Fourth-Quarter 2020 Annualized Real GDP Growth of 4.0% Was as Expected, Slowing from the Record 33.4% Third-Quarter Pandemic Rebound

Full-Year 2020 Annual GDP Decline of 3.5% (-3.5%) Was the Deepest Since the 1946 Post-World War II Economic Reset

Current U.S. Economy Remains Far from a Full Recovery

First-Quarter 2021 GDP Increasingly Is Set for a Relapsing Quarterly Contraction

Deepening Deficits in Fourth-Quarter and Annual 2020 Real Net-Exports (GDP) and the Related Real Merchandise Trade Deficit Were the Worst Ever in Modern U.S. Reporting

Real Annual Growth in New Orders for Durable Goods Turned Negative, Amidst Renewed Slowing in Commercial Aircraft Orders

Full-Year 2020 Existing- and New-Home Sales Were Highest Since 2006

Yet, Fourth-Quarter 2020 New-Home Sales Contracted, as Did Real Retail Sales, Suggestive of Consumers Facing Intensifying Pandemic and Liquidity Issues

Financial Market Turmoil Is Just Beginning
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Holding Physical Gold, Silver and the Swiss Franc Protects U.S. Dollar Purchasing Power
Collapsing Economic Activity Usually Is Not Long-Term Bullish for Equity Markets

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Off Peak, DJIA and S&P 500—Remain Inconsistent With Horrific Economic Conditions

Graph 28: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)
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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 remain in play, continuing to evolve negatively, despite the transition to a new Administration in Washington and advances in COVID-19 vaccines and treatments. The long-planned Special Benchmark Commentary should post late in the week of February 8th. 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. 1456 reviews initial Fourth-Quarter 2020 GDP reporting, December 2020 New Orders for Durable Goods and December Existing- and New-Home Sales, and it updates the financial-market graphs for full-month and month-end January 2021.

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 Pandemic appears likely in at least the next quarter or two. Although one can hope that circumstances will begin to stabilize, as vaccines and treatments begin to tame the Pandemic, continuing major, expansive Federal Reserve Monetary Policies already are in place, and further, expansive new Federal Government Fiscal Policies already are promised, and likely will be needed and will continue well into 2022 and beyond. Increasing risk of a hyperinflationary economic collapse by the end of 2021, early 2022 remain uncomfortably high. – WJW

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 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 changes to the U.S. Government and the 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, reflects 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 as more broadly measured by 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.

John Williams (707) 763-5786, johnwilliams@shadowstats.com
OVERVIEW

Real First-Quarter 2021 GDP Remains on Track for a Relapsed Quarterly Downturn; Deepening, Record Trade Deficits Are One Problem

Weakening Consumer Fundamentals and Activity, Seen in Employment, Real Retail Sales and Personal Consumption Are Others

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

Economic Outlook Continues to Darken into Early 2021. Subsequent to ShadowStats Economic Commentary, Issue No. 1455, dated January 27th, which covered the bulk of January 2020 economic releases, today’s Flash Commentary provides some update from late-month economic releases, particularly, the initial estimate of Fourth-Quarter 2020 GDP and its Merchandise Trade Deficit woes, December 2020 New Orders for Durable Goods and Existing- and New-Home Sales. The GDP came in as expected, with continuing record deterioration in the Trade Balance, some retrenchment in Durable Goods Orders and Fourth-Quarter 2020 New-Home Sales. The consumer remains constrained by liquidity, employment and related Pandemic issues. Today’s coverage:

Section 1 – Fourth-Quarter 2020 and Annual Gross Domestic Product, beginning on page 7: GDP was as expected, but also it still appears to be set for a potential quarterly contraction in First-Quarter 2021.

Section 2 – Record Shortfalls in Real Quarterly and Annual Deficits in Net Export and Merchandise Trade, beginning on page 17: New graphs show the deepening, now record U.S. Real Trade Deficit and the deepening record deficit in the GDP Net Export Accounts, going back to 1929.

Section 3 – New Orders for Durable Goods—December 2020, beginning on page 20: Inflation-adjusted (real) orders turned down anew, year-to-year, with a continuing two-year decline paralleling the Cass Freight Index® and Industrial Production, as discussed in prior Issue No. 1455.


