

**ShadowStats Flash Commentary, Issue No. 1442**

**Gold, Labor Conditions, Money Supply, Construction, Durable Goods, Trade, Revised GDP**

July 9, 2020

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**Soaring Gold and Silver Prices Reflect Intensifying  
Investor Concerns for Inflation Risk and Systemic Instabilities**

**Rising Gold Prices Suggest Central Banks and Treasury Departments  
Are Not Doing Their Jobs; Any Related Market-Dampening  
Interventions Should Prove to Be Short-Lived**

**Annual Growth in June 2020 Money Supply Measures Set Record Highs;  
Consider That June Money Supply M1 Year-to-Year Growth Hit 37%**

**June 2020 Financial-Weighted U.S. Dollar Just Turned Negative Year-to-Year**

**July 30th Second-Quarter 2020 Gross Domestic Product Initial Reporting  
Should Show Unprecedented, Annualized Real Contraction of About 50% (-50%)**

**Consensus Forecasts Are Centering on a More-Modest Record Plunge of 35% (-35%),  
Yet, Bottom Bouncing Headlines for Some April and May Numbers Were Not Reliable**

**June and July Reopening Instabilities Threaten Hopes for a Meaningful, Nascent Upturn;  
Protracted Recovery Likely Will Be L-Shaped, Not V-Shaped**

**First Full Second-Quarter 2020 Headline Reporting: Household Survey Employed  
Plunged at an Annualized Quarterly Pace of 49.1% (-49.1%), as Corrected by the  
Bureau of Labor Statistics for Continuing Misclassification Errors**

**May 2020 U.S. Trade Deficit Deepened Sharply, Signaling Second-Quarter GDP Trouble**

**Both Collapsing May Exports and Imports Signaled a Collapsing Global Economy**

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## Contents – Flash Commentary (Issue No. 1442)

<b>Overview – Mounting Risks of Hyperinflation and Systemic Disorders</b>	<b>5</b>
<b>Surging Gold Prices Signal that Neither the Fed Nor the Treasury Is Doing Its Job</b>	<b>5</b>
<b>Central Banks Abhor Rising Gold Prices and Can Intervene to Suppress, Temporarily</b>	<b>5</b>
<b>Market Forces and Investor Flight-to-Safety Will Dominate Gold Prices in the End</b>	<b>5</b>
<b>Economic Difficulties Likely Intensified in June</b>	<b>5</b>
<b>Upfront Severe Economic Damage from the Shutdown, and</b>	
<b>Early-Reopening Complications, Promise a Protracted, Difficult and Limited Recovery</b>	<b>5</b>
<b>June 2020 Payrolls, Employment and Unemployment</b>	<b>8</b>
<b>Headline Unemployment Underreporting Continued for a Fourth Straight Month</b>	<b>8</b>
<b>Payrolls and Unemployment Improved More than Expected</b>	<b>8</b>
<b>Continued “Reopening” and Surveying- and Reporting-Quality Issues Mar Data Credibility</b>	<b>8</b>
<i>Table I: Impact on Headline Unemployment Rate of Continuing Unemployed Misclassified as “Employed”</i>	<i>9</i>
<i>Graph 1: Unemployment 1948 to June 2020 – BLS Headline U.3 the BLS “Corrected” April 2020 Peak</i>	<i>9</i>
<i>Graph 2: Unemployment to June 2020 – BLS Headline Reporting of U.3, U.6 and Related ShadowStats Alternate</i>	<i>10</i>
<i>Graph 3: Unemployment to June 2020 – BLS “Corrected” Estimates and Related ShadowStats Alternate</i>	<i>10</i>
<i>Graph 4: Nonfarm Payroll Employment, Full Monthly History 1939 to June 2020</i>	<i>11</i>
<i>Graph 5: Nonfarm Payroll Employment, Full Monthly History, Year-to-Year Change, 1940 to June 2020</i>	<i>11</i>
<i>Graph 6: Nonfarm Payrolls, 2000 to Date</i>	<i>12</i>
<i>Graph 7: Nonfarm Payrolls, Year-to-Year Percent Change, 2000 to Date</i>	<i>12</i>
<b>May 2020 Construction Spending and Annual Benchmark Revisions</b>	<b>13</b>
<b>Gimmicked Redefinitions Boosted Prior Nominal Construction Spending History</b>	<b>13</b>
<b>Yet, the Revised Data Showed a Deepening Downturn into May 2020</b>	<b>13</b>
<i>Graph 8: Real Total U.S. Construction Spending, 2000-to-Date</i>	<i>14</i>
<i>Graph 9: Real Private U.S. Construction Spending, 2000-to-Date</i>	<i>14</i>
<i>Graph 10: Real Total U.S. Construction Spending, Year-to-Year Change, 2000-to-Date</i>	<i>15</i>
<i>Graph 11: Real U.S. Private Residential Construction Spending, Year-to-Year, 2000-to-Date</i>	<i>15</i>
<b>May 2020 New Orders for Durable Goods</b>	<b>16</b>
<b>Commercial Aircraft New Orders Resumed, Following Months of Net Order Cancellations</b>	<b>16</b>
<i>Graph 12: Real New Orders for Durable Goods (2000 to May 2020)</i>	<i>17</i>

<i>Graph 13: Real New Orders for Durable Goods, Ex-Commercial Aircraft (2000 to May 2020)</i> .....	17
<i>Graph 14: Real New Orders for Durable Goods, Year-to-Year Percent Change (2000 to May 2020)</i> .....	18
<i>Graph 15: Real New Orders for Durable Goods, Ex-Commercial Aircraft, Year-to-Year (2000 to May 2020)</i> .....	18
<i>Graph 16: Cass Freight Index®, Monthly Level of Unadjusted Activity vs. 12-Month Trailing Average</i> .....	19
<i>Graph 17: Real New Orders for Durable Goods, Ex-Commercial Aircraft, Monthly vs. 12-Mo. Trailing Average</i> .....	19
<b>Third Estimate of First-Quarter 2020 GDP and Second Estimates of First-Quarter GDI and GNP</b>	<b>20</b>
<i>Table II: Third Estimate, Real First-Quarter 2020 GDP Growth Contribution by Economic and Product Sectors</i> .....	21
<i>Graph 18: Full History, Real GDP, 1948 to Third Estimate, First-Quarter 2020 GDP</i> .....	22
<i>Graph 19: Full History, Real GDP, 1949 to Third Estimate, First-Quarter 2020 GDP, Year-to-Year Percent Change</i> .....	22
<i>Graph 20: Third Estimate, Real First-Quarter 2020 GDP</i> .....	23
<i>Graph 21: Third Estimate, Real First-Quarter 2020 GDP, Year-to-Year Percent Change</i> .....	23
<i>Graph 22: Second Estimate, Real First-Quarter 2020 GDI</i> .....	24
<i>Graph 23: Second Estimate, Real First-Quarter 2020 GDI, Year-to-Year Percent Change</i> .....	24
<i>Graph 24: Second Estimate, Real First-Quarter 2020 GNP</i> .....	25
<i>Graph 25: Third Estimate, Real First-Quarter 2020 GNP, Year-to-Year Percent Change</i> .....	25
<i>Graph 26: Third Estimate, Real First-Quarter 2020 GDP, ShadowStats Alternate Estimate</i> .....	26
<i>Graph 27: Third Estimate, Real First-Quarter 2020 GDP, ShadowStats Alternate, Year-to-Year Percent Change</i> .....	26
<b>May 2020 Trade Deficit Deterioration Signaled Second-Quarter GDP Hit Plunging Imports and Exports Signaled Collapsing Global Economy</b>	<b>27</b> <b>27</b>
<i>Graph 28: Nominal U.S. Merchandise Exports, January 1993 to May 2020, Year-to-Year Percent Change</i> .....	28
<i>Graph 29: Nominal U.S. Merchandise Imports, January 1993 to May 2020, Year-to-Year Percent Change</i> .....	28
<i>Graph 30: Real U.S. Merchandise Trade Deficit to May 2020 (Early-Second Quarter 2020)</i> .....	29
<i>Graph 31: Real U.S. Net Exports (Dominant Goods Sector Only) to First-Quarter 2020 (Third Estimate)</i> .....	29
<i>Graph 32: Real U.S. Net Exports (Goods and Services) to First-Quarter 2020 (Third Estimate)</i> .....	30
<b>Updated Monetary Conditions</b>	<b>31</b>
<b>Monetary Base and Assets Notched Lower With Reduced Dollar Swaps</b>	<b>31</b>
<b>June 2020 M1, M2 and ShadowStats Ongoing M3 Hit Record Annual Growth</b>	<b>31</b>
<i>Graph 33: Money Supply M1, M2, M3/ShadowStats Ongoing M3 (1960 to June 2020), Trillions of Dollars</i> .....	32
<i>Graph 34: Money Supply M1, M2 and M3 (1960 to June 2020), Year-to-Year Percent Change</i> .....	32
<i>Graph 35: Money Supply M1 (1960 to June 2020), Trillions of Dollars</i> .....	33
<i>Graph 36: Money Supply M1 (1960 to June 2020), Year-to-Year Percent Change</i> .....	33
<i>Graph 37: Money Supply M2 (1960 to June 2020), Trillions of Dollars</i> .....	34
<i>Graph 38: Money Supply M2 (1960 to June 2020), Year-to-Year Percent Change</i> .....	34
<i>Graph 39: Money Supply M3 and ShadowStats Ongoing M3 (1960 to June 2020), Trillions of Dollars</i> .....	35
<i>Graph 40: Money Supply M3 (1960 to June 2020), Year-to-Year Percent Change</i> .....	35
<i>Graph 41: Federal Reserve Monetary Base (2000 to Date)</i> .....	36

<i>Graph 42: Federal Reserve Monetary Base (2000 to Date), Year-to-Year Change</i> .....	36
<i>Graph 43: Total Assets All Federal Reserve Banks, to Date</i> .....	37
<i>Graph 44: Total Assets All Federal Reserve Banks, to Date, Year-to-Year Change</i> .....	37
<b>Updated Financial Market Graphs to July 9, 2020</b>	<b>38</b>
<b>Physical Gold and Swiss Franc Increasingly Protect U.S. Dollar Purchasing Power</b>	<b>38</b>
<b>Inflation Risks Mount as Gold and Silver Prices Jump .</b>	<b>38</b>
<i>Graph 45: Feb. 3 to Jul. 9, 2020 Financial Markets — Scale: Feb. 12 = 100, Day of DJIA All-Time High Close</i> .....	38
<i>Graph 46: Dow Jones Industrial Average versus Gold (Monthly Average)</i> .....	39
<i>Graph 47: Total Return S&amp;P 500® versus Gold (Month End)</i> .....	39
<i>Graph 48: U.S. Financial- vs. Trade-Weighted U.S. Dollar</i> .....	40
<i>Graph 49: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change</i> .....	40
<i>Graph 50: Gold versus Swiss Franc</i> .....	41
<i>Graph 51: Gold versus Silver</i> .....	41
<i>Graph 52: Gold versus Oil</i> .....	42



## **Overview – Mounting Risks of Hyperinflation and Systemic Disorders**

**Surging Gold Prices Signal that Neither the Fed Nor the Treasury Is Doing Its Job**

**Central Banks Abhor Rising Gold Prices and Can Intervene to Suppress, Temporarily**

**Market Forces and Investor Flight-to-Safety Will Dominate Gold Prices in the End**

**Economic Difficulties Likely Intensified in June**

**Upfront Severe Economic Damage from the Shutdown, and Early-Reopening Complications, Promise a Protracted, Difficult and Limited Recovery**

**Ongoing ShadowsStats Outlook: Economic and Systemic Crashes Should Intensify, Moving Towards a Hyperinflationary Economic Collapse.** FOMC monetary and U.S. Government fiscal policies, and economic, financial-market, political and social circumstances continue to evolve along with the Coronavirus Pandemic, but the evolving broad ShadowStats Outlook has not changed meaningfully. Unfettered money creation and eventual U.S. Dollar hyperinflation continue to unfold in the context of an economy already in the midst of unprecedented collapse.

