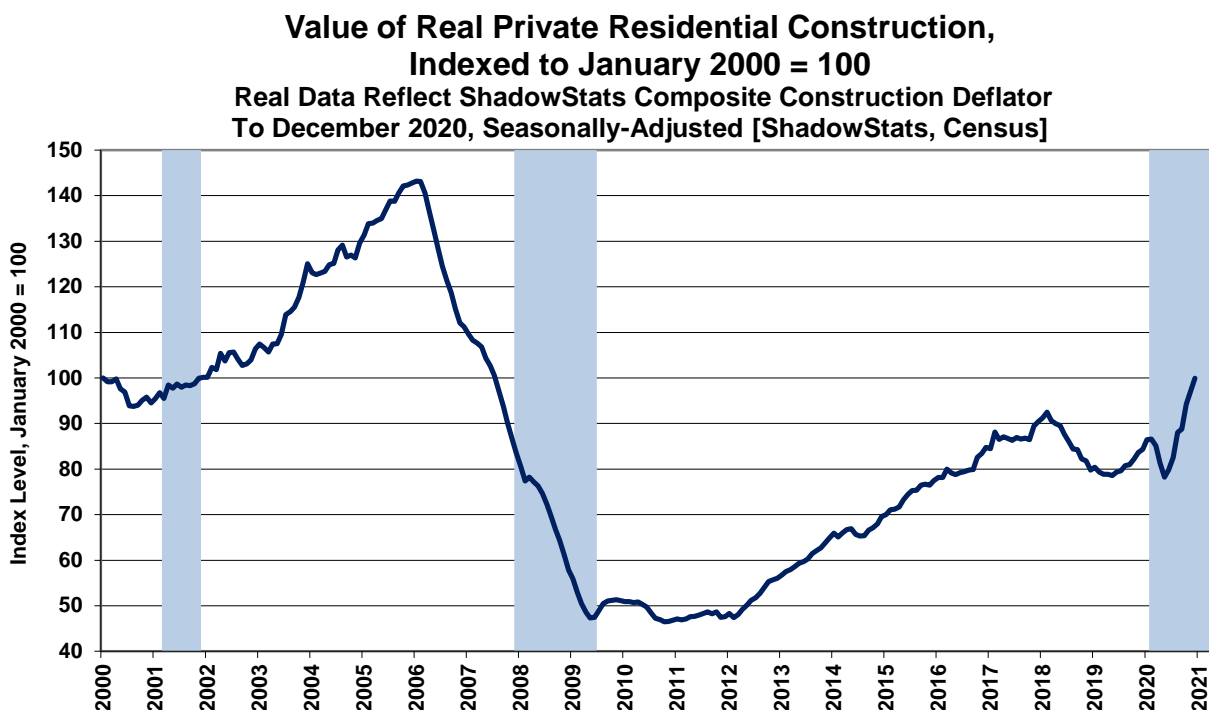


**Graph 21: Real Construction Spending (2000 to 2020)**

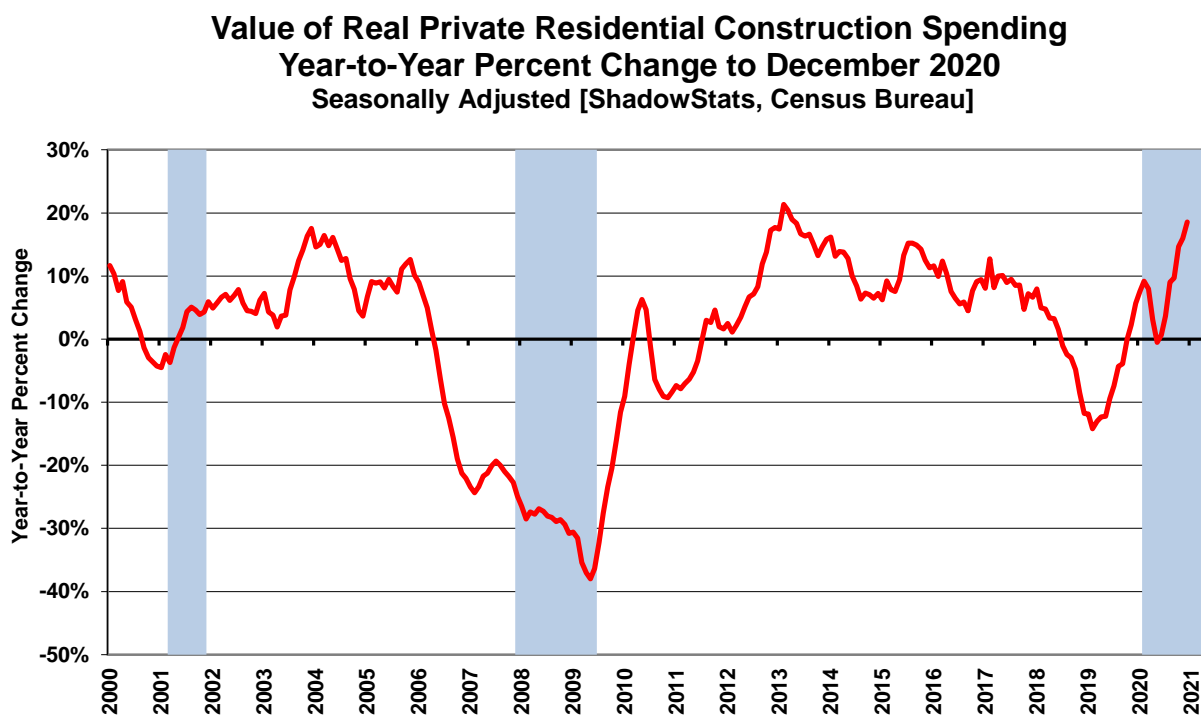




**Graph 22: Value of Real Private Residential Construction, Indexed to January 2000 = 100 (2000 to 2020)**



**Graph 23: Value of Real Private Residential Construction, Year-to-Year Percent Change (2000 to 2020)**



**[Section 4 – Coverage of the January 2021 Consumer Price Index begins on the next page.]**

## Section 4 – January 2021 Consumer Price Index

### Amidst Surging Oil Prices, Annual CPI-U Inflation Hit 10-Month High of 1.4%

**Spiked by a Seasonally Adjusted 7.4% Monthly Jump in Gasoline Prices, January CPI Inflation Gained the Expected 0.3%, on top of a Downwardly Revised 0.2% Gain in December.** Reported February 10th by the Bureau of Labor Statistics (BLS), annual January 2021 CPI-U inflation gained 1.4%, unchanged at the first decimal point against 1.4% in December 2020, held back by slowing annual Food and “Core” inflation, despite surging Gasoline and Energy Prices.

In context of regular January revisions to the last five years of seasonally adjusted CPI history (the unadjusted series never is revised), January 2021 CPI-U gained 0.26% (adjusted) in the month, 1.40% (unadjusted) year-to-year, following a downwardly revised monthly gain in December of 0.24% [previously 0.37%], and an unrevised annual gain of 1.36%.

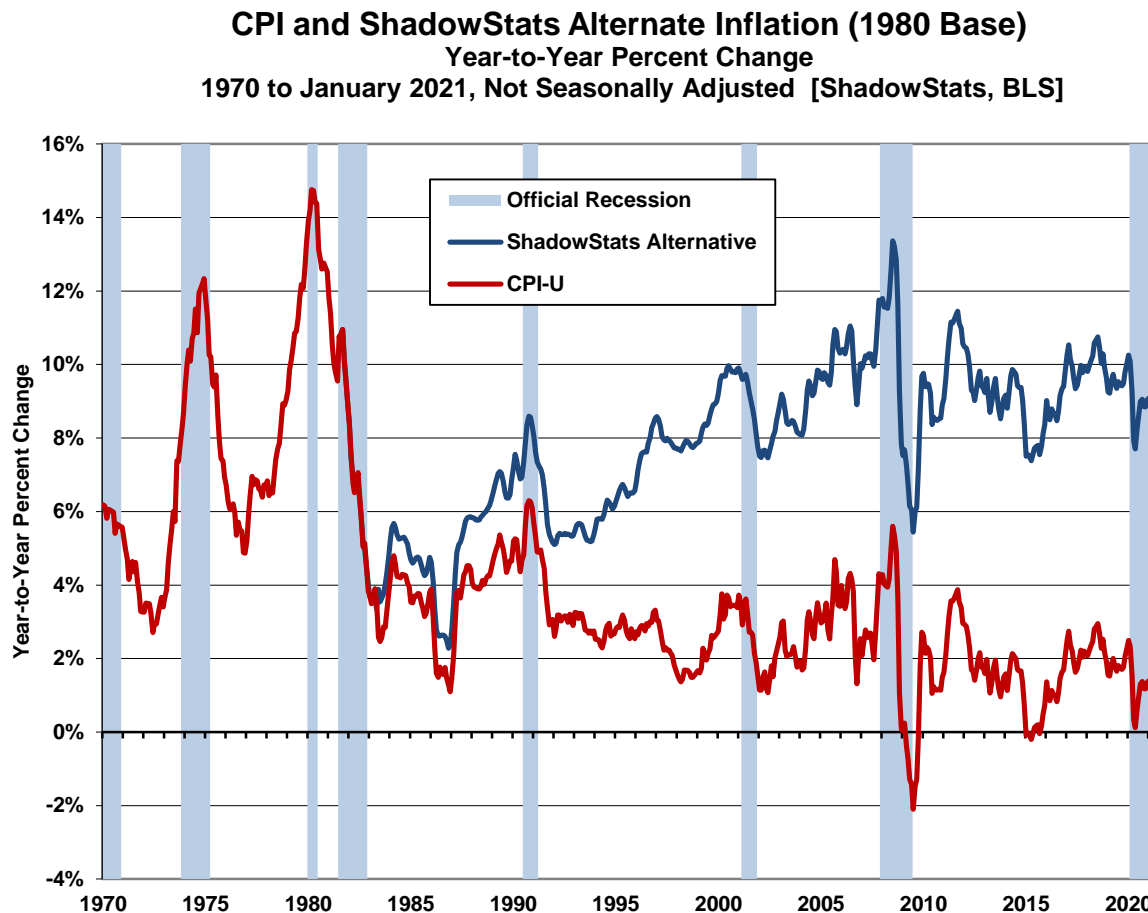
With the revised seasonals, annualized Fourth-Quarter 2020 CPI-U revised from 2.2% to 2.4%, with Third-Quarter 2020 revising from 5.2% to 4.7%. Reflecting an unadjusted and unrevised monthly surge of 6.9% in January 2021 Gasoline prices, the year-to-year decline in prices narrowed to 8.6% (-8.6%), from 15.2% (-15.2%) in December 2020, and to 3.6% (-3.6%) in January 2021, from 7.0% (-7.0%) for the full Energy Sector inflation, boosting relative month-to-month CPI inflation.