Section 5 – Financial Market Graphs Updated Through Month-End Trading on January 29, 2021, beginning on page 26: 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 – Fourth-Quarter 2020 and Annual Gross Domestic Product begins on the next page.]
Section 1 – Fourth-Quarter 2020 and Annual Gross Domestic Product

Initial Fourth-Quarter 2020 Annualized Real GDP Growth of 4.0% Was Consensus; Full-Year Contraction of 3.5% (-3.5%) Was Deepest Since the 1946 Reset to the Post-World War II Economy. Reported January 28th by the Bureau of Economic Analysis (BEA), headline Fourth-Quarter 2020 real (inflation-adjusted) annualized quarterly growth in the U.S. Gross Domestic Product (GDP) came in at 4.01%, still well shy of full recovery from the Pandemic Collapse, following a Third-Quarter 2020 annualized 33.44% gain, and respective Second-Quarter and First-Quarter 2020 annualized plunges of 31.38% (-31.38%) and 4.96% (-4.96%). For the full year of 2020, real GDP dropped by 3.50% (-3.50%) against 2019, which in turn had gained 2.16% from 2018. Suffering from a Pandemic-driven systemic and economic collapse, the 2020 annual decline in real GDP was the deepest since 1946, when U.S. economic activity dropped by 11.16% (-11.16%) in its post-World War II reset.

Real Deficit in Net Exports / Merchandise Trade Deficit Continues to Savage the GDP. A meaningful hit to the 2020 GDP reporting came from the worst-ever real Merchandise Trade Deficit and the related deficit in the GDP “Net Exports” component, which reflects the deficit in the dominant Merchandise or “Goods” component, and an imputed surplus in the nebulous “Services” component of Net Exports. The trade-balance components are graphed and reviewed in Section 2, beginning on page 17.

Fourth Quarter 2020 GDP Details Are Updated in the Following Tables and Graphs. A break out of headline inflation-adjusted GDP activity, reflecting growth contributions and key metrics by economic sector is detailed on a quarterly basis in Table I, on an annual basis in Table II, beginning on page 8.

Beginning on page 10, plots of the historical annual and quarterly inflation-adjusted real GDP levels and year-to-year change begin with the complete of annual numbers (1929 to date) in Graphs 1 and 2, and the complete history of quarterly the quarterly numbers (1947 to date) in Graphs 3 and 4, with a narrower horizon of 2000 to date in Graphs 5 and 6.

Graphs 7 to 11, beginning on page 13, plot the headline GDP since First-Quarter 2019, versus related Labor Market metrics, as discussed versus related industry-specific labor numbers and monthly activity, such as with Retail sales, previously in Issue No. 1455, generally suggestive of a deepening economic downturn in into First-Quarter 2021.

Coverage of the ShadowStats Corrected-Inflation Real Gross Domestic Product begins on page 15, with Graphs 12 and 13 following on page 16.

[Tables I and II and the regular GDP Graphs 1 to 13 begin on the next page.]
### Table I: Headline GDP Growth Components, First-Quarter 2019 to "Initial"-Estimate, Fourth-Quarter 2020