Systemic turmoil is just beginning, with the Federal Reserve and the U.S. Government driving uncontrolled U.S. dollar creation. Monthly year-to-year growth in the domestic Money Supply continues to soar, setting successive monthly record highs up through the latest June 2020 reporting (see *Updated Monetary Conditions* on page 31, with extended background discussion in [Special Hyperinflation Commentary, Issue No. 1438](#) and [Flash Commentary, Issue No. 1440](#)). Such is exacerbated by the ongoing Pandemic-induced economic shutdown/collapse, which faces a troubled and much slower than commonly hyped or hoped for economic recovery.

**Deepening, Record U.S. Economic Turmoil Looms in Immediate Future, with a Likely Protracted and Troubled Recovery.** The quarterly U.S. economy, as measured by the Gross Domestic Product (GDP) back to 1948, should show an unprecedented annualized real quarterly contraction of about 50% (-50%), against consensus forecasts that are centered on a more-moderate record plunge of 35% (-35%), at the moment. Bottom-bouncing headlines seen for some April and May data likely are more reliable than rebounding headline data. Consider that there are significant reporting issues with key headline series out of the Census Bureau and Bureau of Labor Statistics (BLS), where more-solid numbers otherwise remain absolutely horrendous. Even so, the Bureau of Labor Statistics' most-accurate accounting of full, Second-Quarter 2020 Household Survey "Unemployed," as broad an economic number as they publish, showed an annualized quarterly plunge of 49.1% (-49.1%), as discussed in *June Payrolls, Employment and Unemployment* beginning on page 8. Also with negative implications for the second-quarter GDP, the

**May 2020 Trade Deficit** not only indicated a hit to second-quarter GDP, but also suggested a collapsing Global Economy, which by its nature also is a U.S. economic negative, discussed beginning on page 27.

What will be a record second-quarter GDP plunge, follows what was a negligible third-estimate revision of **First-Quarter 2020 GDP**, which held an annualized 5.0% (-5.0%) contraction, still the worst reading since the Great Recession, in advance of the pending July 30th benchmark GDP revisions and initial estimate of Second-Quarter 2020 GDP. First-quarter 2020 GDP is subject to a fourth revision with the annual benchmarking (see details beginning on page 20).

Also covered here, affecting second-quarter GDP reporting and/or benchmark revisions, **May 2020 Construction Spending** is assessed in the context of redefinitions in its 2020 annual benchmarking, beginning on page 13, along with **May Real New Orders for Durable Goods**, which also is reviewed briefly, beginning on page 16.

**ShadowStats Discussions on the Pending Headline Plunge in Second-Quarter GDP.** Prior [Economic Commentary, Issue No. 1441](#) reviewed the background to the looming historic headline quarterly collapse in the Second-Quarter 2020 GDP. Pending **Economic Commentary, Issue No. 1443**, likely to post over the July 18th weekend, will update fully the economic outlook for that July 30th release of Second-Quarter 2020 GDP, incorporating next week's June 14th to 17th headline reporting of the June 2020 Consumer Price Index, Industrial Production, Retail Sales, Cass Freight Index<sup>®</sup> and New Residential Construction. Also covered there will be the nature of likely downside GDP historical revisions accompanying the 2020 annual GDP benchmarking, coincident with the second-quarter GDP reporting.

**Irrespective of Any Short-Lived Central Bank Interventions to Suppress the Gold Price, Gold Will Protect the Long-Term Purchasing Power of Invested U.S. Dollars.** The upside movement in Gold and Silver prices has begun to accelerate, as markets have seen increasingly unrestrained money creation and mounting inflation risks (again, see coverage of evolving **Monetary Conditions** beginning on page 31). The Federal Reserve's post-Pandemic monetary policies have driven continual, record monthly surges in annual growth for the Money Supply M1, M2 and the Ongoing ShadowStats M3 money stock measures. In the context of Gold prices topping \$1,800 per troy ounce (yesterday July 8th), some scales in the **Updated Financial Market Graphs** (beginning on page 38) had to be recalibrated, with the upper bounds of the Gold-based graphs shifting up to \$2,000 per ounce.

Central Banks and Treasury Departments—particularly the dollar-based U.S. Federal Reserve and the U.S. Treasury—abhor surging gold prices. Financial-market flight-to-safety in the precious metals is a circumstance that signals serious Fed and/or U.S. Treasury malpractice and mismanagement of monetary and/or fiscal policy. At present, both the Fed and the Treasury are running panicked, with their respective policies out of control (see [Special Hyperinflation Commentary, Issue No. 1438](#)). That said, such also is an environment where those institutions may intervene, temporarily, to suppress or to attempt to slow, the warning siren of rising gold prices. Yet, where neither institution at present has politically practical, alternative approaches to current monetary and fiscal policies, any market interventions seen should be fleeting and remain of temporary, short-lived impact.



With some evolution, 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 recovery, reflected in
- Continued flight to safety in precious metals, with accelerating upside pressures on gold and silver prices,
- Mounting selling pressure on the U.S. dollar, against the Swiss Franc, and
- Despite recent extreme Stock Market volatility, continuing high risk of major instabilities and 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”), or as otherwise gamed by the FOMC.

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For recent economic and the latest market and systemic assessments, see [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), [Flash Commentary, Issue No. 1440](#) (FOMC and Inflation) and [Economic Commentary, Issue No. 1441](#) (Economic Update).

Pending *Economic Commentary, Issue No. 1443* likely will post over the July 18th weekend, fully updating the economic outlook for the Second-Quarter 2020 GDP, incorporating the July 14th to 17th headline reporting of the June 2020 Consumer Price Index, Industrial Production, Retail Sales, Cass Freight Index<sup>®</sup> and New Residential Construction.

**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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**[Coverage of June 2020 Payrolls, Employment and Unemployment begins on the next page.]**

## **June 2020 Payrolls, Employment and Unemployment**

### **Headline Unemployment Underreporting Continued for a Fourth Straight Month**

#### **Payrolls and Unemployment Improved More than Expected**

#### **Continued “Reopening” and Surveying- and Reporting-Quality Issues Mar Data Credibility**

##### **Reopening, Quality and Credibility Issues Continue to Plague “Improving” Headline Labor Data.**

As reported July 2nd, by the Bureau of Labor Statistics (BLS), revamped methodologies, seasonal adjustments and major Pandemic disruptions to conducting the monthly BLS Payroll Employment and Household Surveys continued to raise meaningful new questions as to the credibility of current and recent headline BLS reporting. Consider that the level of response to the June Household Survey (unemployment) was down to 65% from a normal 83%. Under those circumstances, how could anyone have much confidence in the significance of those numbers?

That said, headline U.3 unemployment dropped to 11.10% in June from 13.26% in May, yet the BLS still counted 1.9 million unemployed as “employed,” which was an improvement from the 4.9 million headline misclassified people in May. The difference is that the 11.1% in June really was 12.3%, down from 13.3% in May, which really was 16.4%. Full sets of “Headline” and “Corrected” U.3, U.6 and the ShadowStats Alternate unemployment rates are detailed in *Table I*.

Based on the corrected U.3 numbers for First- and Second-Quarter 2020 U.3, headline annualized quarterly change in the level of Household Survey Employed contracted by a record 49.1% (-49.1%) in the second quarter.

Separately, extraordinarily poor quality, headline June payrolls also improved, gaining an even 4.800 million jobs, versus an upwardly revised May gain of 2.699 [previously 2.509] million, and a revised April crash of 20.787 (-20.787) million [previously 20.687 (-20.687)]. Headline payrolls in June 2020 still were 8.7% (-8.7%) below June 2019, off the March 2020 year-to-year trough of 13.4% (-13.4%). The Second-Quarter 2020 Headline Payroll Employment count contracted at a record annualized quarterly pace of 40.0% (-40.0%).

Much of the improved payroll count in recent months has come from the low-waged, previously hard-hit Leisure and Hospitality payrolls sector returning to work. Such includes significant re-openings, such as seen with a variety of casinos. There is significant hard evidence that many of the casino re-openings were too early. There are a meaningful number of facilities currently threatening to shutdown anew, or that already have shut down again. These and similar issues in related industries likely are going to mute or reverse some of the “headline” good jobs gain reporting of the last month or so.



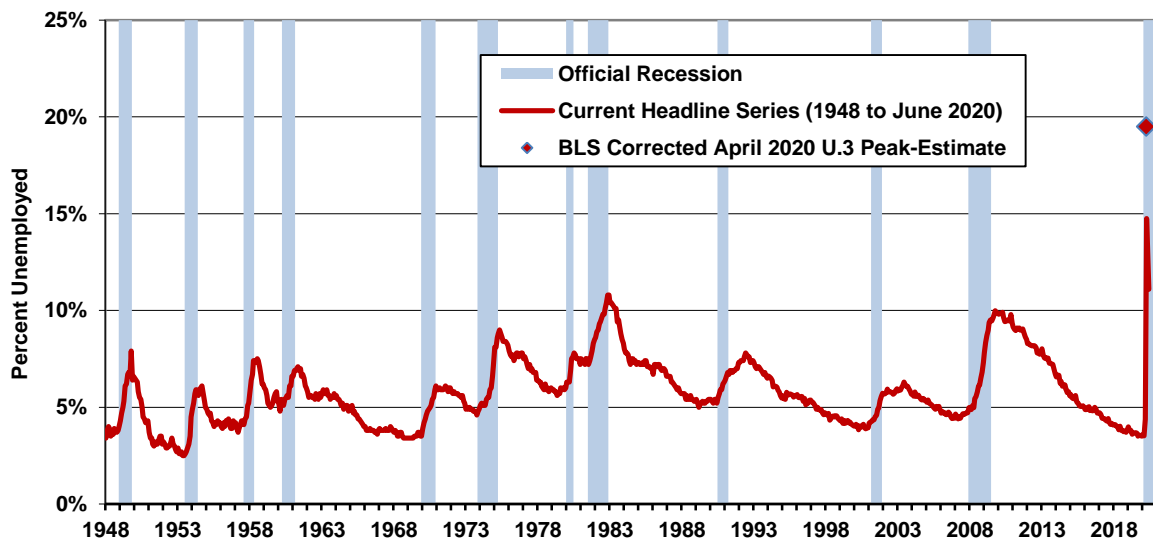
**Table I: Impact on Headline Unemployment Rate of Continuing Unemployed Misclassified as "Employed"**

Unemployed Individuals Misclassified as "Employed" in BLS Headline Household Survey Resulting in Understated Headline Unemployment and Corrected Unemployment Rates March to June 2020, Sources: Bureau of Labor Statistics, ShadowStats							
Month 2020	Unemployed Misclassified as "Employed" per BLS	U.3 Unemployment Rate		U.6 Unemployment Rate		ShadowStats Alternate Unemployment Rate	
		Headline	BLS-Corrected	Headline	BLS-Corrected	Headline	BLS-Corrected
Feb	0	3.52%	3.52%	6.96%	6.96%	21.1%	21.1%
Mar	1.5 Million	4.38%	5.3%	8.72%	9.6%	22.9%	23.7%
Apr	7.5 Million	14.75%	19.5%	22.78%	27.5%	33.4%	39.3%
May	4.9 Million	13.26%	16.4%	21.19%	24.2%	34.0%	36.5%
Jun	1.9 Million	11.10%	12.3%	18.03%	19.2%	31.2%	32.2%