In contrast, the unadjusted January 2021 year-to-year inflation gains in the Food and “Core” (ex-Food and Energy) Sectors declined respectively from 3.9% to 3.8% and from 1.6% to 1.4%, softening headline CPI inflation.

**The January 2021 ShadowStats Alternate CPI (1980 Base) increased 9.2% year-to-year, up from 9.0% in December 2020, 8.8% in November and against 8.9% in October.** Plotted in *Graph 23*, on the next page, the ShadowStats Alternate CPI-U estimate restates current headline inflation so as to reverse the government’s inflation-reducing gimmicks of the last four decades, which were designed specifically to reduce/understate COLAs. Related graphs and methodology are available to all on the updated [ALTERNATE DATA](#) tab on the [www.ShadowStats.com](http://www.ShadowStats.com) home page, along with data downloads and an [Inflation Calculator](#).

**[Graph 24 follows on the next page.]**

**Graph 24: Headline CPI-U versus ShadowStats Alternate Inflation, (1970 to January 2021)**



**[Section 5 – January 2021 Money Supply Coverage begins on the next page.]**

## Section 5 – January 2021 Money Supply

### Record Monthly Annual Growth in January 2021 Money Supply M1 and M2

### Nominal Dollar Levels of M1, M2 and ShadowStats Ongoing M3 Hit Historic Peaks

### Annual Growth Rebounds in the January 2021 Monetary Base and Cash in Circulation

### Cash in Circulation Nears Its December 1999 All-Time High Annual Growth, Which Was Tied To Fears of Y2K Disruptions, Not To a Faltering Economy

**In Context of 2000 Annual Benchmark Revisions, U.S. Money Supply Year-to-Year Growth Continued to Explode in January 2021, Setting Record Highs for Both M1 and M2.** Based on the Federal Reserve Board's February 11th H.6 Money Stock Measures Press Release, and in the context of downside benchmark revisions since mid-2020 and historic benchmarking going back before the Fed ceased publishing M3 in 2006, seasonally adjusted year-to-year growth in January 2021 Money Supply M1 soared year-to-year by an unprecedented 69.7%, up from the prior record monthly-average annual growth of a downwardly revised 64.3% [previously 66.5%] in December 2020. The headline monthly January 2021 Money Supply detail and accompanying annual benchmark revisions, including the *ShadowStats Ongoing M3 estimate* are posted on the [ALTERNATE DATA](#) tab at [www.ShadowStats.com](http://www.ShadowStats.com).

**M2 annual growth also hit a record high of 25.8%, up from a downwardly revised prior record 24.6% [previously 25.4%] in December 2020.** Where the 2020 annual average M1 revised lower by 0.3% (-0.3%), on top of a 0.1% (-0.1%) downside revision to the 2019 annual average M1, the bulk of the downside revisions were in July 2020 and after. That said, the monthly patterns of growth and the monetary implications did not shift at all. The Federal Reserve's unrestrained monetary expansion has continued, with annual growth and dollar levels in January 2021 M1 and M2 hitting historic highs. Year-to-year change in the ShadowStats Ongoing M3 estimate for January 2021 rose to 22.1% from 21.5% [previously 22.1%] in December 2020, still off its record annual growth of 25.9% in June 2020, yet it set a new historic high in dollar terms. In M1 versus M2 versus M3, stronger relative annual growth is seen in the relatively more-liquid Money Supply measure (see *Graphs 25 to 32*).

**Annual Growth Jumped in the Monetary Base and Currency in Circulation.** One of the Fed's stated goals here is to spike inflation. Indeed, targeted at boosting headline inflation, annual growth in the not-benchmarked FOMC-controlled Monetary Base bounced higher to 52.4% in January 2021, from 52.0% in December 2020 versus 53.6% in November, still off an interim near-term low of 44.2% in July, having peaked earlier at 58.7% in May 2020, as part of the Fed's initial Pandemic monetary stimulus. Separately, unadjusted annual growth in January 2021 Currency in Circulation (part of the Monetary Base) increased to 16.5%, up from 15.3% in December, having held at 15.2% for two months before.

January 2021 annual growth was just 1.0% shy of breaking the historic peak growth of 17.5% in December 1999, which reflected Alan Greenspan's extraordinary Y2K precautionary cash build-up, not an otherwise collapsing economy (see **Graphs 33 to 36** (pages 36 to 37)).

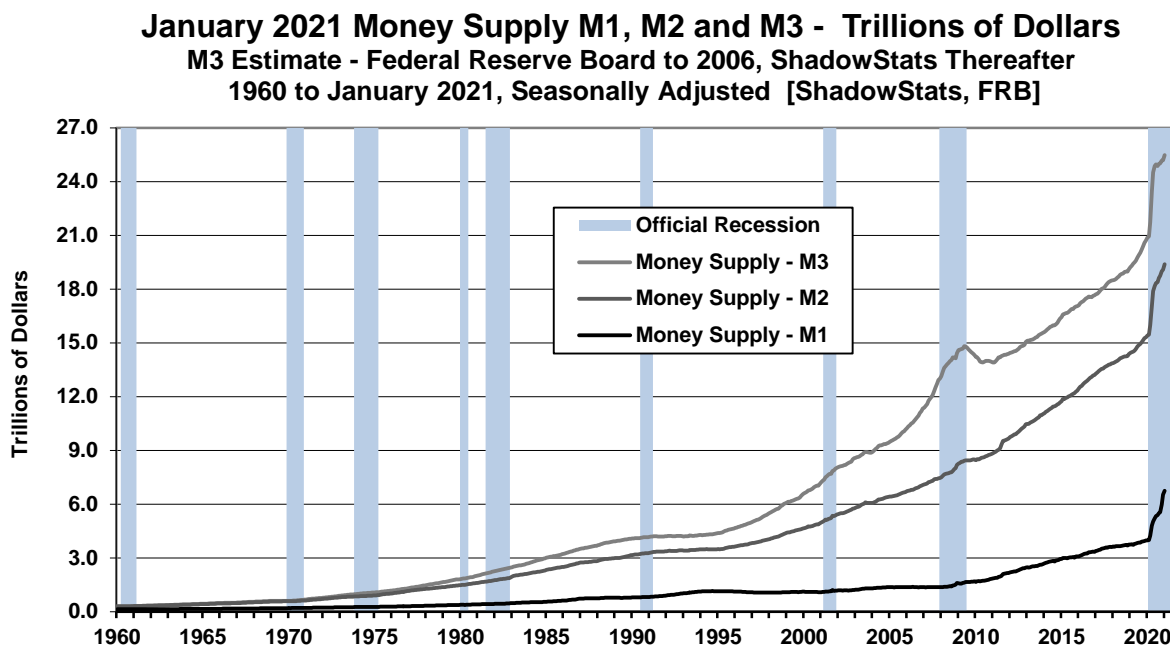
**Federal Reserve Games being played with its Money Supply Reporting and Redefinitions Go Into Effect on February 23rd.** Discussed previously in [Issue No. 1454](#) and [Issue No. 1455](#) liquidity-strapped Consumers and Businesses have been moving out of Savings (formerly not in existing M1) into Cash and Checking accounts. The Fed has redefined M1 to include Savings, which minimizes the apparent headline flow of Cash from M2 to M1. **Graphs 37 and 38** on page 38 show those M1 and M2 numbers they appear, first as they are defined currently (**Graph 37**), and second as they will appear going forward (**Graph 37**), when the Fed begins to report the new series on February 23, 2021.

**Systemic turmoil is just beginning, with both the Federal Reserve and U.S. Government still driving uncontrolled Monetary and Fiscal Stimulus.** Previously discussed, continued extraordinary Monetary and Fiscal Stimulus will be needed into 2022, irrespective of the nature of new COVID-19 vaccines and treatments, and as likely will be expanded massively under the Biden Administration, where extreme fiscal-deficit spending and stimulus already are promised. Accelerated Hyperinflation risk should follow. Discussions on the inflation threat and re-accelerating money growth, as discussed in [Special Hyperinflation Commentary, Issue No. 1438](#), with a fully updated and expanded review pending in the *Special Benchmark Economic Commentary*.

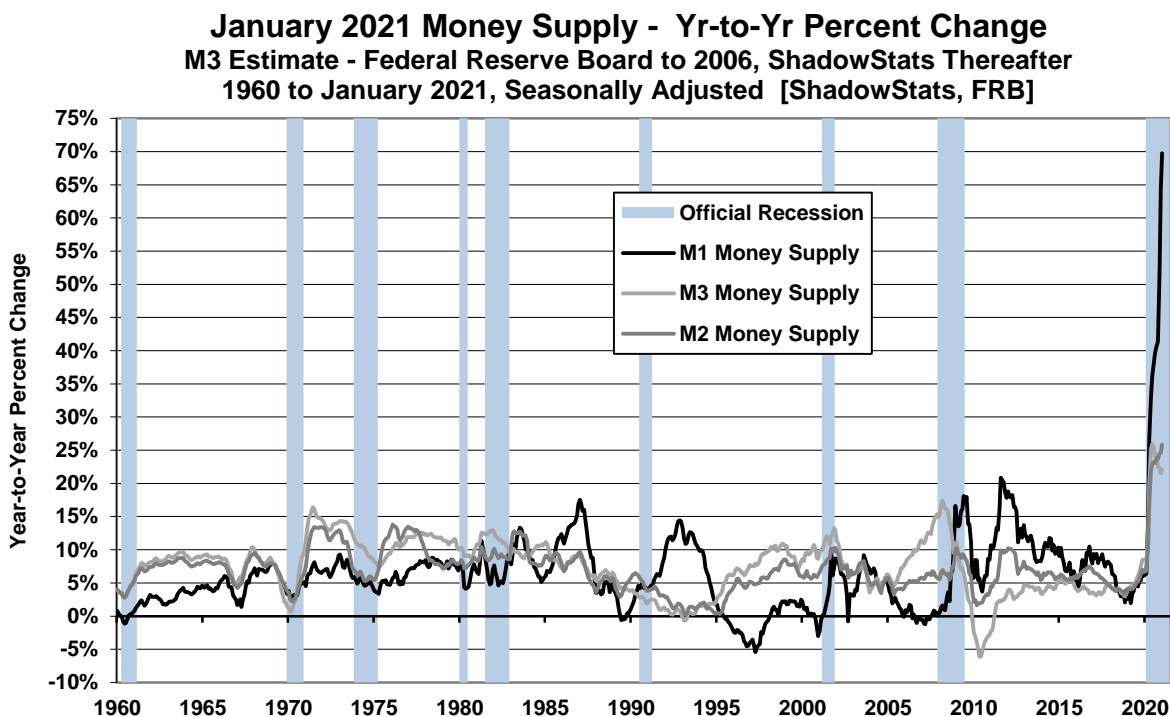
**[Graphs 25 to 36 of the Traditional Money Supply and Related Numbers begin on the next page.]**