#### Fourth-Quarter 2020 Real Gross Domestic Product, "Initial" Estimate

<table>
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<tr>
<td><strong>ECONOMIC SECTOR</strong></td>
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<tr>
<td>Personal Consumption</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Goods</td>
<td>0.52%</td>
<td>1.57%</td>
<td>0.87%</td>
<td>0.12%</td>
<td>0.03%</td>
<td>-2.06%</td>
<td>9.55%</td>
<td>-0.10%</td>
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<tr>
<td>-- Motor Vehicles</td>
<td>-0.31%</td>
<td>0.26%</td>
<td>0.01%</td>
<td>0.08%</td>
<td>-0.78%</td>
<td>0.05%</td>
<td>1.64%</td>
<td>0.10%</td>
</tr>
<tr>
<td>- Services</td>
<td>0.73%</td>
<td>0.90%</td>
<td>0.96%</td>
<td>0.96%</td>
<td>-4.78%</td>
<td>-21.95%</td>
<td>15.89%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Gross Private Domestic Investment</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>- Fixed Investment</td>
<td>0.50%</td>
<td>-0.07%</td>
<td>0.42%</td>
<td>0.17%</td>
<td>-0.23%</td>
<td>-5.27%</td>
<td>5.39%</td>
<td>3.02%</td>
</tr>
<tr>
<td>-- Residential</td>
<td>-0.06%</td>
<td>-0.08%</td>
<td>0.17%</td>
<td>0.22%</td>
<td>0.68%</td>
<td>-1.60%</td>
<td>2.19%</td>
<td>1.29%</td>
</tr>
<tr>
<td>- Change in Private Inventories</td>
<td>0.21%</td>
<td>-0.97%</td>
<td>-0.09%</td>
<td>-0.82%</td>
<td>-1.34%</td>
<td>-3.50%</td>
<td>6.57%</td>
<td>1.04%</td>
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<tr>
<td>Net Exports of Goods and Services</td>
<td>0.55%</td>
<td>-0.79%</td>
<td>0.04%</td>
<td>1.52%</td>
<td>1.13%</td>
<td>0.62%</td>
<td>-3.21%</td>
<td>-1.52%</td>
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<tr>
<td>Government Consumption</td>
<td>0.43%</td>
<td>0.86%</td>
<td>0.37%</td>
<td>0.42%</td>
<td>0.22%</td>
<td>0.77%</td>
<td>-0.75%</td>
<td>-0.22%</td>
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<tr>
<td><strong>REAL GDP GROWTH (Qtr/Qtr)</strong></td>
<td>2.93%</td>
<td>1.49%</td>
<td>2.57%</td>
<td>2.37%</td>
<td>-4.96%</td>
<td>-31.38%</td>
<td>33.44%</td>
<td>4.01%</td>
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<tr>
<td>Final Sales, GDP Less Inventories</td>
<td>2.72%</td>
<td>2.46%</td>
<td>2.66%</td>
<td>3.19%</td>
<td>-3.62%</td>
<td>-27.88%</td>
<td>26.87%</td>
<td>2.97%</td>
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<td><strong>PRODUCT SECTOR</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Goods</td>
<td>1.72%</td>
<td>-0.13%</td>
<td>1.23%</td>
<td>0.94%</td>
<td>-0.98%</td>
<td>-7.40%</td>
<td>17.42%</td>
<td>1.45%</td>
</tr>
<tr>
<td>Services</td>
<td>0.77%</td>
<td>1.45%</td>
<td>1.12%</td>
<td>1.29%</td>
<td>-4.82%</td>
<td>-21.32%</td>
<td>14.60%</td>
<td>1.19%</td>
</tr>
<tr>
<td>Structures</td>
<td>0.44%</td>
<td>0.18%</td>
<td>0.22%</td>
<td>0.13%</td>
<td>0.85%</td>
<td>-2.66%</td>
<td>1.42%</td>
<td>1.37%</td>
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<tr>
<td><strong>REAL GDP GROWTH</strong></td>
<td>2.93%</td>
<td>1.49%</td>
<td>2.57%</td>
<td>2.37%</td>
<td>-4.96%</td>
<td>-31.38%</td>
<td>33.44%</td>
<td>4.01%</td>
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#### SUPPLEMENTAL

<table>
<thead>
<tr>
<th>GDP COMPONENT GROWTH CONTRIBUTION BY SECTOR</th>
<th>Ann. Quarter-to-Quarter Real GDP Change and Headline Implicit Price Deflator Inflation</th>
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<tbody>
<tr>
<td>ShadowStats Corrected GDP*</td>
<td>0.85%</td>
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<tr>
<td>Implicit Price Deflator (IPD) Inflation</td>
<td>1.03%</td>
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#### Year-to-Year Real GDP Change and Headline Implicit Price Deflator Inflation

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<th>GDP COMPONENT GROWTH CONTRIBUTION BY SECTOR</th>
<th>Ann. Year-to-Year Real GDP Change and Headline Implicit Price Deflator Inflation</th>
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<tbody>
<tr>
<td>ShadowStats Corrected GDP*</td>
<td>0.20%</td>
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<tr>
<td>Implicit Price Deflator (IPD) Inflation</td>
<td>2.00%</td>
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Sources: Bureau of Economic Analysis, ShadowStats.com.