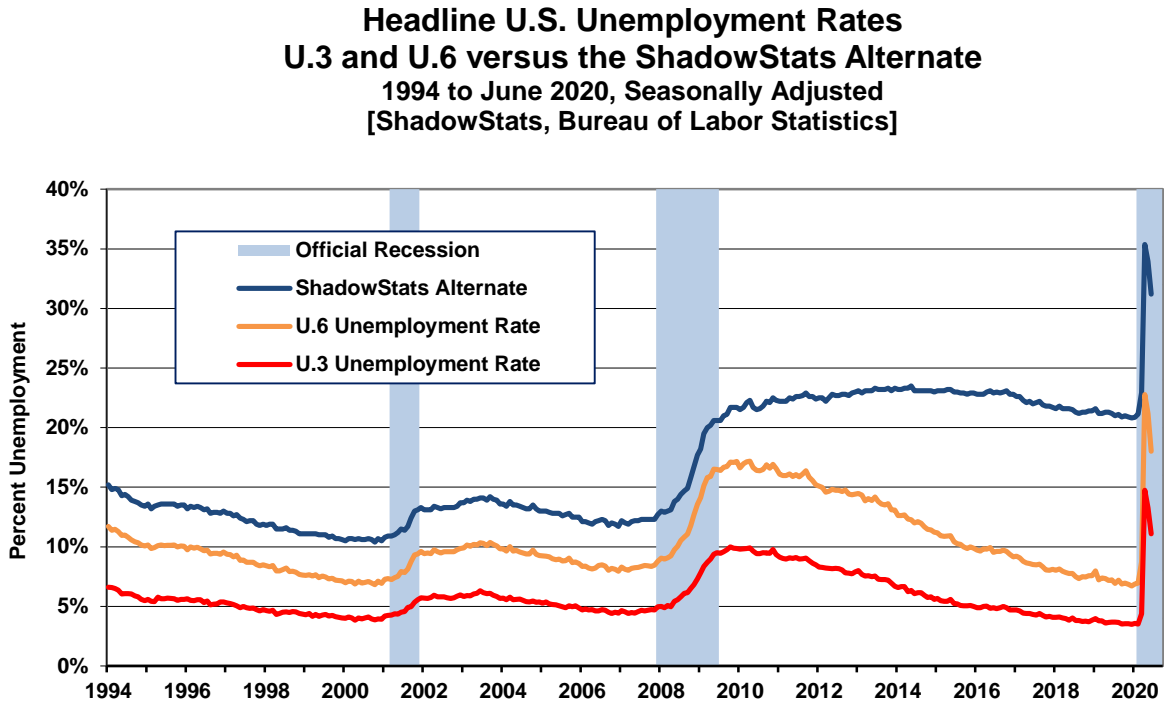
The headline and “corrected” unemployment-rate data of *Table I* are plotted in *Graphs 1, 2* and *3*. *Graph 1* plots the full headline unemployment series since 1948, with “extreme” undercounting of unemployed troughing (“corrected” unemployment rate peaking) in April 2020, plotted as the diamond, putting the magnitude of the issue in perspective. *Graphs 2* and *3* plot both the full headline and “corrected” series.

**Graph 1: Unemployment 1948 to June 2020 – BLS Headline U.3 the BLS "Corrected" April 2020 Peak**

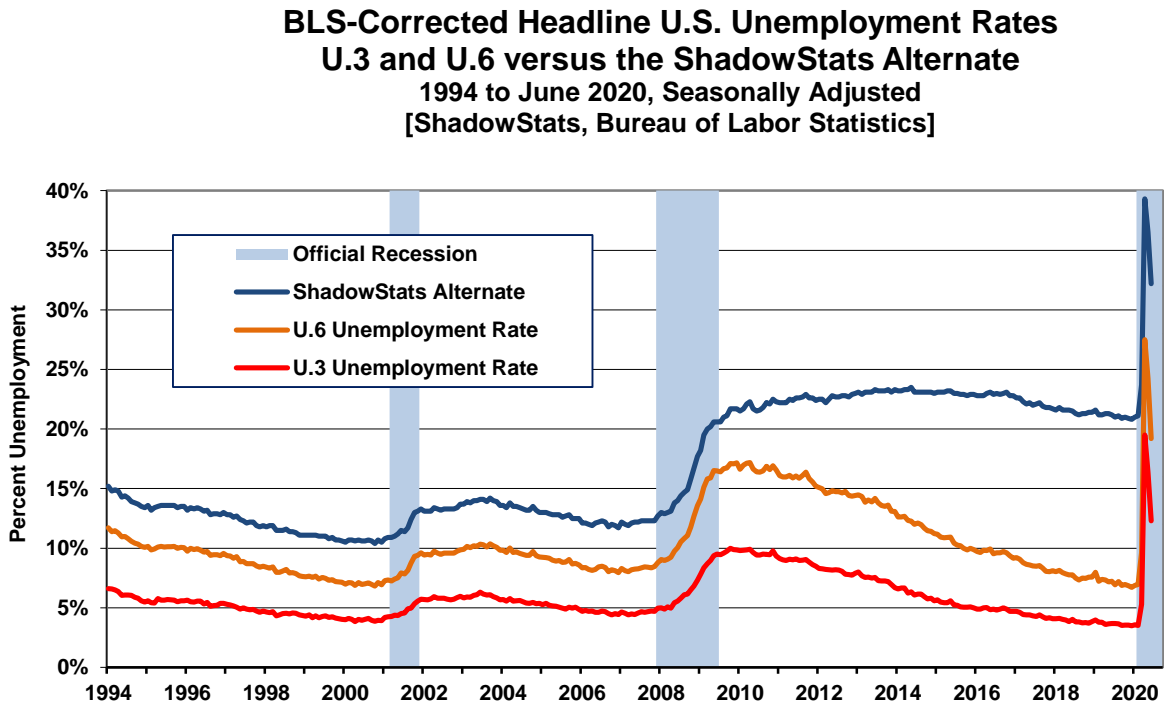
**Headline U.3 Unemployment and BLS-Corrected April 2020 Peak 1948 to June 2020, Not Seasonally Adjusted [ShadowStats, BLS]**



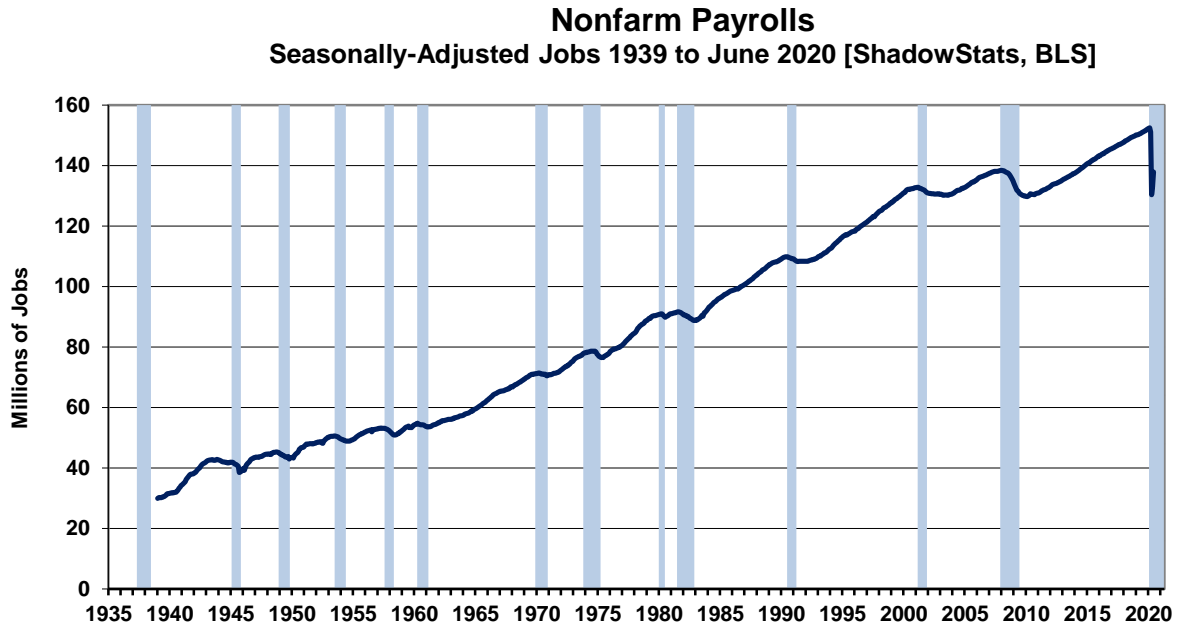
**Graph 2: Unemployment to June 2020 – BLS Headline Reporting of U.3, U.6 and Related ShadowStats Alternate**



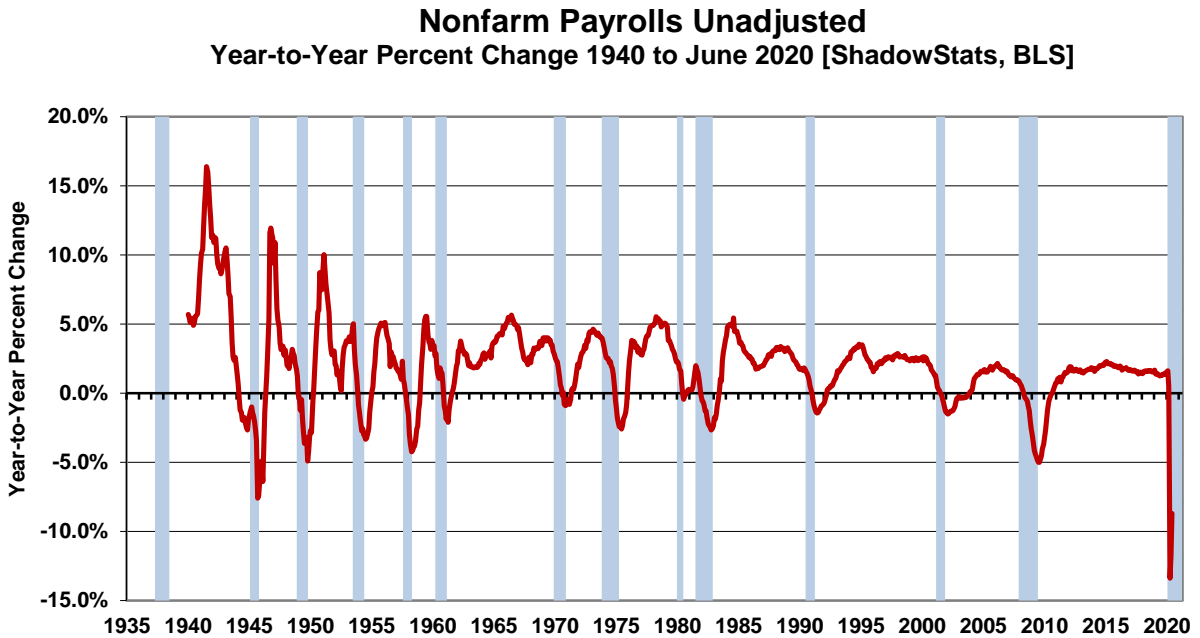
**Graph 3: Unemployment to June 2020 – BLS "Corrected" Estimates and Related ShadowStats Alternate**



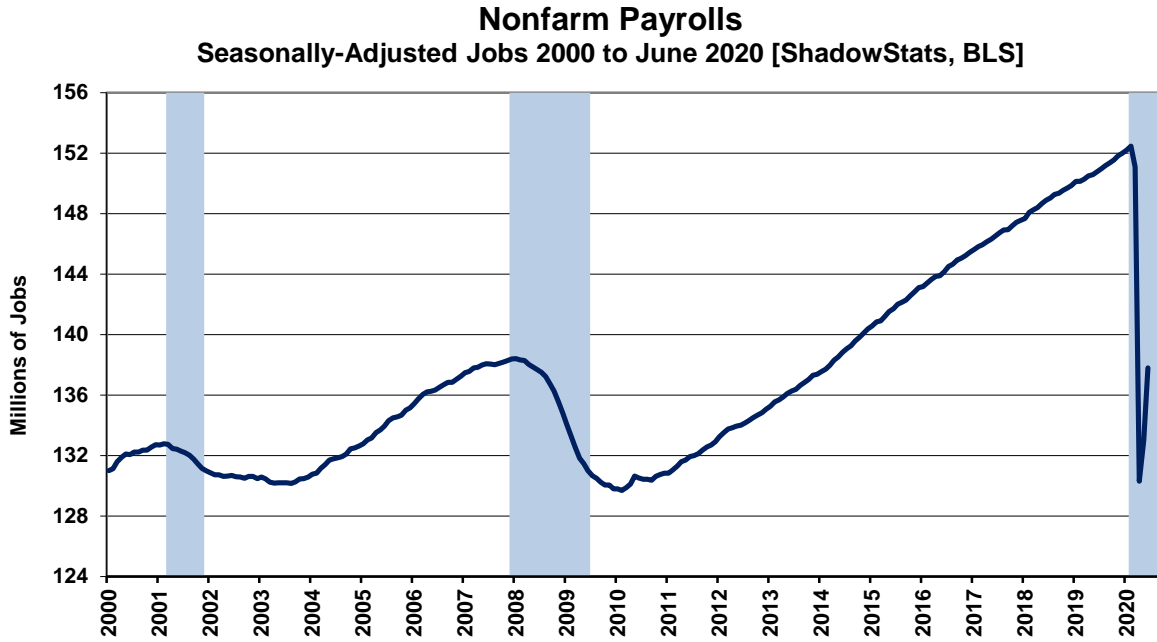
**Graph 4: Nonfarm Payroll Employment, Full Monthly History 1939 to June 2020**