**[Graphs 37 and 38 of Pending Money Supply M1 Redefinition follow immediately thereafter.]**

**Graph 25: Traditional Money Supply M1, M2 and M3 (1960 to January 2021)**

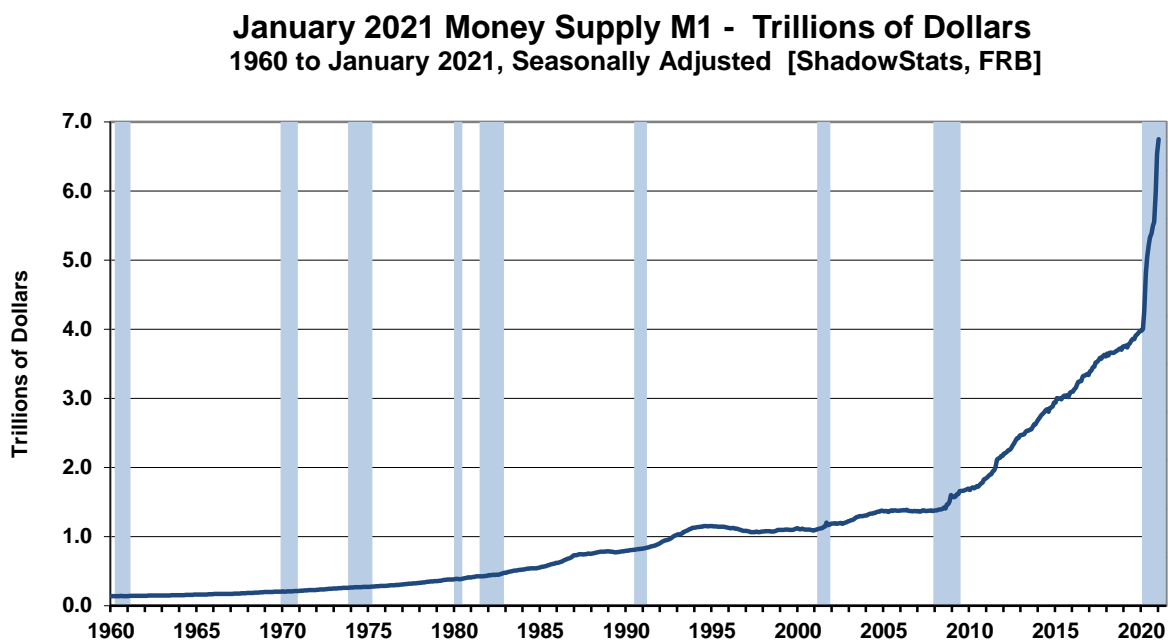


**Graph 26: Traditional M1, M2 and ShadowStats M3, Yr-to-Yr Change (1960 to January 2021)**

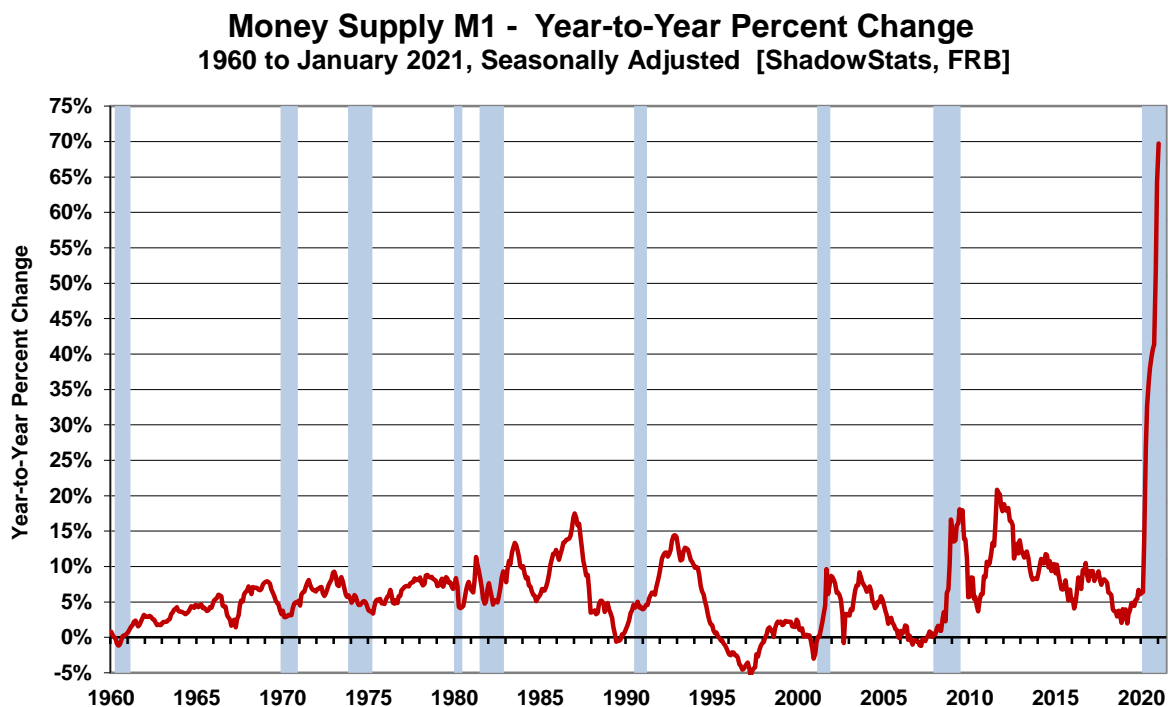




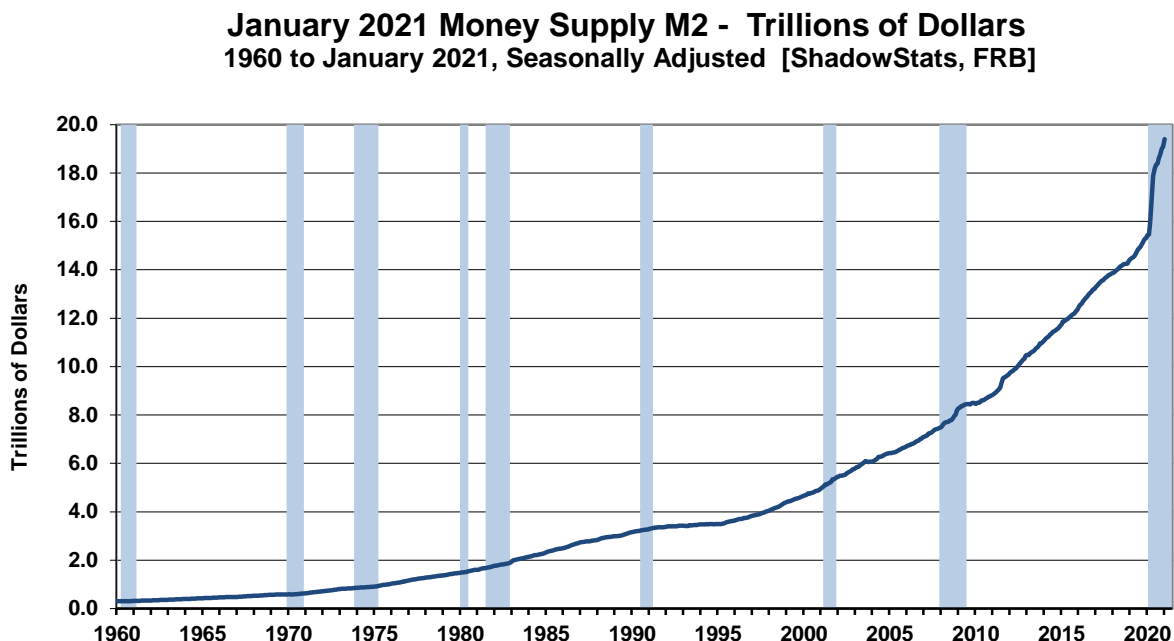
**Graph 27: Traditional Money Supply M1 (1960 to January 2021)**



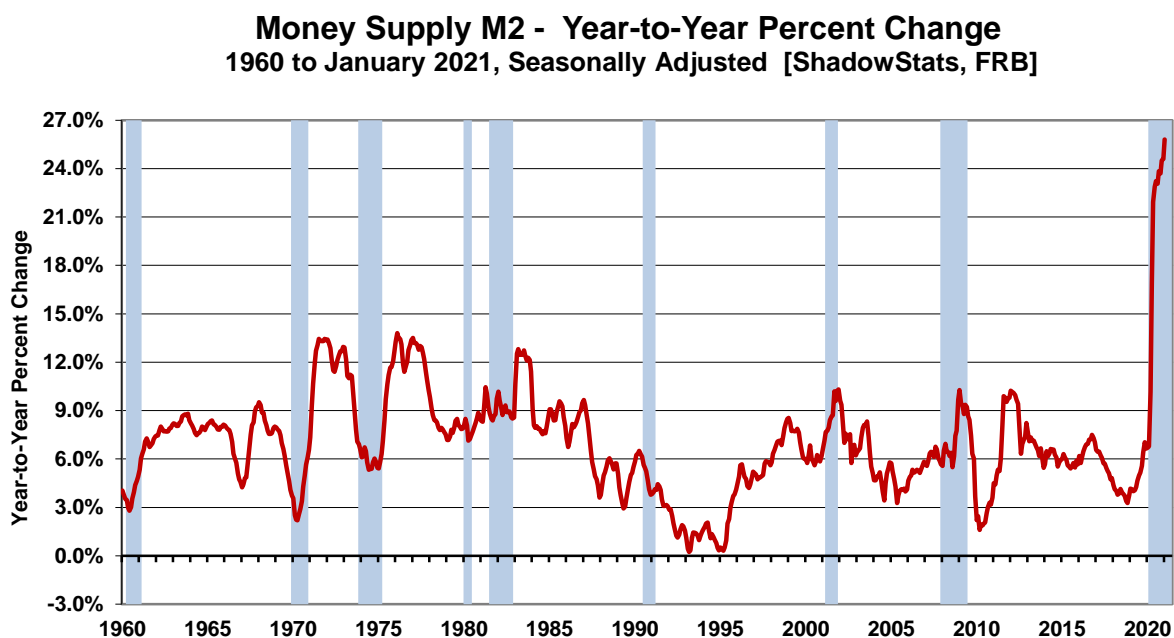
**Graph 28: Traditional Money Supply M1 Year-to-Year Change (1960 to January 2021)**