(*) Real GDP corrected for understated headline inflation, see Special Commentaries No. 968 / 983-B for background.
Table II: Headline GDP Growth Components, Full-Year 2018 to Initial Estimate of Full-Year 2020

<table>
<thead>
<tr>
<th>GDP COMPONENT GROWTH CONTRIBUTION BY SECTOR</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td><strong>ECONOMIC SECTOR</strong></td>
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<tr>
<td>Personal Consumption</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>- Goods</td>
<td>0.86%</td>
<td>0.78%</td>
<td>0.81%</td>
</tr>
<tr>
<td>-- Motor Vehicles</td>
<td>0.11%</td>
<td>-0.01%</td>
<td>0.02%</td>
</tr>
<tr>
<td>- Services</td>
<td>0.98%</td>
<td>0.86%</td>
<td>-3.44%</td>
</tr>
<tr>
<td>Gross Private Domestic Investment</td>
<td></td>
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</tr>
<tr>
<td>- Fixed Investment</td>
<td>0.88%</td>
<td>0.32%</td>
<td>-0.31%</td>
</tr>
<tr>
<td>-- Residential</td>
<td>-0.02%</td>
<td>-0.07%</td>
<td>0.23%</td>
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<tr>
<td>- Change in Private Inventories</td>
<td>0.20%</td>
<td>-0.02%</td>
<td>-0.63%</td>
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<tr>
<td>Net Exports of Goods and Services</td>
<td>-0.25%</td>
<td>-0.18%</td>
<td>-0.13%</td>
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<tr>
<td>Government Consumption</td>
<td>0.32%</td>
<td>0.40%</td>
<td>0.19%</td>
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<tr>
<td>REAL GDP GROWTH (Qtr/Qtr)</td>
<td>3.00%</td>
<td>2.16%</td>
<td>-3.50%</td>
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<tr>
<td>Final Sales, GDP Less Inventories</td>
<td>2.80%</td>
<td>2.18%</td>
<td>-2.87%</td>
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<tr>
<td><strong>PRODUCT SECTOR</strong></td>
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</tr>
<tr>
<td>Goods</td>
<td>1.66%</td>
<td>1.19%</td>
<td>0.07%</td>
</tr>
<tr>
<td>Services</td>
<td>1.22%</td>
<td>1.00%</td>
<td>-3.55%</td>
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<tr>
<td>Structures</td>
<td>0.12%</td>
<td>-0.03%</td>
<td>-0.03%</td>
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<td>REAL GDP GROWTH</td>
<td>3.00%</td>
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**SUPPLEMENTAL**

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<thead>
<tr>
<th>Year-to-Year Real GDP Change and Implicit Price Deflator Inflation</th>
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<tr>
<td>Real Gross Domestic Product (GDP)</td>
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<td>- Implicit Price Deflator (IPD) Inflation</td>
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<tr>
<td>Real ShadowStats-Corrected GDP*</td>
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<tr>
<td>- Effective ShadowStats IPD Inflation</td>
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</tbody>
</table>

Sources: Bureau of Economic Analysis, ShadowStats.com

(*) Real GDP corrected for understated headline inflation (see Nos, 968 and 983-B)
Graph 1: Annual Real Gross Domestic Product – GDP (1929 to 2020)

Annual Real Gross Domestic Product
Level in Billions of 2012 Dollars, 1929 to 2020 [ShadowStats, BEA]

Graph 2: Annual Percent Change from Prior Year. Real Gross Domestic Product – GDP (1930 to 2020)

Annual Real Gross Domestic Product (GDP)
Percent Change, 1930 to 2020 [ShadowStats, BEA]
Graph 3: Real Gross Domestic Product – GDP (1947 to First-Estimate Fourth-Quarter 2020)

Graph 4: Real Gross Domestic Product, Yr-to-Yr Change (1948 to First-Estimate Fourth-Quarter 2020)
**Graph 5: Real Gross Domestic Product – GDP (2000 to First-Estimate of Fourth-Quarter 2020)**