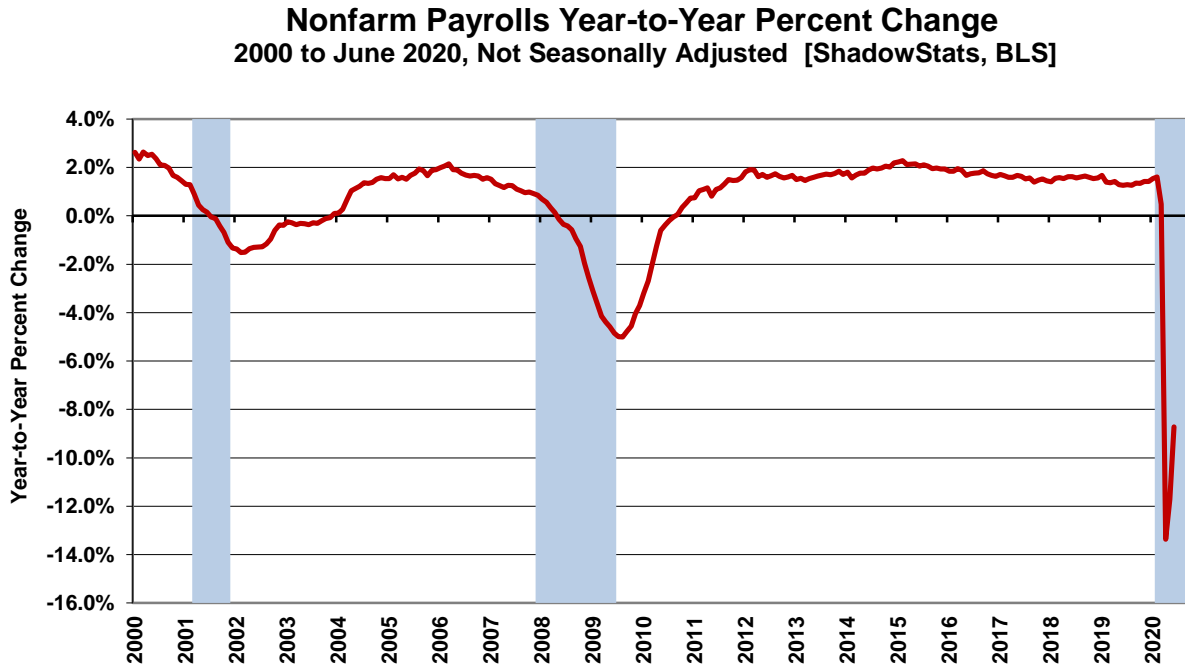
**Graph 5: Nonfarm Payroll Employment, Full Monthly History, Year-to-Year Change, 1940 to June 2020**



**Graph 6: Nonfarm Payrolls, 2000 to Date**



**Graph 7: Nonfarm Payrolls, Year-to-Year Percent Change, 2000 to Date**



## **May 2020 Construction Spending and Annual Benchmark Revisions**

### **Gimmicked Redefinitions Boosted Prior Nominal Construction Spending History**

#### **Yet, the Revised Data Showed a Deepening Downturn into May 2020**

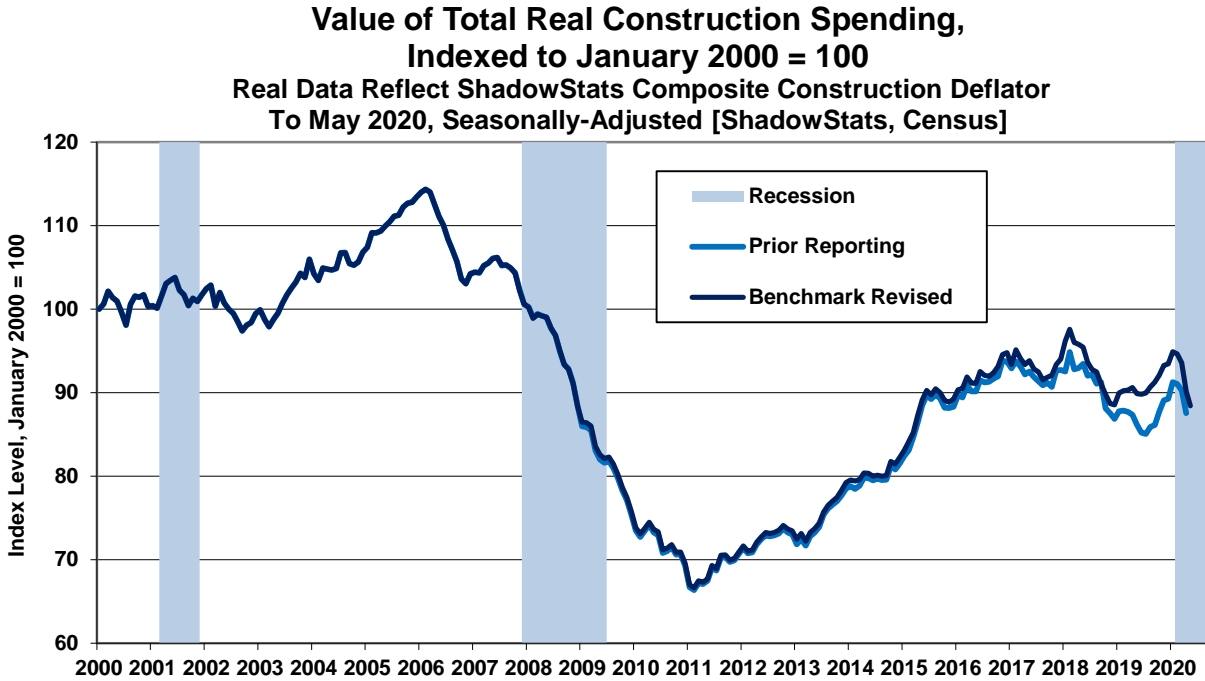
**Benchmark Revised Construction Spending Showed Stronger Activity in 2018 and 2019, With a Deepening Slowdown and Contraction into May 2020.** As reported July 1st by the Census Bureau, benchmarked nominal Construction Spending levels revised higher in recent years due to revamped valuation methods for multi-unit residential construction. Aside from recalculated seasonals, corrective benchmarking was limited to 2018 and after. Revisions to nominal annual activity showed a net relative upside revision of 0.9% to 2018 growth, of 2.4% to 2019, but a downside revision of 0.8% (-0.8%) through April 2020.

Net of inflation, Second-Quarter 2020 activity is on track for an annualized real quarterly contraction of 19.9% (-19.9%), following a downwardly revised First-Quarter gain of 6.3% [previously 10.2%]. Given the lagged nature of the actual Construction Spending series, against Housing Starts and even-earlier Building Permits, June 2020 and related Second-Quarter 2020 Activity is good bet to be a net-negative contributing factor to Second-Quarter 2020 GDP.

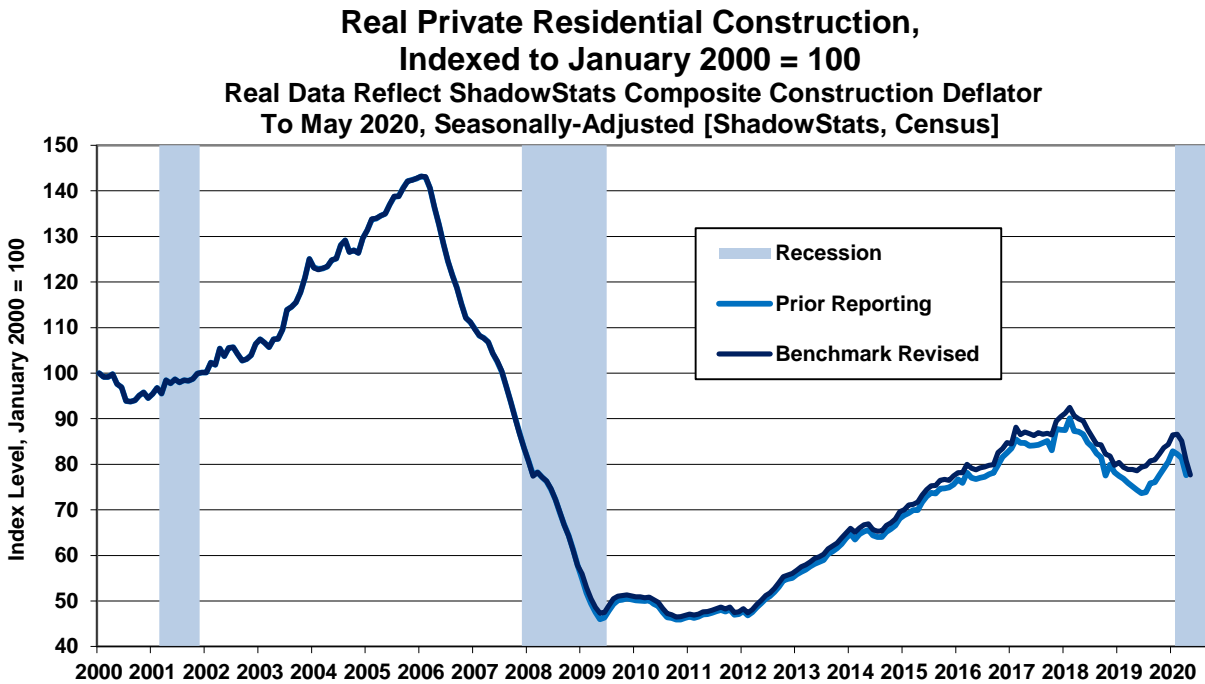
Where the annual benchmark revisions primarily involved pricing changes, I currently am reviewing the nature of any needed changes to headline deflation of this series, so as to reflect inflation-adjusted growth properly.