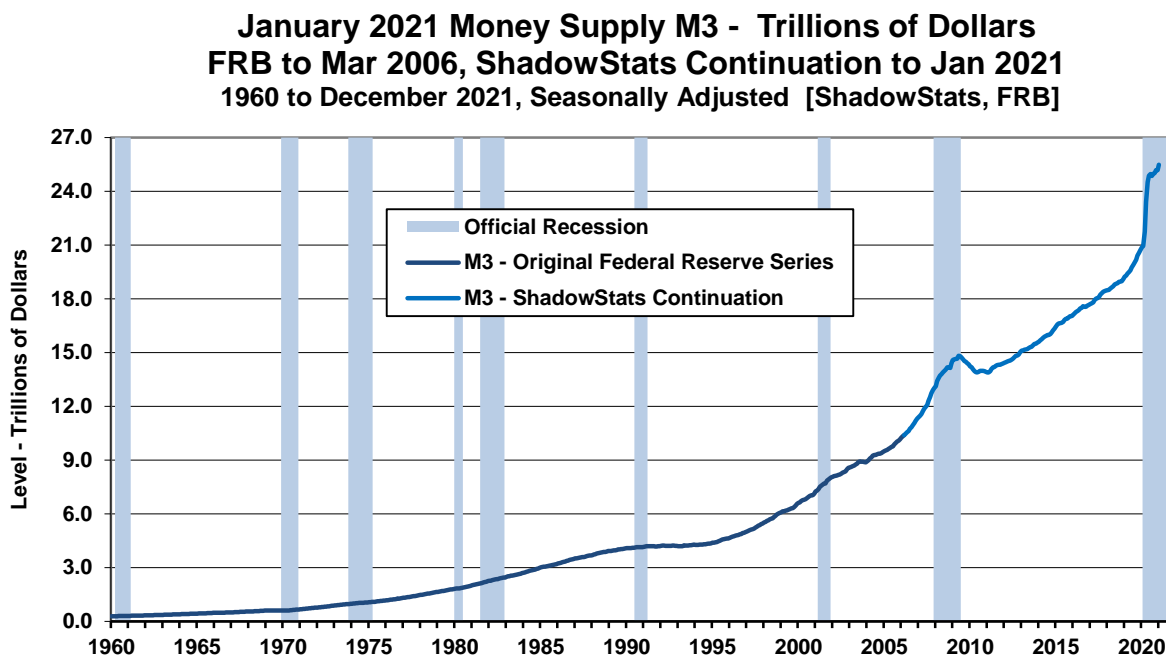
**Graph 29: Traditional Money Supply M2 (1960 to January 2021)**



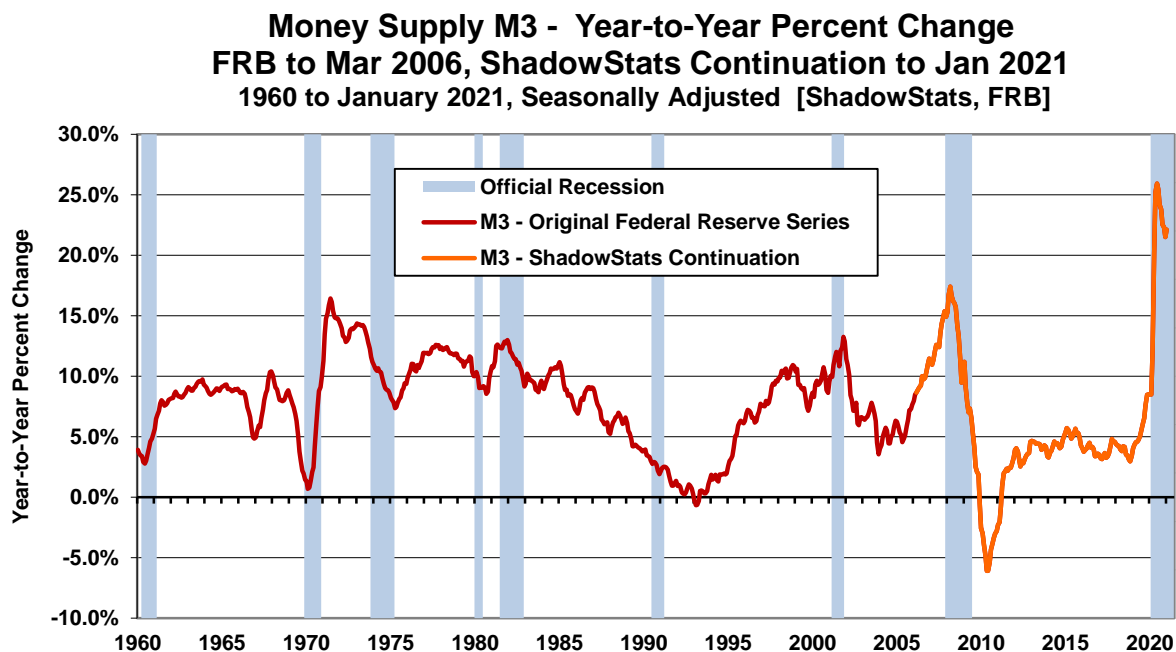
**Graph 30: Traditional Money Supply M2 Year-to-Year Change (1960 to January 2021)**



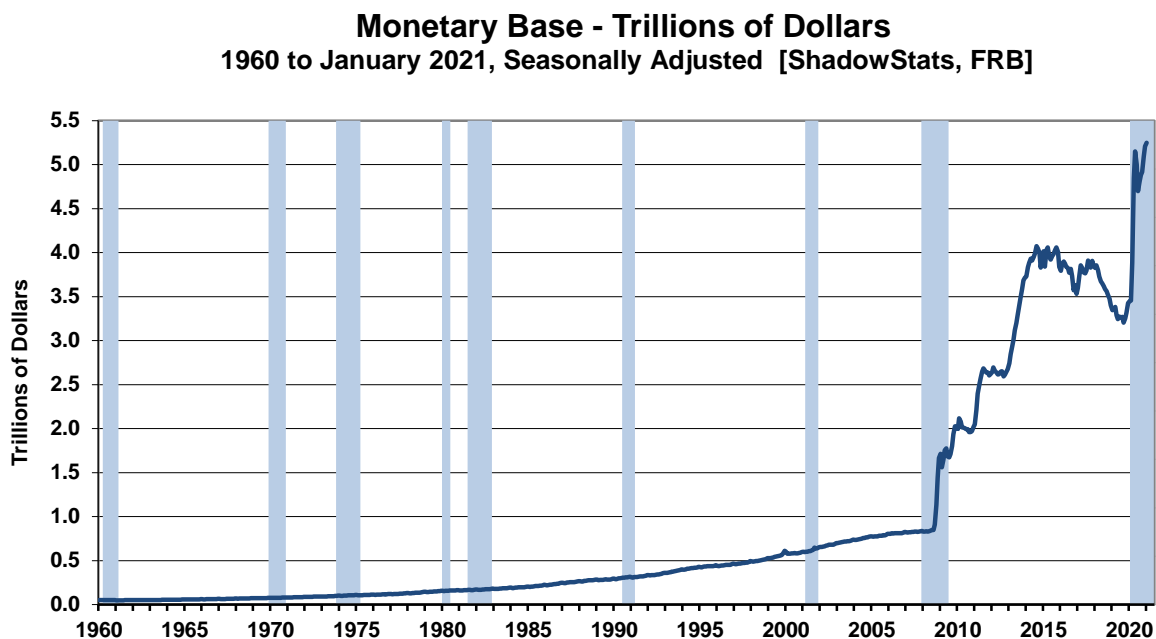
**Graph 31: ShadowStats Ongoing Money Supply M3 Estimate (1960 to January 2021)**



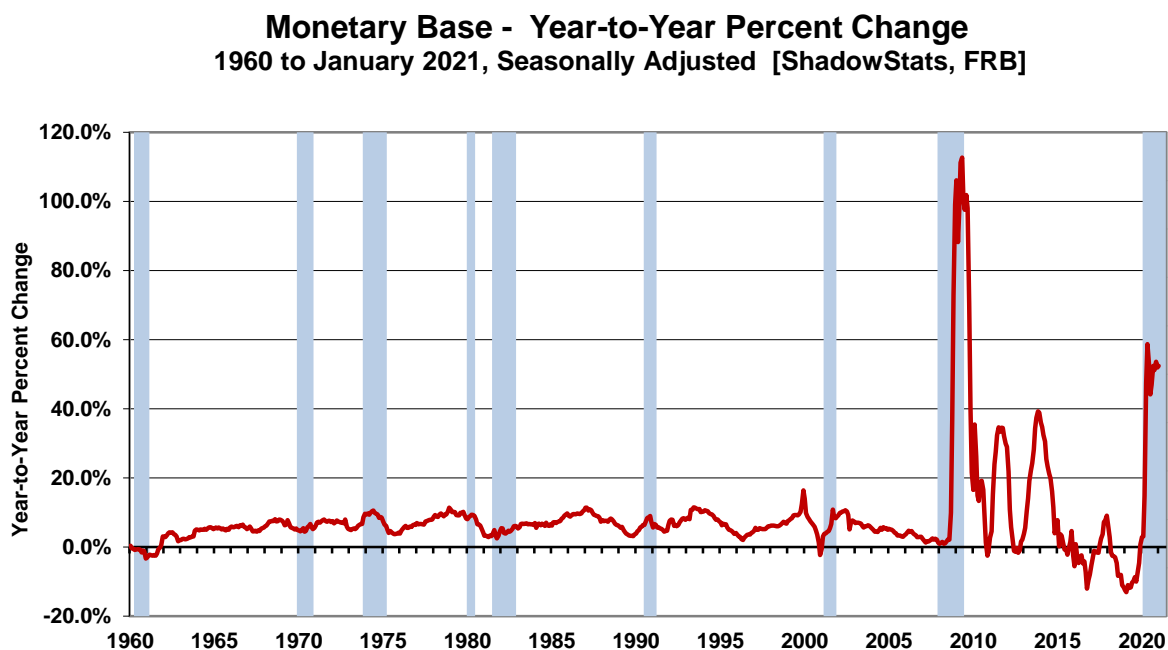
**Graph 32: ShadowStats Ongoing M3 Estimate, Year-to-Year Change (1960 to January 2021)**