Quarterly Real Gross Domestic Product  
1q2000 to "Initial" Estimate 4q2020, Billions of 2012 Dollars  
Seasonally-Adjusted [ShadowStats, BEA]

**Graph 6: Real Gross Domestic Product, Yr-to-Yr Change (2000 to First-Estimate Fourth-Quarter 2020)**

Quarterly Real Gross Domestic Product  
Year-to-Year Percent Change, 2000 to "Initial" Estimate 4q2020  
Seasonally-Adjusted [ShadowStats, BEA]
Graph 7: Real Gross Domestic Product – GDP (1q2019 to 4q2020)

Quarterly Real Gross Domestic Product
1q2019 to "Initial" Estimate 4q2020, Billions of 2012 Dollars
Seasonally-Adjusted [ShadowStats, BEA]

Graph 8: Payroll Employment (January 2019 to December 2020)

Headline Nonfarm Payrolls - Monthly Level in Millions
January 2019 to December 2020, Seasonally Adjusted [ShadowStats, BLS]
**Graph 9: Real Gross Domestic Product, Year-to-Year Change (1q2019 to 4q2020)**

Quarterly Real Gross Domestic Product  
Year-to-Year Percent Change, 1q2019 to "Initial" Estimate 4q2020  
Seasonally-Adjusted [ShadowStats, BEA]

**Graph 10: Payroll Employment, Year-to-Year Change (January 2019 to December 2020)**

Nonfarm Payrolls Year-to-Year Percent Change  
Jan 2019 to Dec 2020, Not Seasonally Adjusted [ShadowStats, BLS]
Graph 11: Unemployment Rate (Jan 2019 to Dec 2020) – Headline vs. Corrected U.3, Inverted Scale

ShadowStats Corrected-Inflation Real GDP

ShadowStats Alternate GDP is the ShadowStats estimate of real GDP, deflated by a more realistic inflation number (see Special Commentary No. 968 and No. 983-B for details). The Federal Government’s deliberate understate of inflation has double benefit for the politicians. First, it keeps Cost of Living Adjustments (COLA) and related payments artificially low. Second, using artificially low inflation to deflate GDP, for example, overstates the headline, inflation GDP growth.

For example, looking at Table I, headline 4.01% annualized quarterly growth in Fourth-Quarter 2020 GDP would have been 1.91% using an un-gimmicked inflation rate (ShadowStats Corrected GDP). The difference is the Real GDP numbers overstate inflation-adjusted growth by about 2%, based just on inflation misstatement, ignoring other reporting issues.
Graph 12: ShadowStats Corrected-Inflation Real GDP (2000 to First-Estimate Fourth-Quarter 2020)

ShadowStats Corrected-Inflation Real Gross Domestic Product
Nominal GDP Deflated by Implicit Price Deflator Corrected for
Roughly Two-Percentage Point Understatement of Annual Inflation
2000 to "Initial" Estimate 4q2020, Seasonally-Adjusted [ShadowStats, BEA]

Graph 13: ShadowStats Corrected-Inflation Real GDP, Yr-to-Yr (2000 to First-Quarter 2020)

ShadowStats Corrected-Inflation GDP, Yr-to-Yr Percent Change
1q2000 to "Initial" Estimate 4q2020 Seasonally-Adjusted [ShadowStats, BEA]
Section 2 – Record Shortfalls in Real Quarterly and Annual Deficits in Net Exports and the Merchandise Trade Balance

The November 2020 and implied Fourth-Quarter 2020 Real U.S. Merchandises Trade Deficit Were the Deepest in History, as Confirmed by the Initial Fourth-Quarter 2020 Net Exports. Confirming the patterns present in headline monthly trade deficits to November 2020 (December reporting pending February 5th), the Net Exports in the “advance” reporting of Fourth-Quarter 2020 and for the full-year 2020 were the worst ever, hitting the aggregate economic and GDP reporting hard.