**[Graphs 8 to 11 begin on the next page]**

**Graph 8: Real Total U.S. Construction Spending, 2000-to-Date**

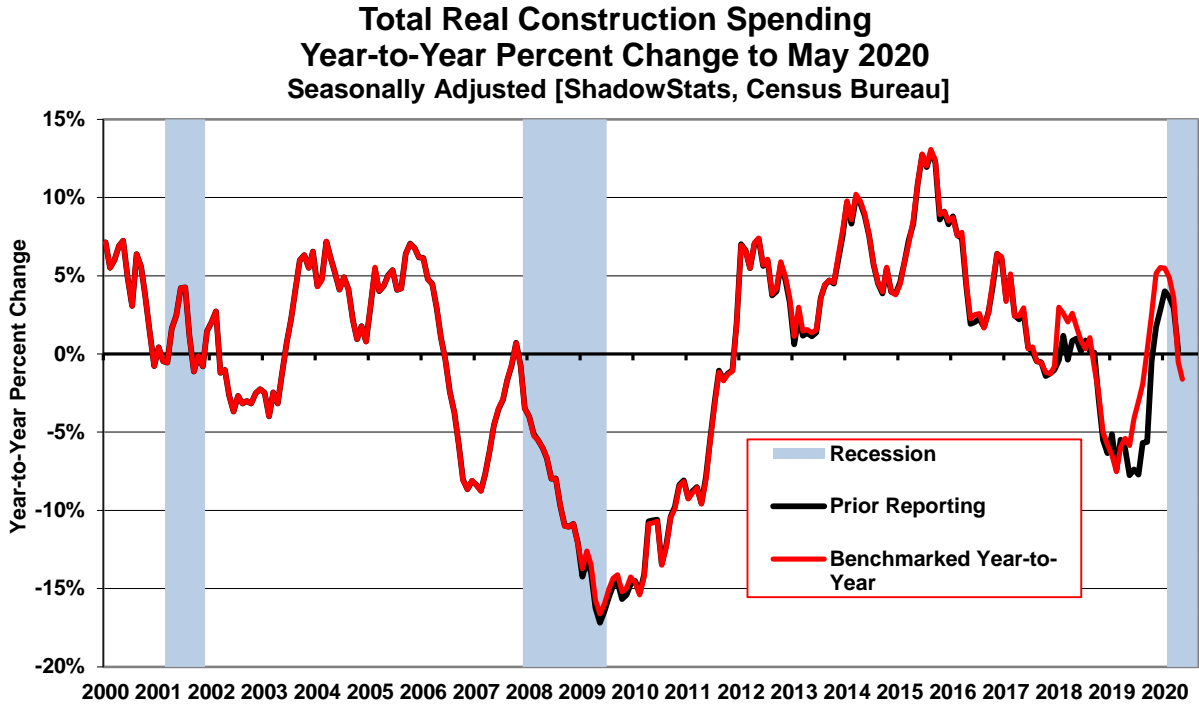


**Graph 9: Real Private U.S. Construction Spending, 2000-to-Date**

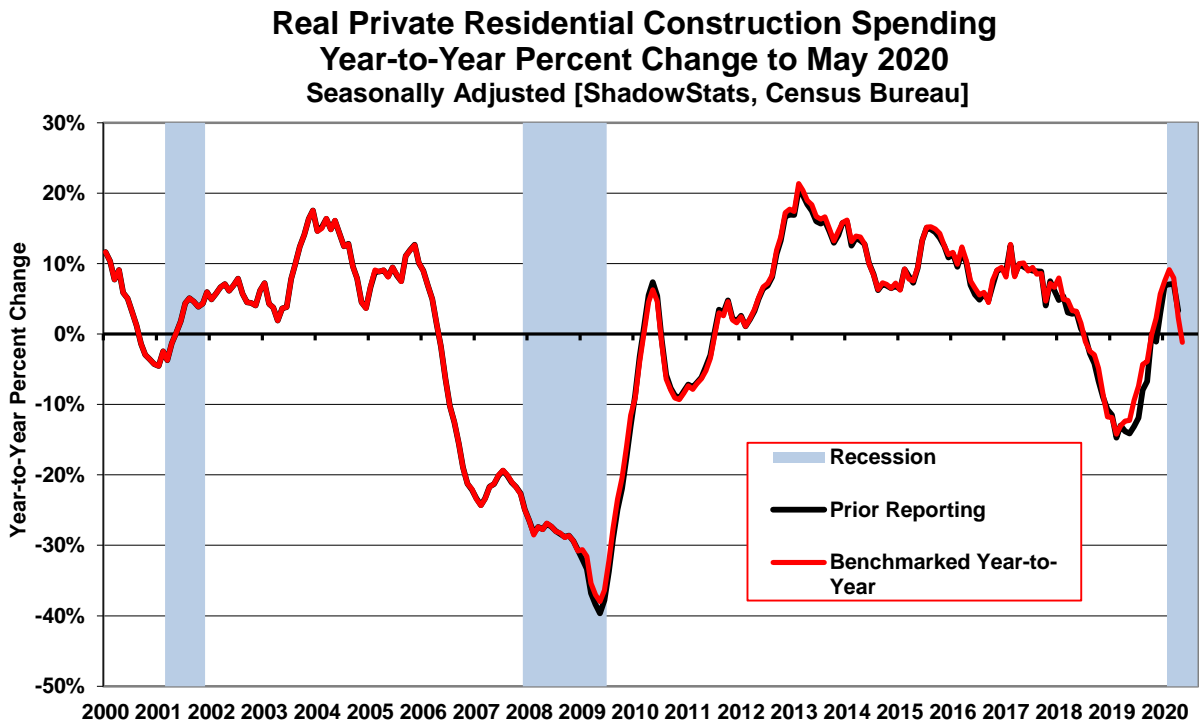




**Graph 10: Real Total U.S. Construction Spending, Year-to-Year Change, 2000-to-Date**



**Graph 11: Real U.S. Private Residential Construction Spending, Year-to-Year, 2000-to-Date**



## May 2020 New Orders for Durable Goods

### Commercial Aircraft New Orders Resumed, Following Months of Net Order Cancellations

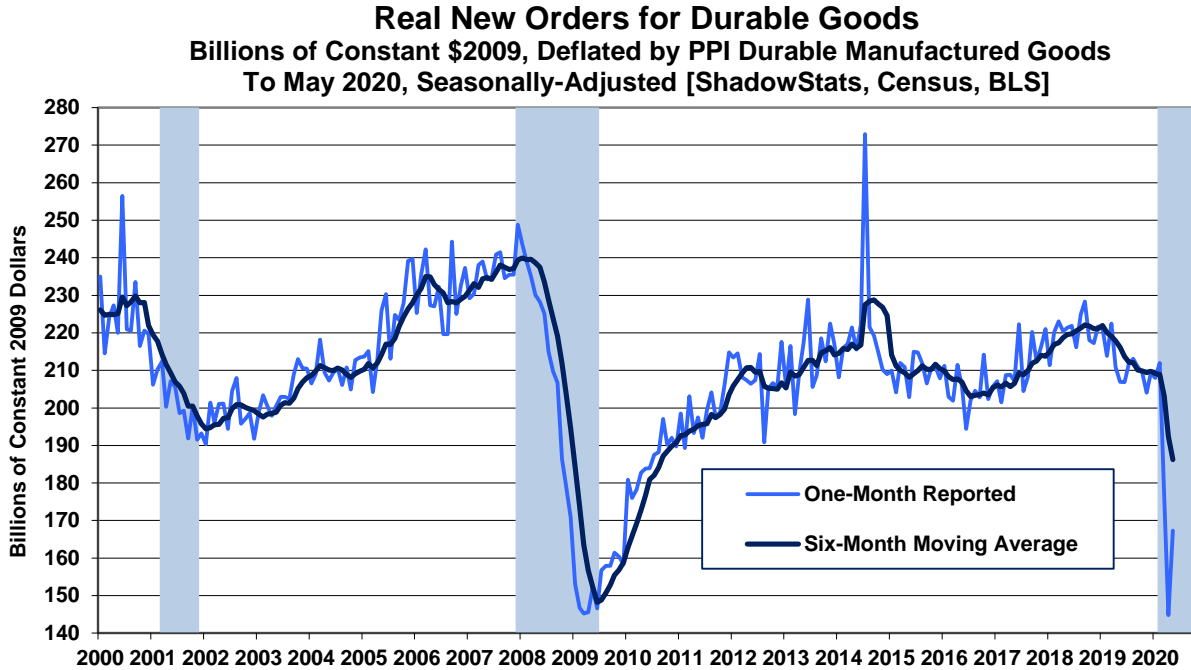
**May 2020 Real New Orders for Durable Goods, Ex-Commercial Aircraft, Bounced on Top of Continuing Downside Revisions.** As reported June 25th by the Census Bureau, against downside revisions to April activity, Real New Orders for Durable Goods gained 15.5% in May, but declined 19.2% (-19.2%) year-to-year. Net of resumed growth in May Commercial Aircraft orders, New Orders ex-Aircraft gained 8.3% in the month, down by 18.7% (-18.7%) for the year. Total New Orders for Durable Goods was on track for an annualized real Second-Quarter 2020 contraction of 62.0% (-62.0%), down year-to-year by 25.0% (-25.0%).

The standard plots of Real New Orders for Durable Goods, both aggregate and net of the volatile Commercial Aircraft sector, as to level and year-to-year change, follow on pages 17 and 18 as **Graphs 12 to 15**.

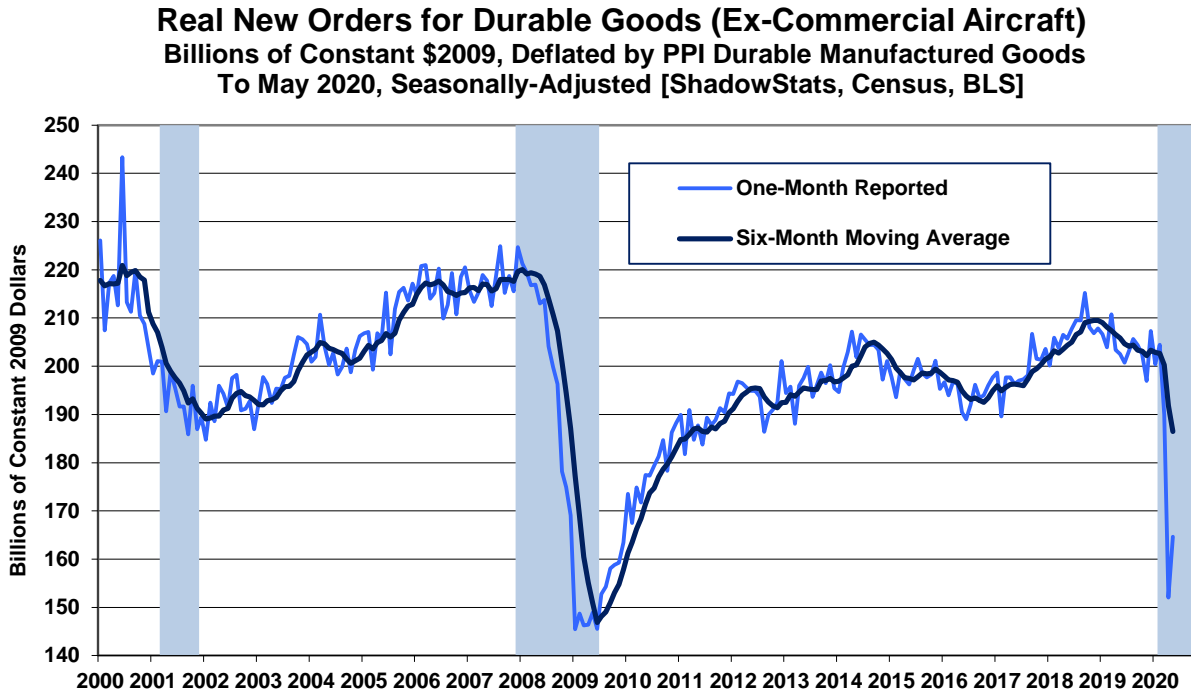
**Pre-Pandemic, Pending-Recession Patterns in Durable Goods Orders Mirror Patterns in the Cass Freight Index<sup>®</sup>, Merging Underlying Economic Reality With the New Headline Recession.** Updating [Economic Commentary, Issue No. 1441](#) with **Graphs 16 and 17** here on page 19, consider **Graph 16** of the May 2020 Cass Freight Index<sup>®</sup>, along with its 12-month trailing or moving average, against the formal recessions beginning in 2000, 2007 and now 2020 (darker blue bands), as well as against prospective or “missed” recessions beginning in 2014 and 2019 (lighter blue bands), with the December 2019 downturn now transitioning into the February 2020 formal collapse and new recession onset. Also compare the twelve-month, smoothed moving average seen in the May 2020 **Graph 16** of the Cass Freight Index<sup>®</sup> with the parallel measure in **Graph 17** of the May 2020 New Orders for Durable Goods, Ex-Commercial Aircraft. Both series confirm the Pre-Pandemic downturn, which will be expanded upon in the context of a number of other major economic series, in pending **No. 1443**.