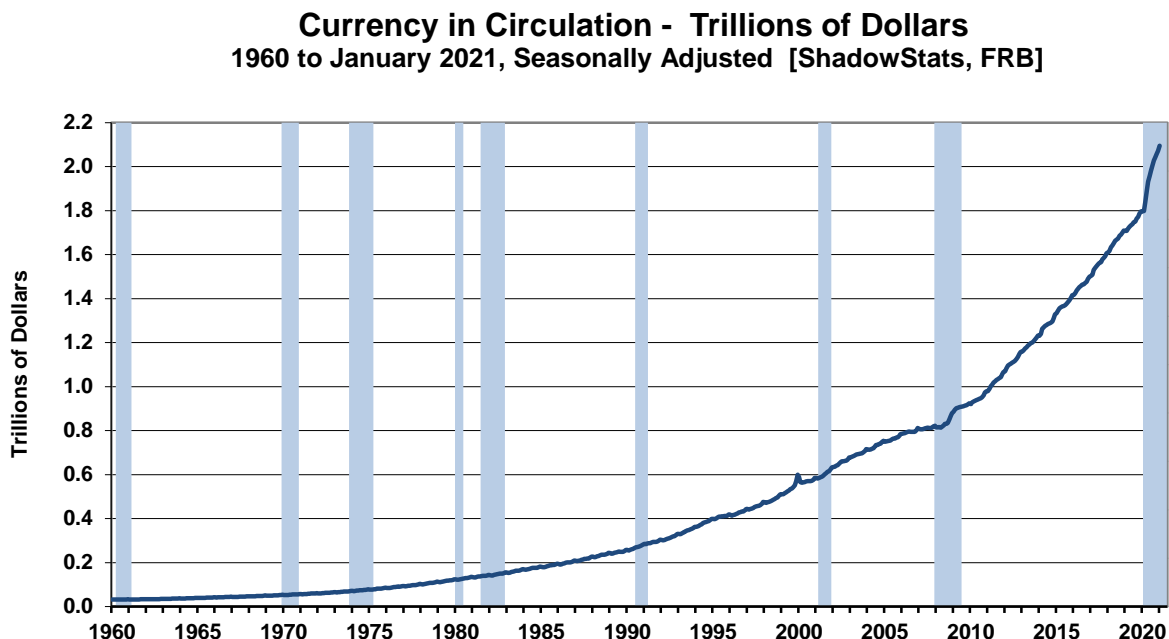
**Graph 33: Monetary Base (1960 to January 2021 – All-Time High Level)**



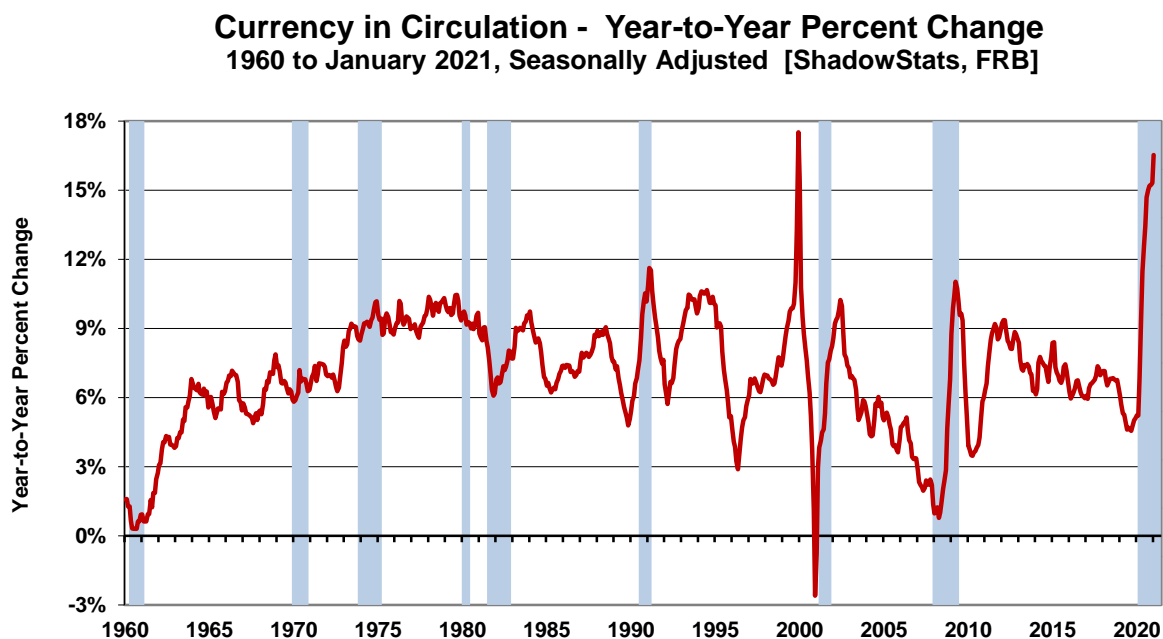
**Graph 34: Monetary Base, Year-to-Year Percent Change (1960 to January 2021)**



**Graph 35: Currency in Circulation (1960 to January 2021)**

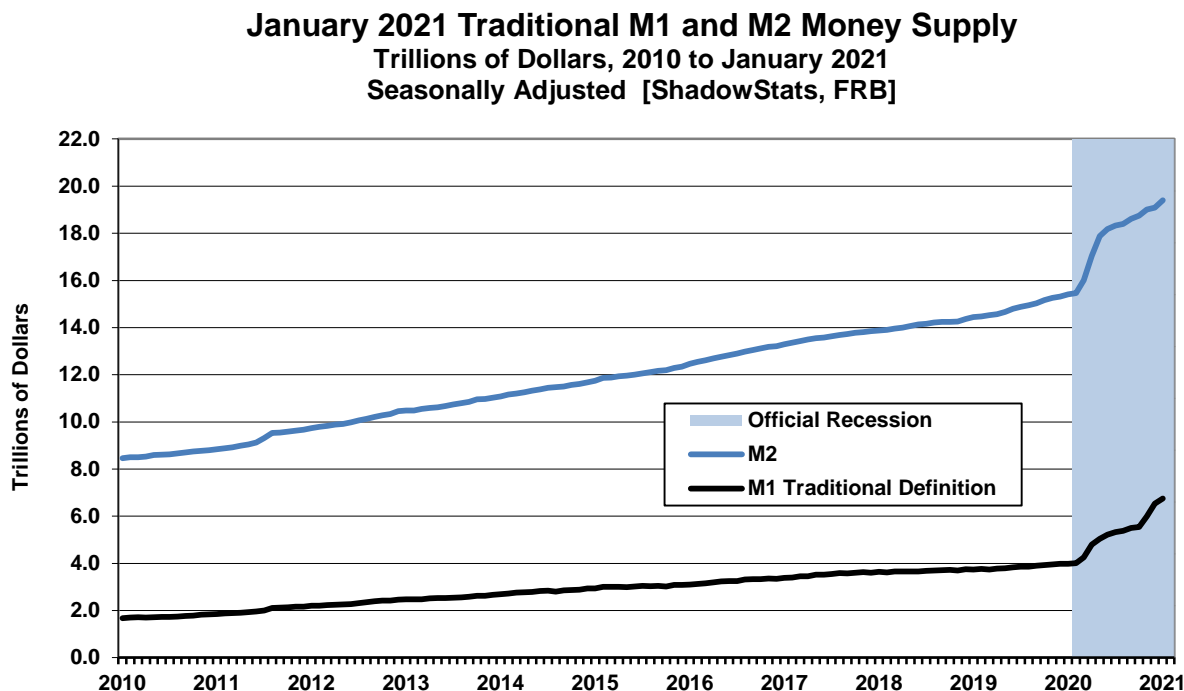


**Graph 36: Currency in Circulation, Year-to-Year Percent Change (1960 to January 2021)**

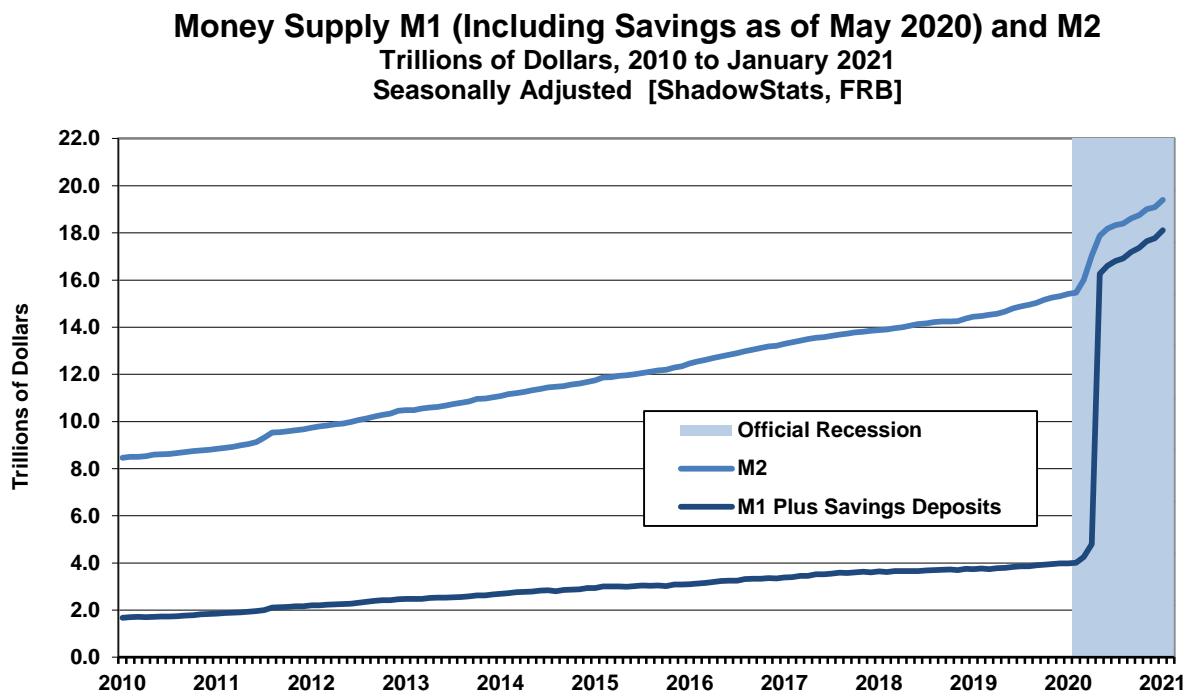


**[Graphs 37 to 38 of the Pending, Redefined M1 and M2 Series follow on the next page.]**

**Graph 37: Traditional Money Supply M1 and M2 (2010 to January 2021)**



**Graph 38: Redefined Money Supply M1 and M2 (2010 to January 2021)**



[Financial Market Graphs 39 to 47 begin on the next page.]