Graphs 14 to 17 update the record real monthly, quarterly and annual trade deficits, Merchandise or the “Net Exports” (including services) in the GDP. Graph 14 plots the monthly Real Merchandise Trade Deficit (December 2020 detail is pending February 5th). Graphs 15 and 16 plot the quarterly GDP-component “Net Exports” respectively in a timeframe comparable with the Merchandise Trade Deficit plot, and for the full historical timeframe of the quarterly GDP and Net Exports series back to 1947 (see related GDP plots in Graphs 3 and 5).

Graph 18 plots the full, annual historical series of the Trade Balance in Net Exports back to 1929, comparable to the GDP plot in Graph 1.
Graph 14: U.S. Real Merchandise Trade Deficit (First-Quarter 1994 to Early-Fourth-Quarter 2020)

Real U.S. Merchandise Trade Deficit (Census Basis)
Quarterly Deficit at Annual Rate, 1q1994 to Early-4q2020 (Oct/Nov)
Seasonally-Adjusted [ShadowStats, Census Bureau]

Graph 15: Real U.S. Net Exports (First-Quarter 1994 to Fourth-Quarter 2020 – GDP Accounting)

U.S. Net Exports of Goods and Services (GDP Accounting)
Quarterly Deficit at Annual Rate (1q1994 to 4q2020 [Final Estimate])
Seasonally-Adjusted [ShadowStats, BEA]
Graph 16: Annualized Quarterly Real U.S. Net Exports, Full History (1q1947 to 4q2020)

Real Net Exports, Billions of 2012 Dollars, Annualized Pace
1947 to “Initial” Fourth-Quarter 2020, Seasonally-Adjusted [ShadowStats, BEA]

Graph 17: Annual Real U.S. Net Exports, Full History (1929 to 2020)

Annual Real Net Exports
Level in Billions of 2012 Dollars, 1929 to 2020 [ShadowStats, BEA]
Section 3 – New Orders for Durable Goods – December 2020

Real Year-to-Year Growth in New Orders Resumed a Decline

Two-Year Decline Continued, Also Seen With Production and Freight Activity

Hit by a renewed slowing in Commercial Aircraft Orders, December 2020 Real New Orders for Durable Goods declined by 0.5% (-0.5%) in the month and by 1.2% (-1.2%) year-to-year. Net of volatile Commercial Aircraft orders and inflation, real new orders gained 0.1% month-to-month in December, down by 0.7% (-0.7%) year-to-year, against respective revised November monthly and annual real gains of 1.0% and 4.5%.

Even in nominal terms, before inflation adjustment, where total orders were up year-to-year by 1.4%, they also were down by 1.9% (-1.9%) from two years ago, as seen in series such as the Cass Freight Index® (see accompanying Graphs 22 and 23) as well as Industrial Production (specifically the Manufacturing and Mining Sectors). That circumstance reflects the pre-Pandemic economic downturn/slowdown in 2018/2019 triggered by excessive FOMC tightening in 2018 (see the discussion in prior Issue No. 1455, beginning there on page 20).

Again, before inflation adjustment, total nominal orders gained 0.2% in the month, as reported January 27th by the Census Bureau. Where the level of nominal new orders for Commercial Aircraft was positive, as opposed to order cancellations and resulting net-negative monthly orders, as had been seen earlier in the year, the month-to-month change in Commercial Aircraft orders was a 51.8% (-51.8%) contraction, with orders dropping to $1.143 billion in December from $2.362 billion in November.

On the more-positive consumer side, nominal new orders for motor vehicles and parts gained 1.4%, although new orders for computers dropped by 3.4% (-3.4%) in the month.