**[Graphs 12 to 17 begin on the next page]**

**Graph 12: Real New Orders for Durable Goods (2000 to May 2020)**



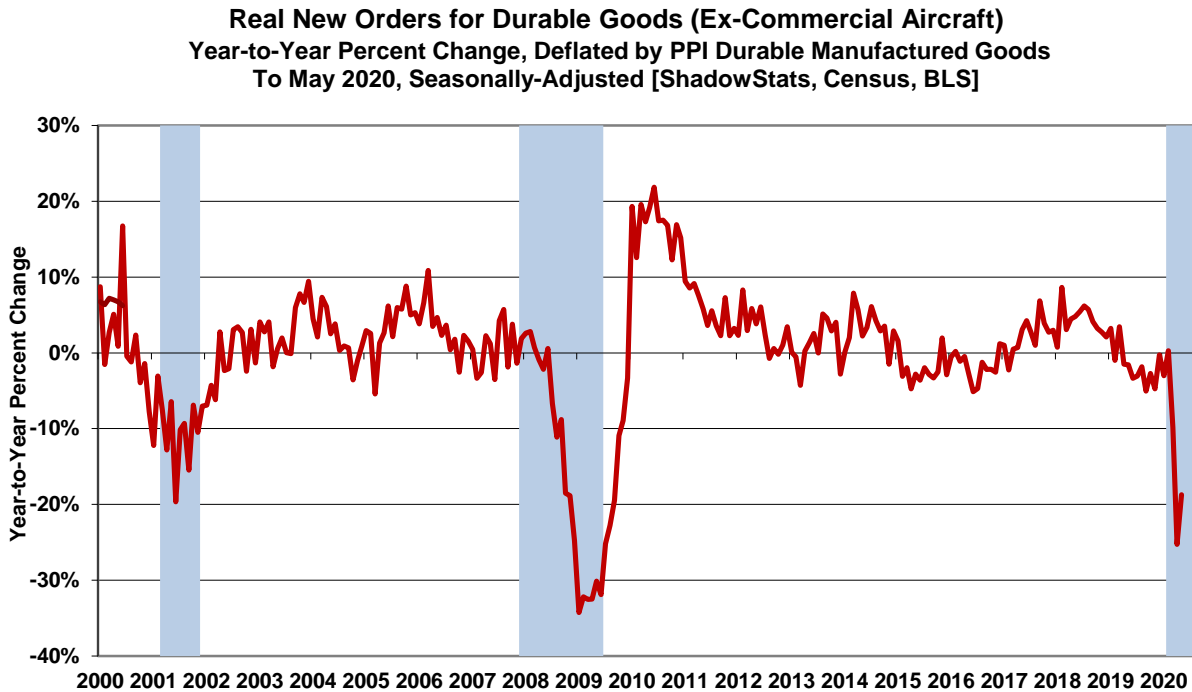
**Graph 13: Real New Orders for Durable Goods, Ex-Commercial Aircraft (2000 to May 2020)**



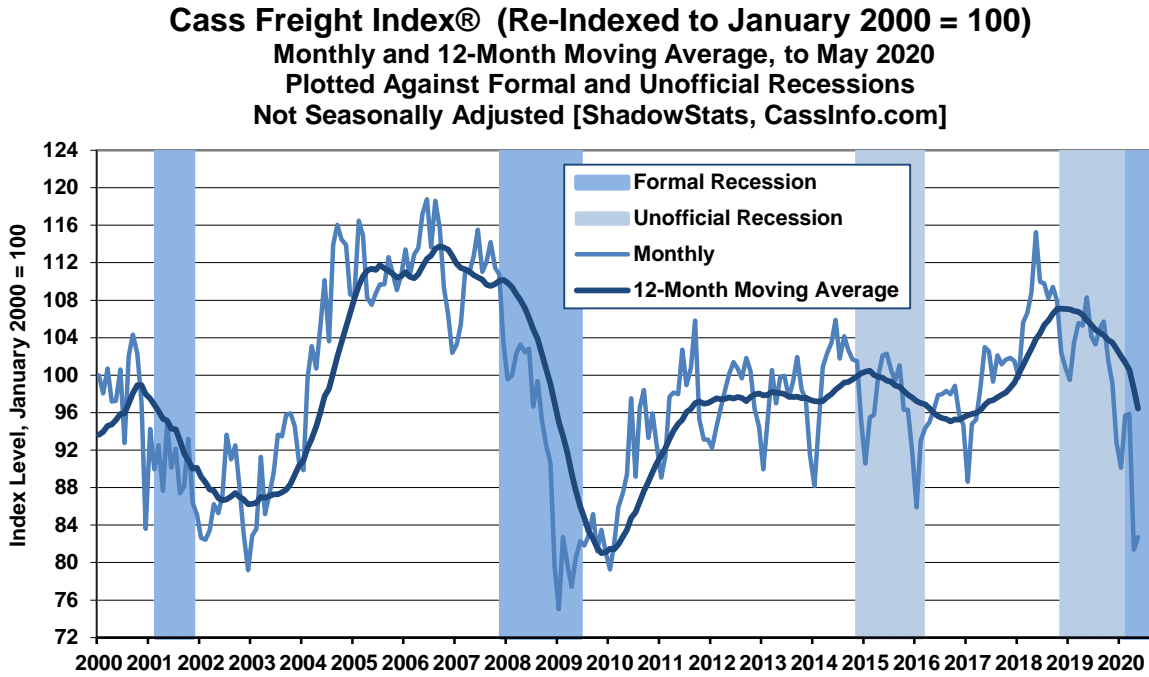
**Graph 14: Real New Orders for Durable Goods, Year-to-Year Percent Change (2000 to May 2020)**



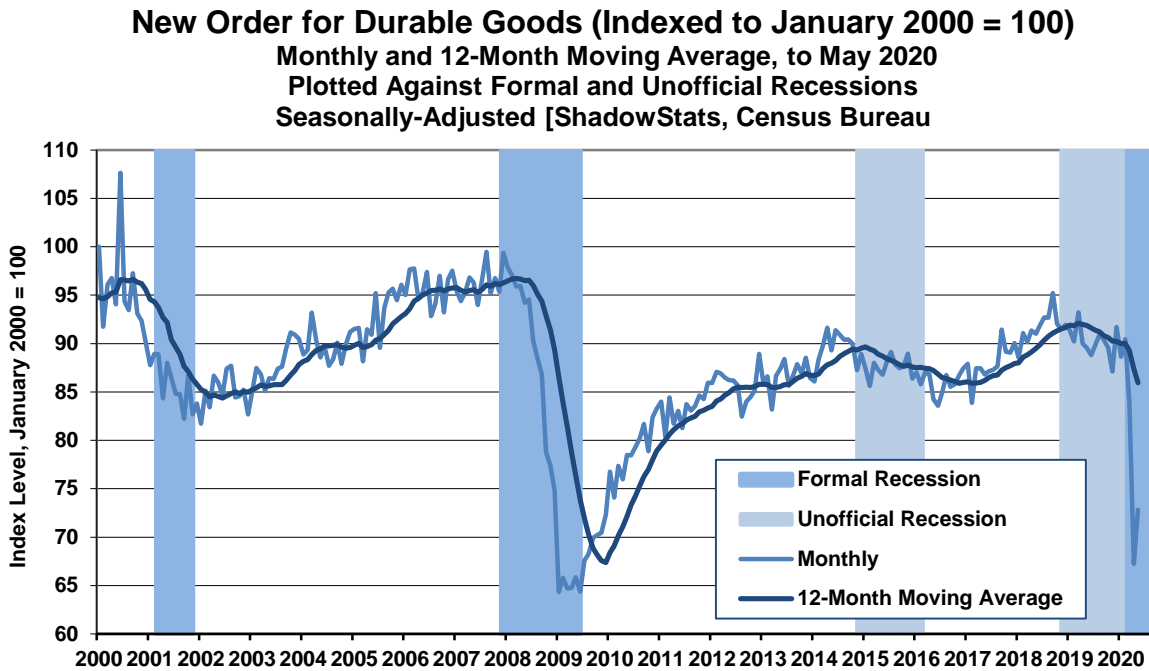
**Graph 15: Real New Orders for Durable Goods, Ex-Commercial Aircraft, Year-to-Year (2000 to May 2020)**



**Graph 16: Cass Freight Index®, Monthly Level of Unadjusted Activity vs. 12-Month Trailing Average**



**Graph 17: Real New Orders for Durable Goods, Ex-Commercial Aircraft, Monthly vs. 12-Mo. Trailing Average**



## **Third Estimate of First-Quarter 2020 GDP and Second Estimates of First-Quarter GDI and GNP**

**The Third Estimate of First-Quarter 2020 Real GDP Contraction at 4.99% (-4.99%) Still Was the Worst Drop Since the Great Recession.** As reported June 25th, by the Bureau of Economic Analysis (BEA), the third estimate, second revision of real growth in the First-Quarter 2020 GDP was minimal, revising the annualized headline quarterly decline to 4.99% (-4.99%) [previously 5.05% (-5.05%), initially 4.78% (-4.78%)], against an unrevised 2.13% gain in Fourth-Quarter 2019 GDP. Gross Domestic Income (GDI), the theoretical income-side equivalent to the product-side GDP, declined by a revised 4.39% (-4.39%) [previously 4.23% (-4.23%)], versus 3.11% in 4q2019. Gross National Product (GNP), the GDP plus the trade balance in Factor Income (Interest and Dividend Payments), declined by a revised 5.62% (-5.62%) [previously 6.07% (-6.07%)], having gained 2.71% in 4q2019. The Pandemic-driven, National Bureau of Economic Research (NBER) defined Current Recession is being clocked from Fourth-Quarter 2019 (February 2020 on a monthly basis). Discussed in today's *Overview*, Second-Quarter 2020 GDP remains on track for an unprecedented, annualized real quarterly plunge of about 50% (-50%). That circumstance will be updated fully over the July 18th weekend in pending *No. 1443*.

The latest GDP revisions are detailed in *Table II* and in updated *Graphs 18 to 27*. Subsequent reporting of the May 2020 Merchandise Trade Deficit, and related negative implications for Second-Quarter GDP are discussed in the *May 2020 Trade Deficit* section beginning on page 27.

**[Table II and Graphs 18 to 27 begin on the next page]**



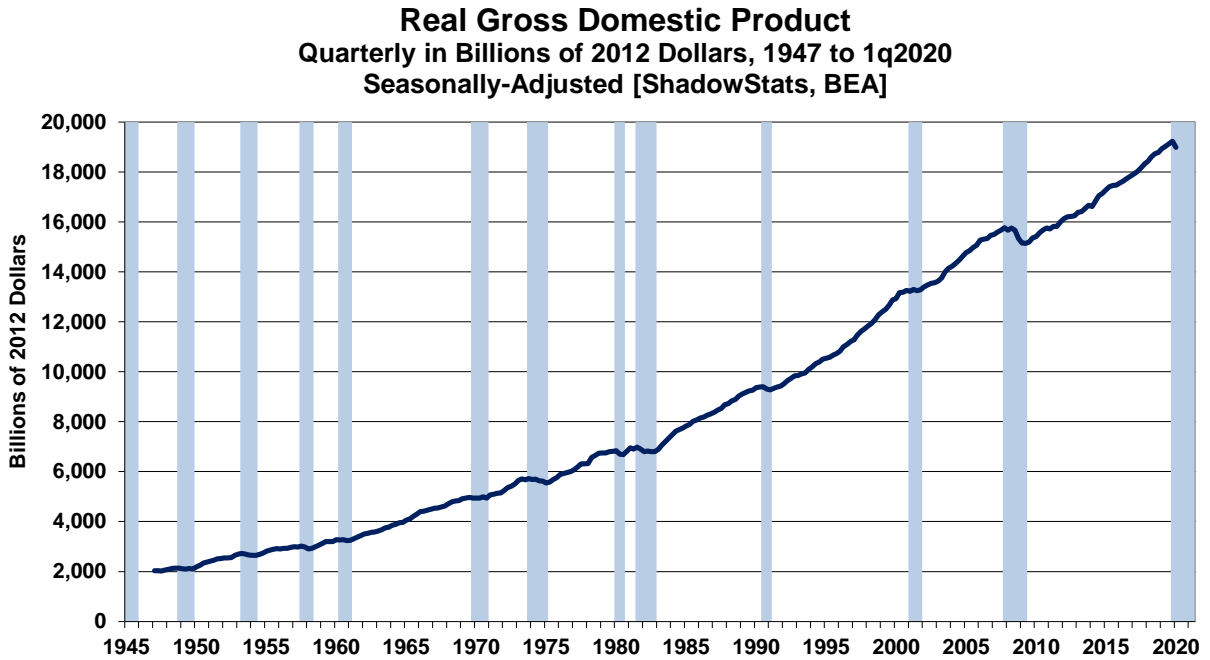
Table II: Third Estimate, Real First-Quarter 2020 GDP Growth Contribution by Economic and Product Sectors