## **Section 6 - Financial Markets and Graphs Updated Through Trading on February 12, 2021**

**Irrespective of Massive Economic Stimulus, Major Dollar Debasement Will Continue**

**Holding Physical Gold, Silver and More Stable Currencies,  
Such as the Swiss Franc, Protects U.S. Dollar Purchasing Power**

**Dow Jones Industrial Average<sup>®</sup> and the S&P 500<sup>®</sup> Were At or Near Record Highs on the  
First Anniversary of the DJIA's Pre-Pandemic Peak**

**At or Just Off Peak, the Current DJIA<sup>®</sup> and S&P 500<sup>®</sup> Remain Inconsistent  
With Horrific Economic Conditions**

**Collapsing Economic Activity Usually Is Not Long-Term Bullish for the Equity Markets**

**Watch for Intensifying Weakness in the U.S. Dollar**

**The DJIA<sup>®</sup> and S&P 500<sup>®</sup> Crashed in the Pandemic, Have Recovered Pre-Pandemic Levels, but Have Had Mixed Results Versus Gold and the Swiss Franc.** Where the DJIA<sup>®</sup> and S&P 500<sup>®</sup> hit respective historic highs on February 12th and 19th 2020, both indices crashed, respectively by 37.1% (-37.1%) and 33.9% (-33.9%), through March 23rd. February 12, 2021 was the one-year anniversary of the Dow Jones Industrial Average<sup>®</sup> (DJIA) pre-Pandemic closing high, with next Friday, February 19th, the pre-Pandemic peak on the S&P. Both Indices have recovered their pre-Pandemic highs by 6.5% for the DJIA and by 16.2% for the S&P. The DJIA never recovered equivalent pre-crash levels of Gold and the Swiss Franc, viewed as alternatives going into the Pandemic-driven crash, where the S&P has recovered both minimally.

**Graphs 39 and 40** plot the Dow Jones Industrial Average and the S&P 500 against Gold (London PM Fix, when available) and the Swiss Franc (CHF, 4 PM New York), with each instrument set equal to 100.0, coincident with the then pre-Coronavirus stock-market record closing highs in February 2020. Massive new fiscal and monetary stimuli loom for the United States economy and markets in the year ahead. Both Gold and the CHF should continue to help preserve the purchasing power of Investors' dollars. Where DJIA and S&P 500 pre-Pandemic peaks were a week apart, indexing of the pre-Pandemic peak close, and same-day Gold and Swiss Franc all to 100 varies slightly between the graphs. Extended review of potential U.S. economic, inflation and financial-market conditions (including interest rates, equities and precious metals) follows in the pending *ShadowStats Benchmark Economic Commentary*.

**Flight from the U.S. Dollar.** Given the bleak outlook on the domestic U.S. economy, the massive ongoing Monetary Stimulus promised by the Federal Reserve and the massive ongoing Fiscal Stimulus proposed by the Administration, the best bet here is that there will be significant future inflation. Stock prices often will move higher with inflation. Yet, in the context of ongoing accelerating economic collapse, that circumstance suggests a better option is holding assets in the physical precious metals of gold and silver, and in stronger currencies versus the U.S. dollar such as the Swiss Franc.

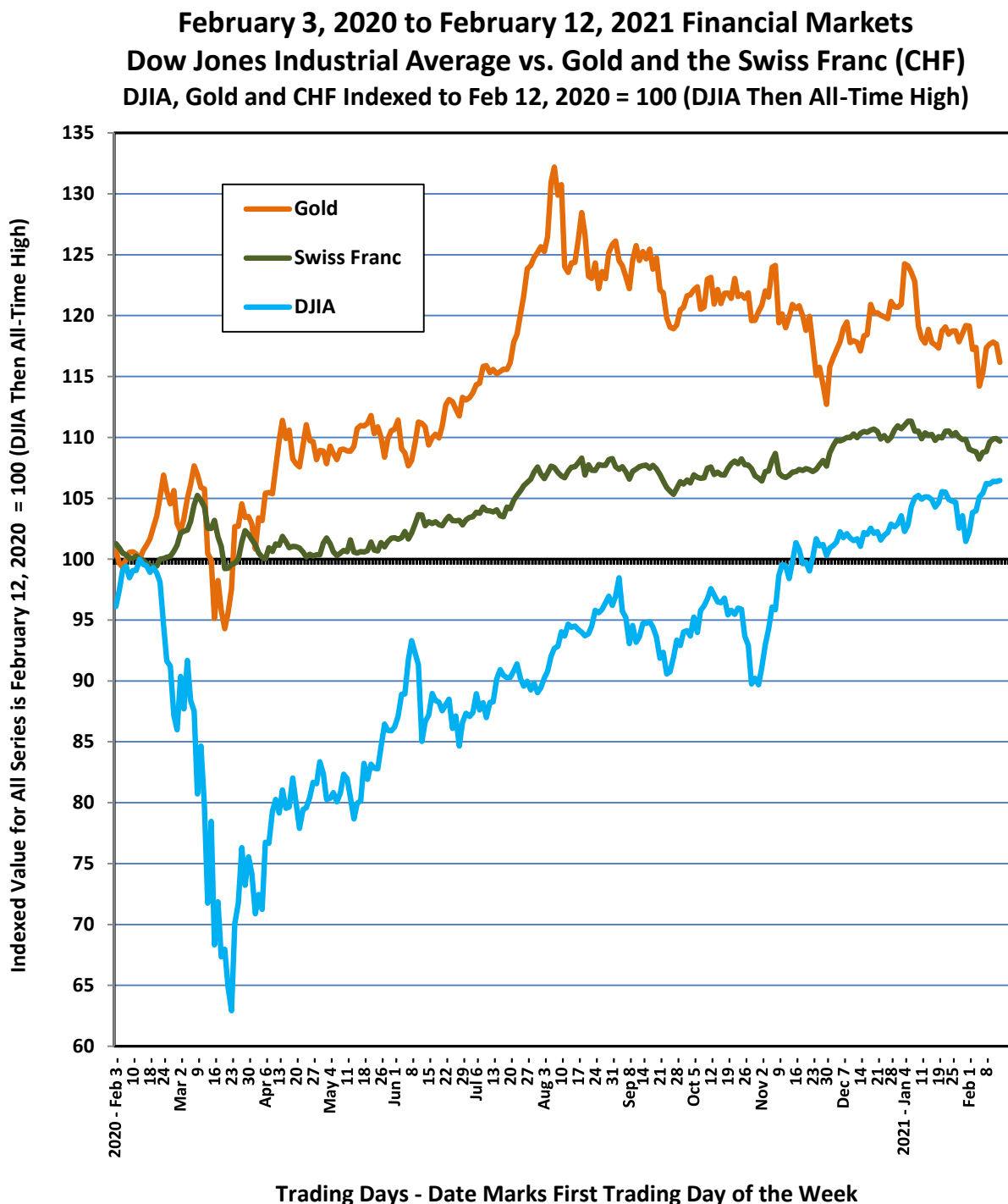
**U.S. Dollar Weakness on Varied Fronts.** The U.S. Dollar (USD) on Trade-Weighted (the Fed's AFE measure) and Financial-Weighted (ShadowStats) bases were down respectively year-to-year by 7.2% (-7.2%) and 8.0% (-8.0), as of February 12th [see *Graphs 43* and *44*]. At the same time, the annual decline in the USD was 8.6% (-8.6%) versus the Swiss France (CHF), yet the USD also was down year-to-year by 14.1% (-14.1%) versus the Australian Dollar (AUD). Where the Dollar weakness against the CHF has been of longer standing, the latter AUD circumstance appears to be timed largely to the 2020 U.S. Presidential Election results in November, suggesting, perhaps, an indication of a meaningful number of disgruntled U.S. citizens looking to shift their financial interests to Australia.

**Continuing U.S. Inflation Pressures from Rising Oil Prices.** Discussed earlier in *Section 4* (page 28), see also *Graph 47*, subsequent to last year's Oil-Price War, current rising oil prices have inflation pressures are on the rise. Such should be increasingly evident in the months ahead.