[Graphs 18 to 23 begin on the next page]
**Graph 18: Real New Orders for Durable Goods (2000-2020)**

Real New Orders for Durable Goods
Billions of Constant $2009, Deflated by PPI Durable Manufactured Goods
To December 2020, Seasonally-Adjusted [ShadowStats, Census, BLS]


Real New Orders for Durable Goods (Ex-Commercial Aircraft)
Billions of Constant $2009, Deflated by PPI Durable Manufactured Goods
To August 2020, Seasonally-Adjusted [ShadowStats, Census, BLS]
Graph 20: Real New Orders for Durable Goods, Year-to-Year Percent Change, (2000-2020)

Real New Orders for Durable Goods
Year-to-Year Percent Change, Deflated by PPI Durable Manufactured Goods
To December 2020, Seasonally-Adjusted [ShadowStats, Census, BLS]

Graph 21: Real New Orders for Durable Goods, Ex-Commercial Aircraft (2000 to 2020)

Real New Orders for Durable Goods (Ex-Commercial Aircraft)
Year-to-Year Percent Change, Deflated by PPI Durable Manufactured Goods
To December 2020, Seasonally-Adjusted [ShadowStats, Census, BLS]
See the Cass Freight Index® discussion in prior Issue No. 1455, beginning there on page 20

**Graph 22: Real New Orders for Durable Goods Versus Alternate Business Cycles**

Total Real New Order for Durable Goods
Monthly (Jan 2000 = 100) and 12-Month Moving Average, to August 2020
Plotted Against Formal and Unofficial Recessions
Seasonally-Adjusted [ShadowStats, Census Bureau]

**Graph 23: Cass Freight Index® (2000 to 2020)**

Cass Freight Index® (Re-Indexed to January 2000 = 100)
Monthly and 12-Month Moving Average, to December 2020
Plotted Against Formal and Unofficial Recessions
Not Seasonally Adjusted [ShadowStats, CassInfo.com]

[Section 4 – December 2020 Existing- and New –Home Sales Coverage begins on the next page]
Section 4 – Existing- and New-Homes Sales – December 2020

Existing-Home Sales in 2020 Hit a Fifteen-Year High. The National Association of Realtors® (NAR) ©2021 reported December 2020 Existing-Home Sales on January 22nd. The monthly release headlined: “Existing-home sales rose in December, with home sales in 2020 reaching their highest level since 2006.” See the full details at the following link: National Association of Realtors Existing Home Sales. December 2020 sales gained 22.2% year-to-year, up by 0.7% month-to-month (up by 1.0% net of an upside revision to November 2020 activity). Full-year 2020 sales activity was up by 5.6% from 2019, which was unchanged from annual sales in 2018.

Fourth-Quarter 2020 New-Home Sales Contracted at an Annualized Pace of 35.3% (-35.3%), but Gained 22.8% Year-to-Year. The Census Bureau and the Department of Housing and Urban Development reported December 2020 New-Home Sales (NHS) on January 28th. The usual lack of statistically significant initial reporting at the 90% confidence interval returned with the headline December 2020 NHS detail, both as to the headline month-to-month gain of 1.6% and the year-to-year gain of 15.2%. The headline December numbers were in the context of a 1.4% (-1.4%) downside revision to headline November 2020 sales, which now have collapsed by a downwardly revised 12.6% (-12.6%) [previously 11.1% (-11.1%)] in the month, up by a downwardly revised 19.1% [previously 20.8%].

Yet, the initial reporting of that monthly collapse of 11.1% (-11.1%) in November 2020 New-Home Sales was on top of a coincident three months of massive downside revisions. The then 11.1% (-11.1%) [down by 15.8% (-15.8%) net of revisions to October sales], with the year-to-year gain slowing to a meaningful 20.8% in the month, was down from a downwardly revised annual gain of 33.9% [previously 41.5%] in October 2020.

Both the initial monthly level of and year-to-year change in December 2020 Sales were the lowest since recovering pre-Pandemic levels in June 2020. At present, headline NHS remain shy of ever recovering their pre-Great Recession peak activity by 39.4% (-39.4%). That said, headline NHS for full-year 2020 also was the highest since 2006, prior to the Great Recession.

Extreme Quarterly Volatility Tied to Pandemic Distortions. Based on the December 2020 headline details, Fourth-Quarter (4q2020) New-Home Sales dropped at an annualized quarterly pace of 35.3% (-35.3%), up by 22.8% year-to-year. Such was in the context of 3q2020 Sales exploding at an annualized quarterly pace of 268.7%, up by 39.6% year-to-year; with 2q2020 Sales rising at an annualized quarterly pace of 1.1%, up by 5.9% year-to-year; with 1q2020 Sales declining at an annualized quarterly pace of 5.7% (-5.7%), up by 5.0% year-to-year; with pre-Pandemic 4q2019 Sales gaining at an annualized quarterly pace of 7.9%, up by 23.3% year-to-year.