2019 and Third-Estimate, First-Quarter 2020 Real Gross Domestic Product Annualized Quarterly Real Growth Contribution by Economic and Product Sector							
GDP COMPONENT GROWTH CONTRIBUTION BY SECTOR QUARTERLY AND ANNUAL	First- Quarter 2019	Second- Quarter 2019	Third- Quarter 2019	Fourth- Quarter 2019	First-Quarter 2020		
					1st Estimate	2nd Estimate	3rd Estimate
<b>ECONOMIC SECTOR</b>							
Personal Consumption							
- Goods	0.32%	1.74%	1.09%	0.12%	-0.27%	0.06%	0.05%
-- Motor Vehicles	-0.27%	0.37%	0.06%	0.13%	-0.95%	-0.82%	-0.84%
- Services	0.46%	1.29%	1.02%	1.12%	-4.99%	-4.75%	-4.78%
Gross Private Domestic Investment							
- Fixed Investment	0.56%	-0.25%	-0.14%	-0.09%	-0.43%	-0.41%	-0.21%
-- Residential	-0.04%	-0.11%	0.17%	0.24%	0.74%	0.66%	0.65%
- Change in Private Inventories	0.53%	-0.91%	-0.03%	-0.98%	-0.53%	-1.43%	-1.56%
Net Exports of Goods and Services	0.73%	-0.68%	-0.14%	1.51%	1.30%	1.32%	1.31%
Government Consumption	0.50%	0.82%	0.30%	0.44%	0.13%	0.15%	0.20%
<b>REAL GDP GROWTH</b>	<b>3.10%</b>	<b>2.01%</b>	<b>2.10%</b>	<b>2.13%</b>	<b>-4.78%</b>	<b>-5.05%</b>	<b>-4.99%</b>
Final Sales, GDP Less Inventories	2.57%	2.92%	2.13%	3.11%	-4.25%	-3.62%	-3.43%
<b>PRODUCT SECTOR</b>							
Goods	2.12%	0.62%	1.20%	0.51%	-0.51%	-1.12%	-1.21%
Services	0.66%	1.66%	1.11%	1.51%	-4.85%	-4.62%	-4.68%
Structures	0.32%	-0.26%	-0.21%	0.10%	0.58%	0.69%	0.90%
<b>REAL GDP GROWTH</b>	<b>3.10%</b>	<b>2.01%</b>	<b>2.10%</b>	<b>2.13%</b>	<b>-4.78%</b>	<b>-5.05%</b>	<b>-4.99%</b>
<b>SUPPLEMENTAL</b>							
<b>Annualized Quarter-to-Quarter Real GDP Change and Headline Implicit Price Deflator Inflation</b>							
Gross Domestic Product (GDP)	3.10%	2.01%	2.10%	2.13%	-4.78%	-5.05%	-4.99%
Gross Domestic Income (GDI)	3.24%	0.87%	1.23%	3.11%	n.a.	-4.23%	-4.39%
Gross National Product (GNP)	3.09%	2.78%	2.20%	2.17%	n.a.	-6.07%	-5.62%
ShadowStats Corrected GDP*	1.01%	-0.05%	0.04%	0.06%	n.a.	-7.03%	-6.92%
Implicit Price Deflator (IPD) Inflation	0.78%	2.59%	1.71%	1.35%	1.37%	1.60%	1.63%
<b>Year-to-Year Real GDP Change and Headline Implicit Price Deflator Inflation</b>							
Gross Domestic Product (GDP)	2.65%	2.28%	2.07%	2.33%	0.32%	0.25%	0.26%
Gross Domestic Income (GDI)	2.00%	2.04%	1.53%	2.11%	n.a.	0.21%	0.17%
Gross National Product (GNP)	2.47%	2.38%	2.19%	2.56%	n.a.	0.20%	0.32%
ShadowStats Corrected GDP*	0.58%	0.21%	0.01%	0.26%	n.a.	-1.79%	-1.76%
Implicit Price Deflator (IPD) Inflation	1.94%	1.73%	1.71%	1.61%	1.76%	1.81%	1.82%

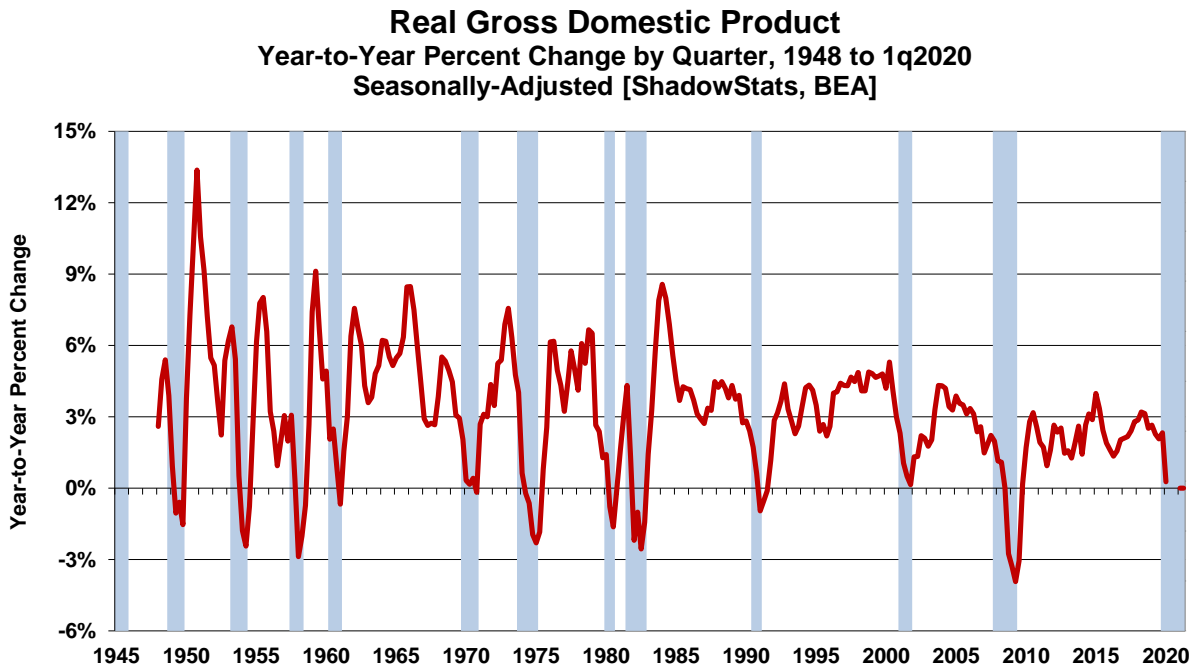
Sources: Bureau of Economic Analysis, ShadowStats.com. (r) 4q2019 Real GDP initially 2.59% Q/Q, 1.98% Y/Y.

(\*) Real GDP corrected for understated headline inflation, see Special Commentaries No. 968 / 983-B for background.

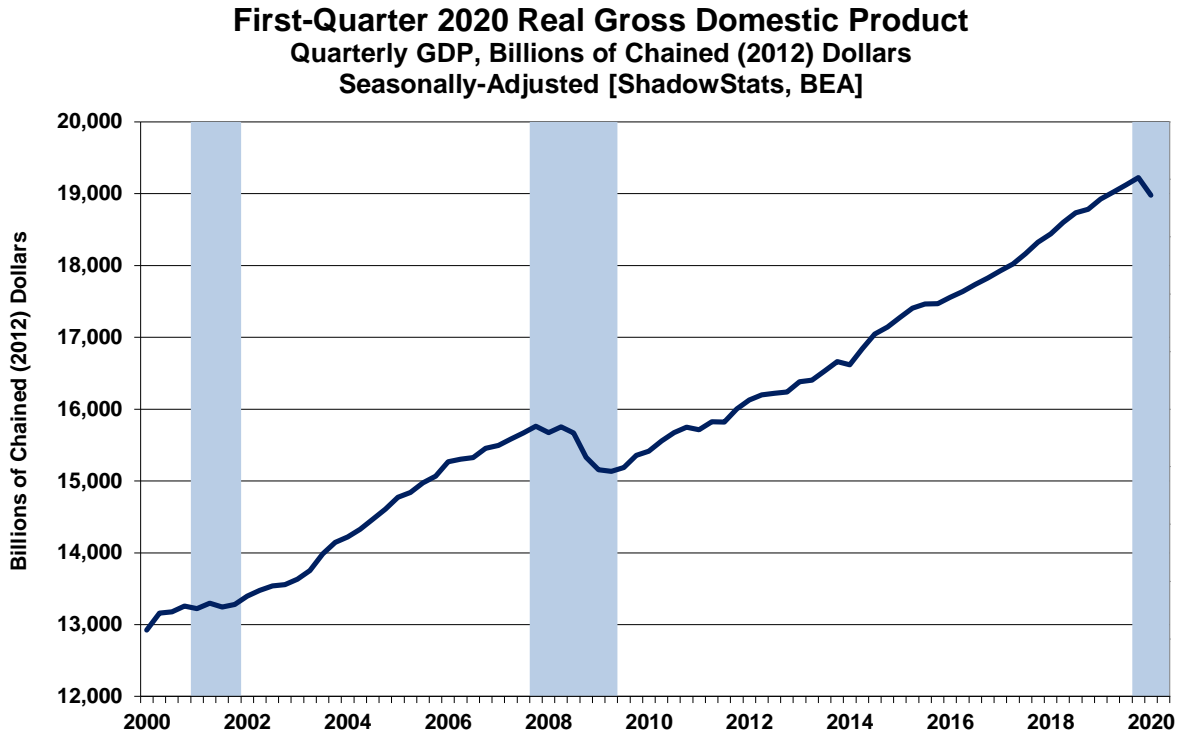
**Graph 18: Full History, Real GDP, 1948 to Third Estimate, First-Quarter 2020 GDP**



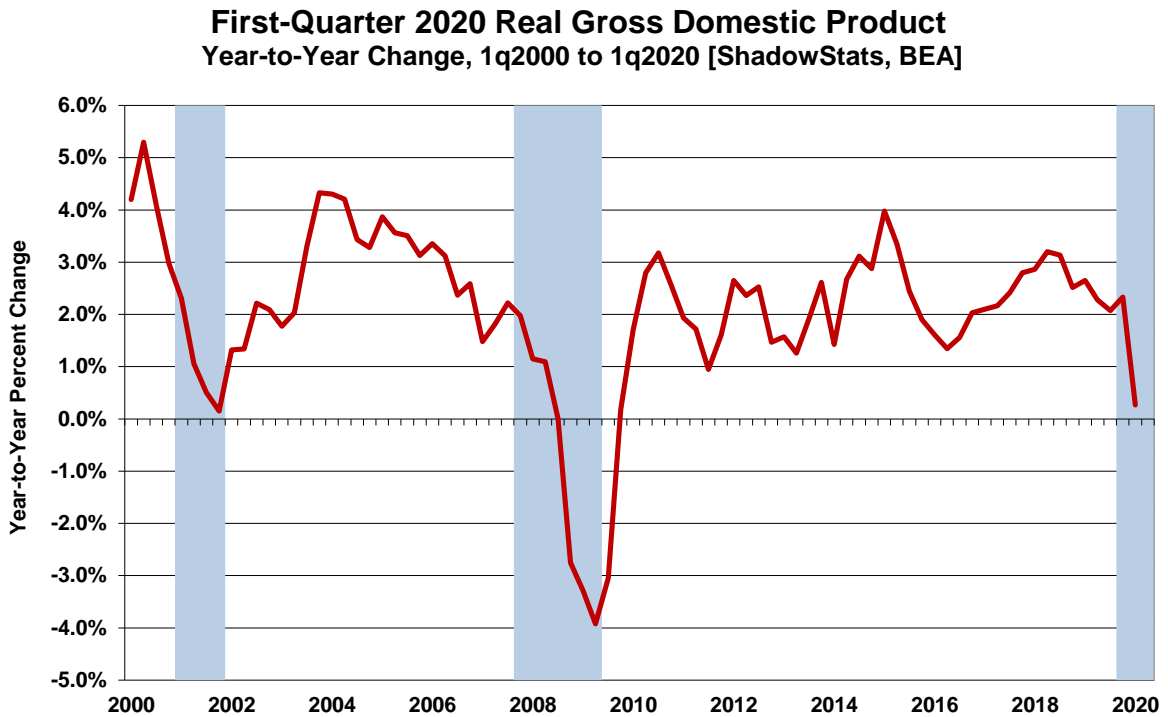
**Graph 19: Full History, Real GDP, 1949 to Third Estimate, First-Quarter 2020 GDP, Year-to-Year Percent Change**