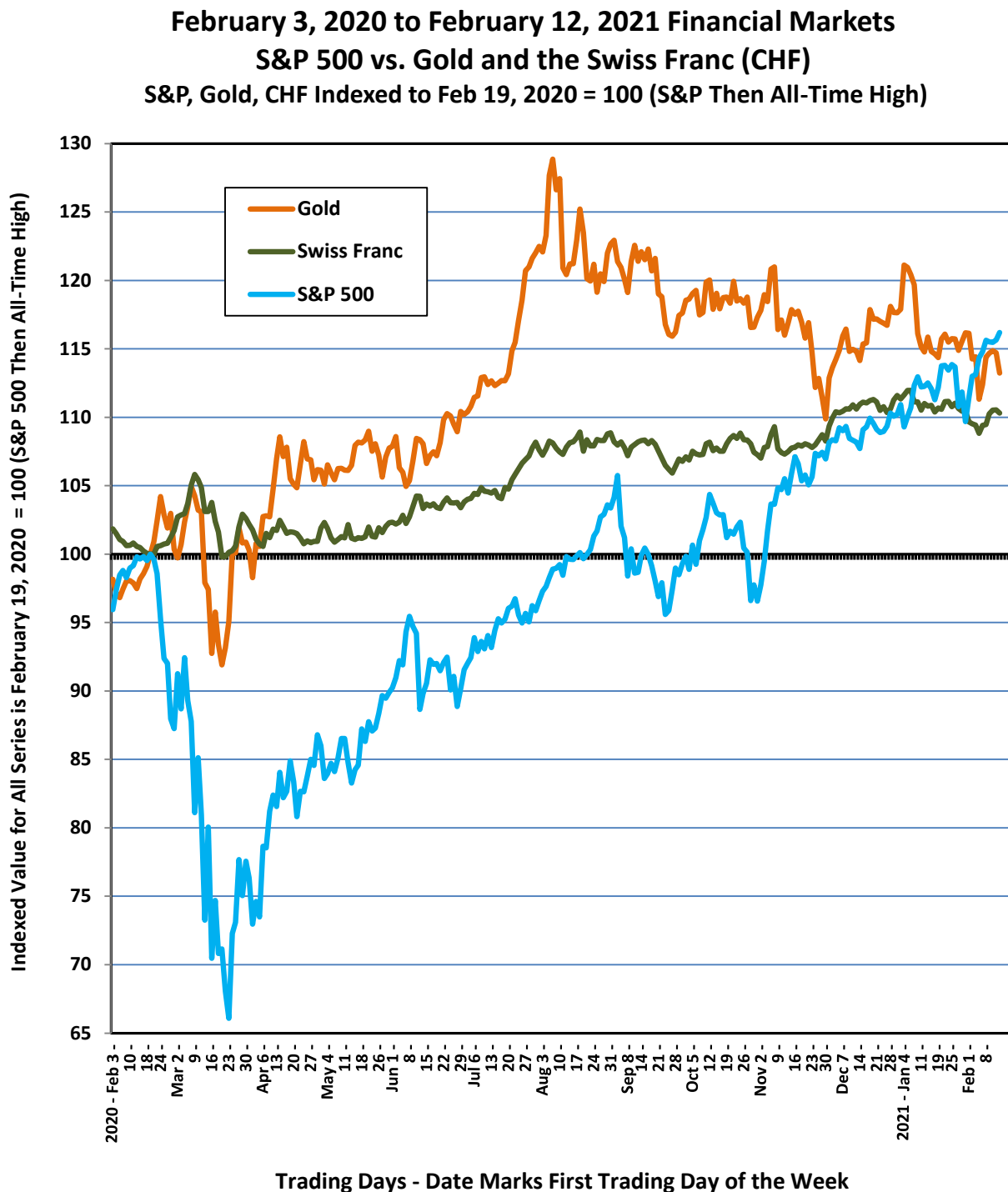
**[Regular Financial-Market Graphs 39 to 47 begin on the next page.]**



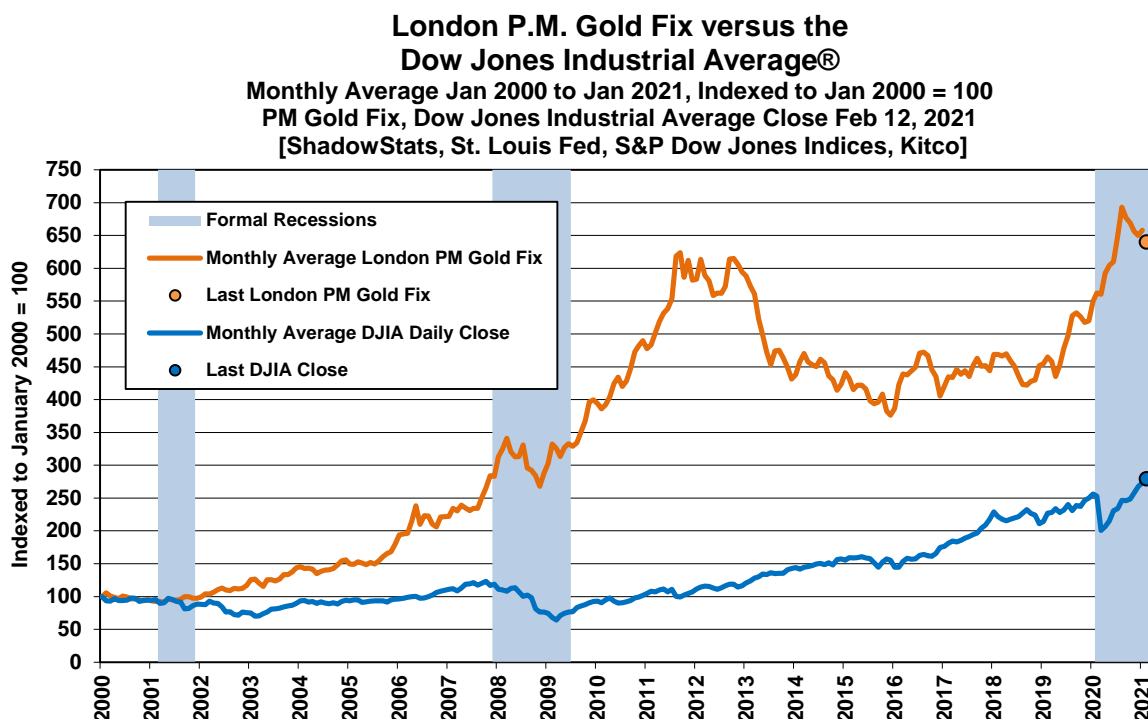
**Graph 39: February 3, 2020 to February 12, 2021 Daily Financial Markets (Dow Jones Industrial Average)**



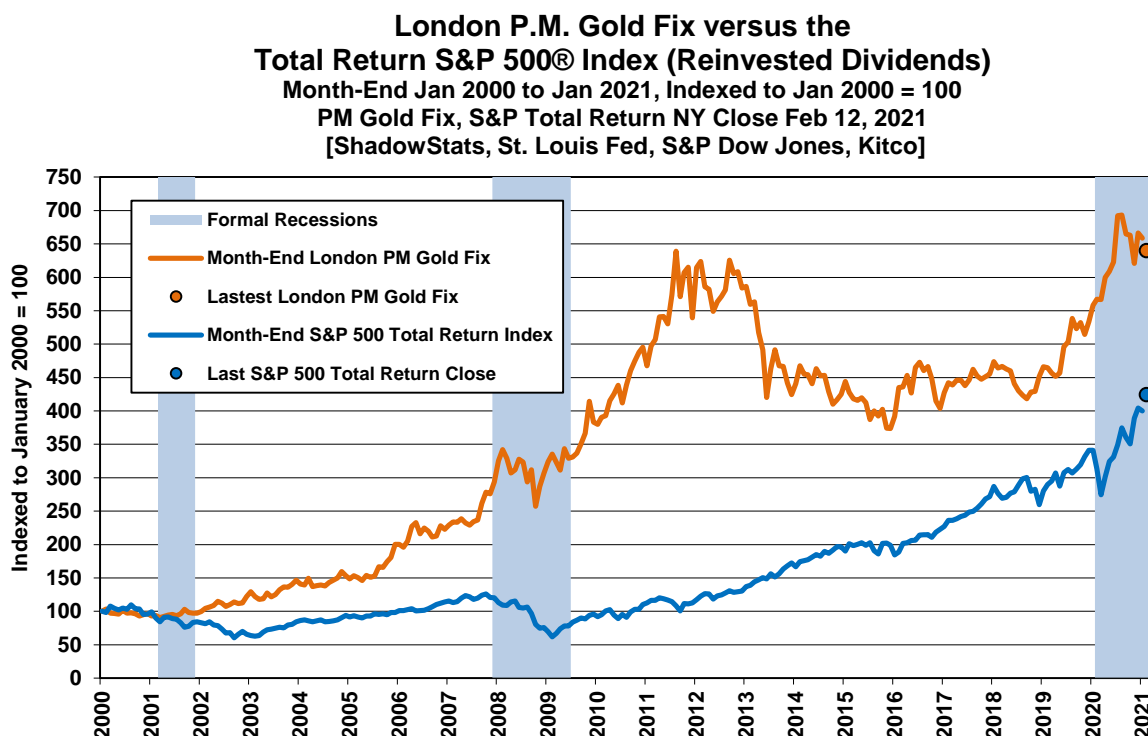
**Graph 40: February 3, 2020 to February 12, 2021 Daily Financial Markets (S&P 500)**



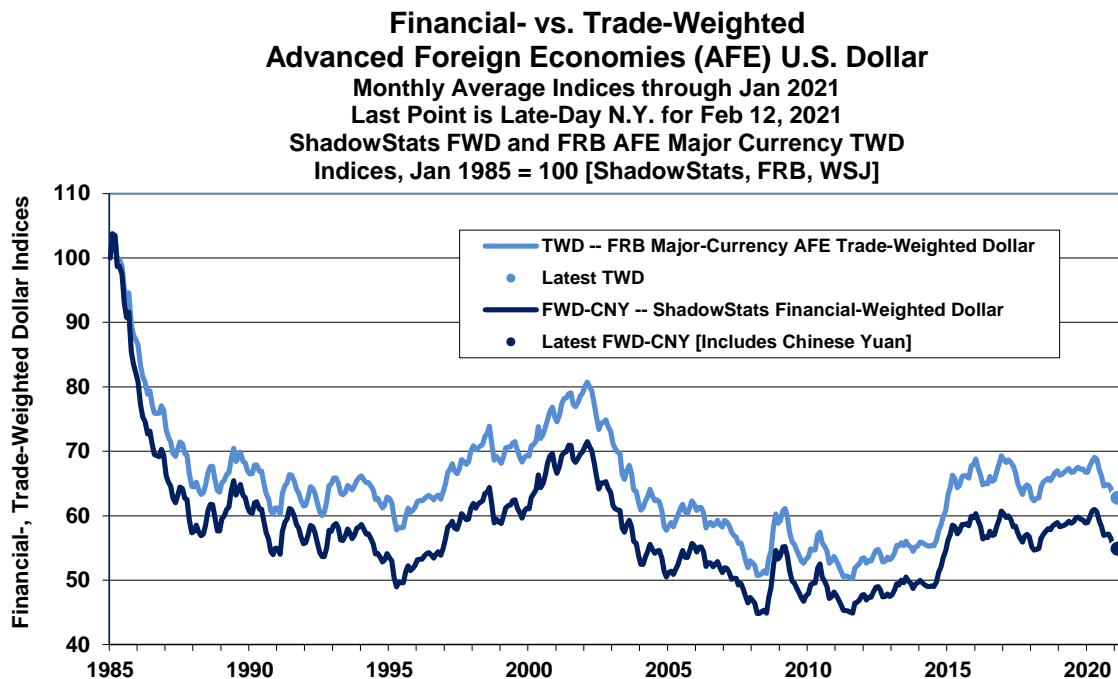
**Graph 41: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)**