[Graphs 24 and 25 of New-Home Sales follow on the next page]
Graph 24: New Home Sales (2000 to 2020)

New-Home Sales (Monthly Rate)
2000 to December 2020, Seasonally-Adjusted [ShadowStats, Census and HUD]

Graph 25: New-Home Sales, Year-to-Year Change (2000 to 2020)

New-Home Sales (Year-to-Year Change by Month)
2000 To December 2020, Seasonally-Adjusted [ShadowStats, Census and HUD]

[Financial Market Graphs 26 to 34 begin on the next page.]
Section 5 - Financial Market Graphs Updated Through Month-End Trading on January 29, 2021

Irrespective of Massive Economic Stimulus, Major Dollar Debasement Will Continue
Holding Physical Gold, Silver and the Swiss Franc Protects U.S. Dollar Purchasing Power
Collapsing Economic Activity Usually Is Not Long-Term Bullish for Equity Markets

Graph 26: February 3, 2020 to January 29, 2021 Daily Financial Markets (Dow Jones Industrial Average)
February 3, 2020 to January 29, 2021 Financial Markets
Dow Jones Industrial Average vs. Gold and Swiss Franc
DJIA, Gold and CHF All Indexed to Feb 12 = 100 (DJIA Then All-Time)
Off Peak, DJIA and S&P 500—Remain Inconsistent With Horrific Economic Conditions

_Graphs 26_ and _27_ 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._


February 3, 2020 to January 29, 2021 Financial Markets
S&P 500 vs. Gold and Swiss Franc

Indexed Value for All Series is February 19, 2020 = 100 (S&P 500 Then All-Time High)
Graph 28: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)

London P.M. Gold Fix versus the Dow Jones Industrial Average
Monthly Average Jan 2000 to Jan 2021, Indexed to Jan 2000 = 100
PM Gold Fix, Dow Jones Industrial Average Close Jan 29, 2021
[ShadowStats, St. Louis Fed, S&P Dow Jones Indices, Kitco]

Graph 29: Total Return S&P 500® versus Gold (Month-End and Latest)

London P.M. Gold Fix versus the Total Return S&P 500® Index (Reinvested Dividends)
Month-End Jan 2000 to Jan 2021, Indexed to Jan 2000 = 100
PM Gold Fix, S&P Total Return NY Close Jan 27, 2021
[ShadowStats, St. Louis Fed, S&P Dow Jones, Kitco]
Graph 30: U.S. Financial- vs. Trade-Weighted U.S. Dollar

Financial- vs. Trade-Weighted
Advanced Foreign Economies (AFE) U.S. Dollar
Monthly Average Indices through Jan 2021
Last Point is Late-Day N.Y. for Jan 29, 2021
ShadowStats FWD and FRB AFE Major Currency TWD
Indices, Jan 1985 = 100 [ShadowStats, FRB, WSJ]

Graph 31: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change

Financial- vs. Trade-Weighted AFE U.S. Dollar
Monthly Average Year-to-Year Percent Change to Jan 2021
Last Point is Late-Day New York for Jan 29, 2021
ShadowStats FWD-C and FRB Major Currency TWD Indices
[ShadowStats, FRB, WSJ]
**Graph 32: Gold versus Swiss Franc**

**Gold versus Swiss Franc (CHF) in U.S. Dollars**
Monthly Average Price or Exchange Rate to January 2021
Latest Points - January 29, 2021 [ShadowStats, Kitco, FRB, WSJ]

**Graph 33: Gold versus Silver**

**Gold versus Silver Price Levels**
Monthly Average Price in U.S. Dollars per Troy Ounce to January 2021
Latest Points - January 29, 2021 [ShadowStats, Kitco, Stooq]
Graph 34: Gold versus Oil

Gold versus Oil (Brent/WTI)
Monthly Average Prices to January 2021, Pre-1987 is WTI
Latest Points - January 29, 2021 [ShadowStats, Kitco, EIA]