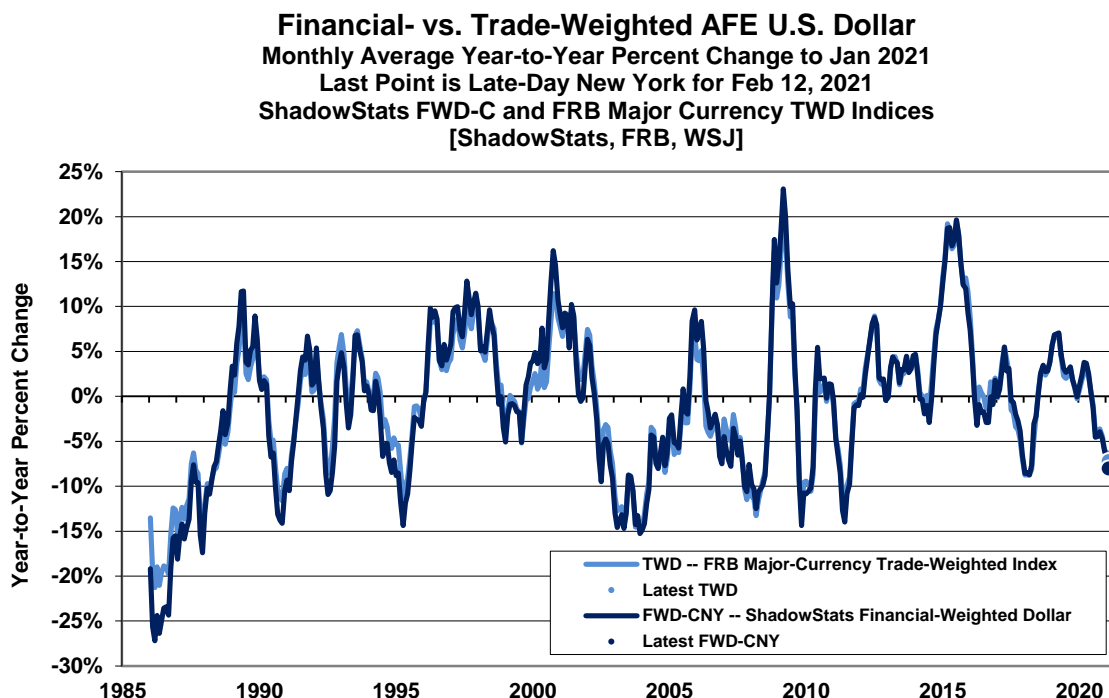
**Graph 42: Total Return S&P 500® versus Gold (Month-End and Latest)**



**Graph 43: U.S. Financial- vs. Trade-Weighted U.S. Dollar**

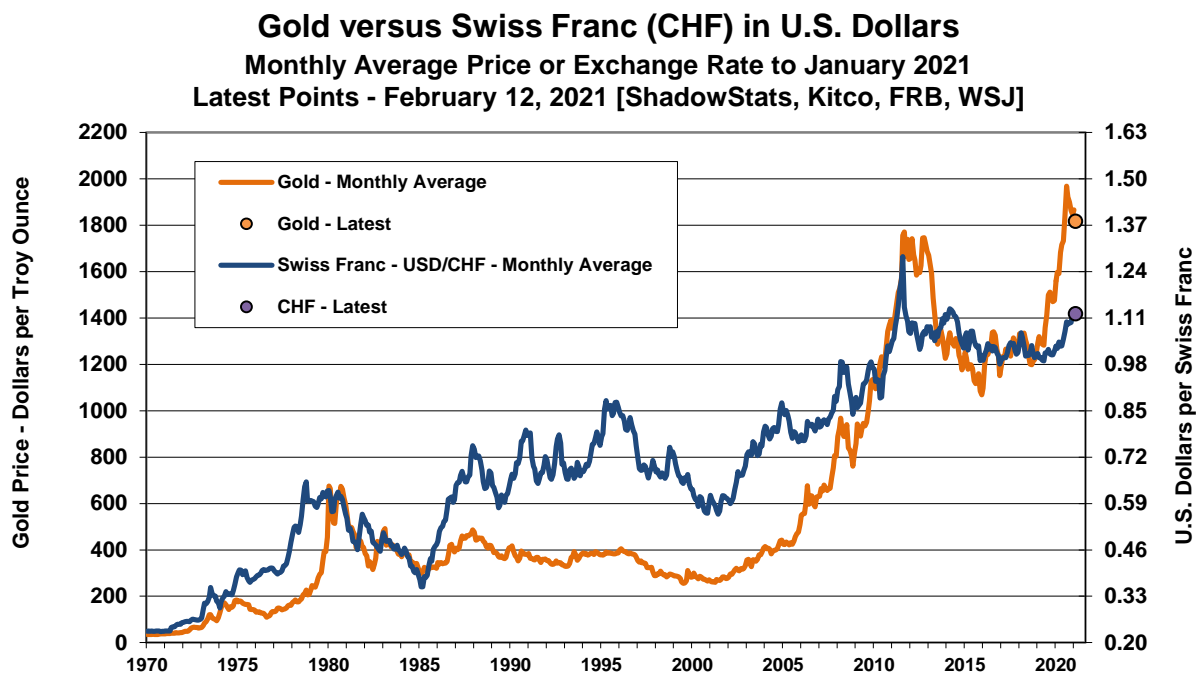


**Graph 44: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change**

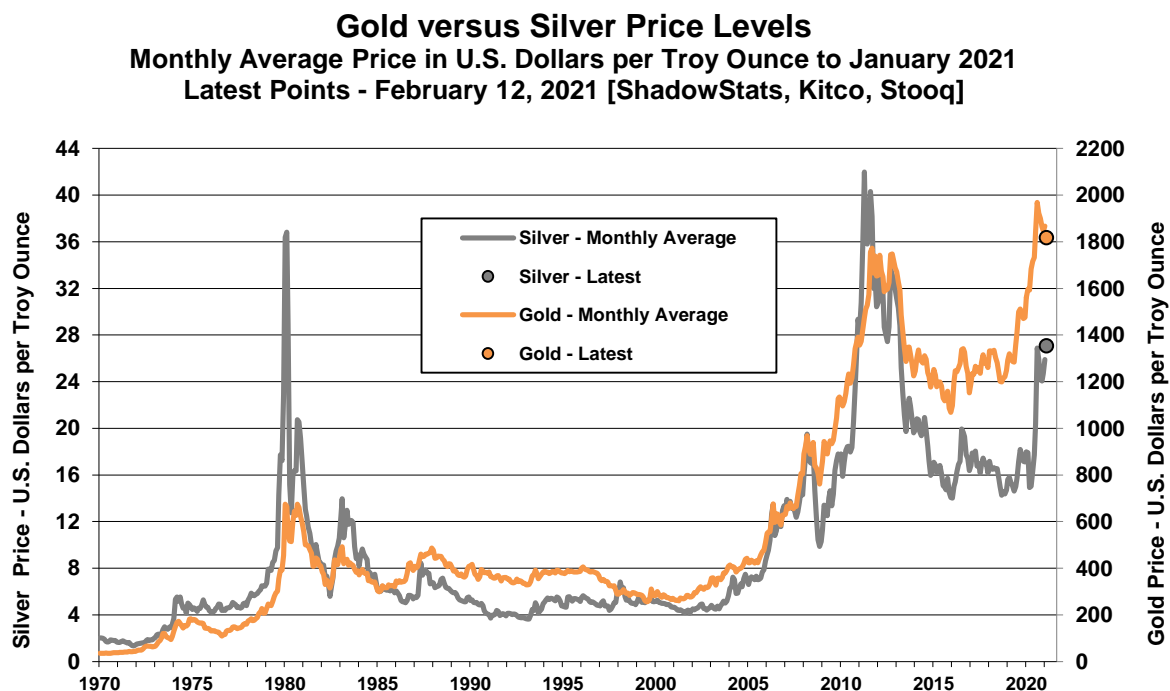


See the **Trade-/Financial-Weighted U.S. Dollar** [ALTERNATE DATA](https://www.shadowstats.com) tab at [www.ShadowStats.com](https://www.shadowstats.com).

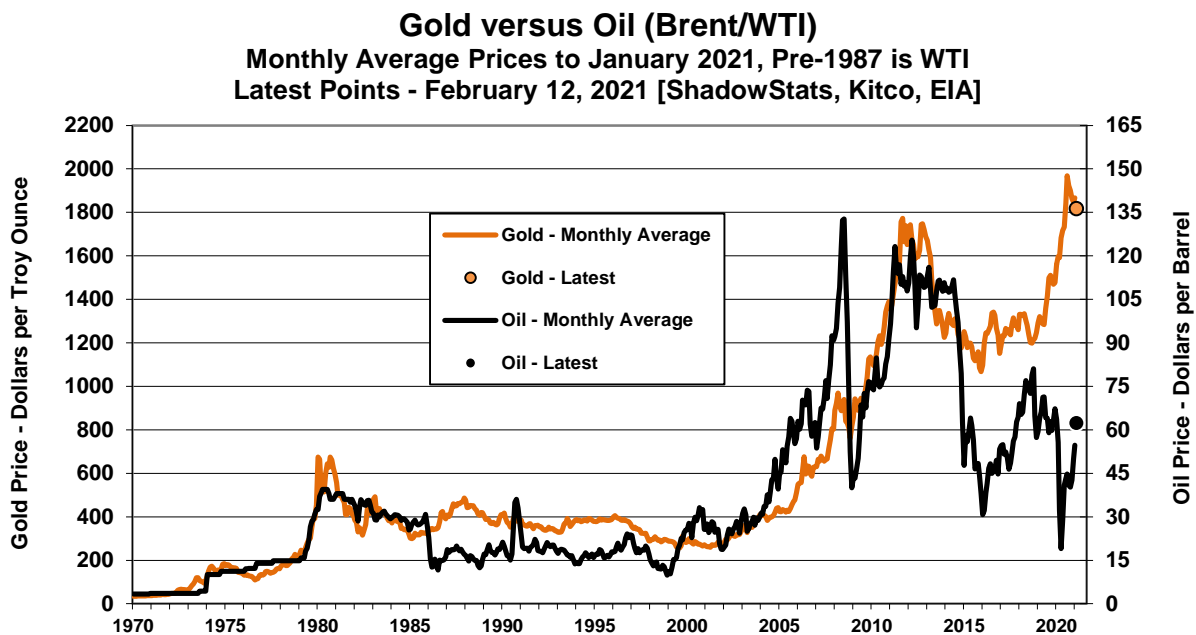
**Graph 45: Gold versus Swiss Franc**



**Graph 46: Gold versus Silver**



**Graph 47: Gold versus Oil**



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