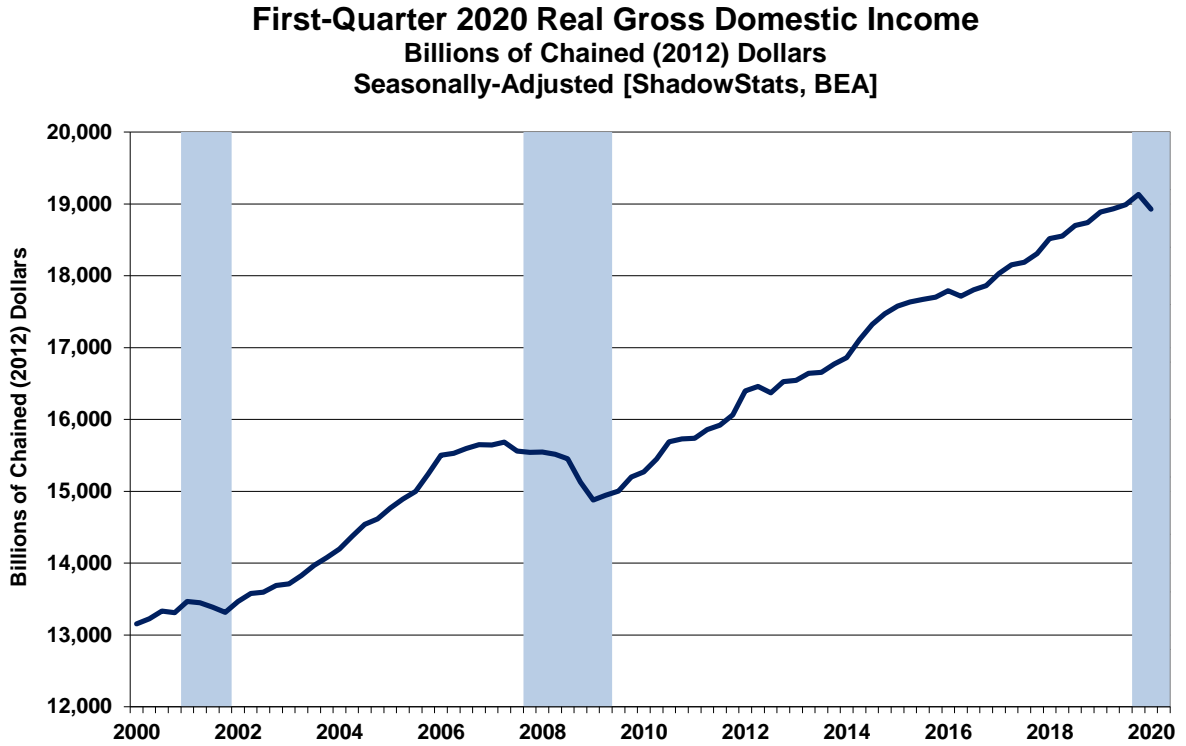
**Graph 20: Third Estimate, Real First-Quarter 2020 GDP**



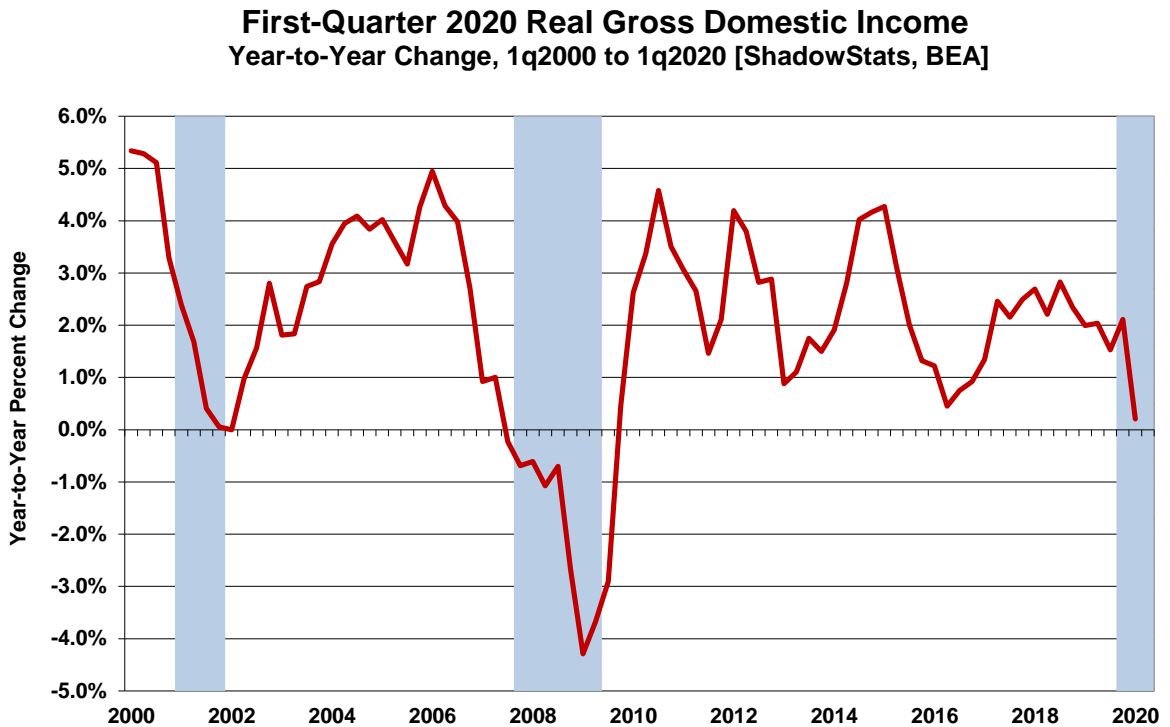
**Graph 21: Third Estimate, Real First-Quarter 2020 GDP, Year-to-Year Percent Change**



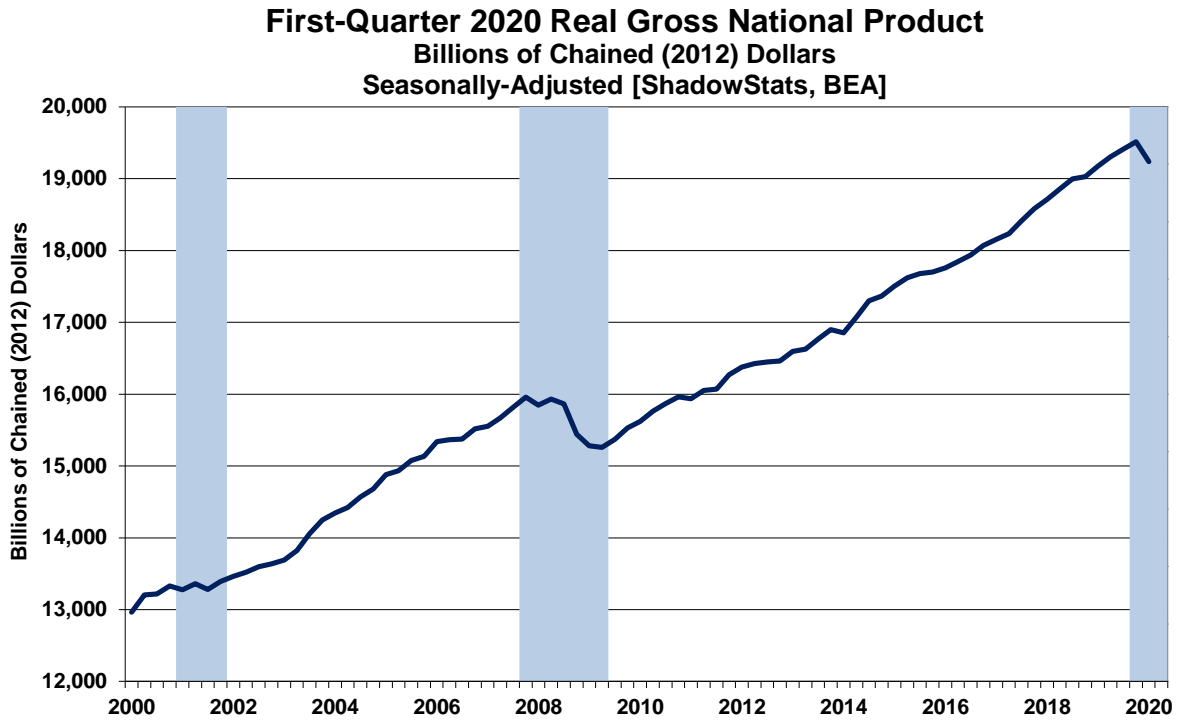
**Graph 22: Second Estimate, Real First-Quarter 2020 GDI**



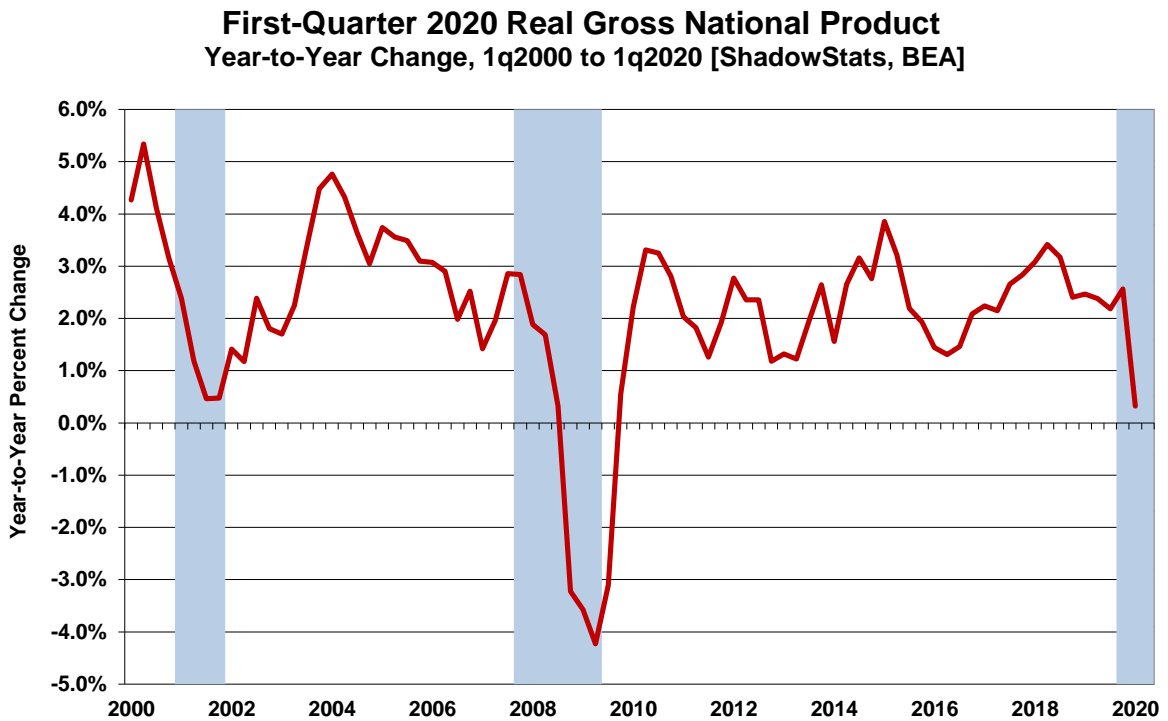
**Graph 23: Second Estimate, Real First-Quarter 2020 GDI, Year-to-Year Percent Change**



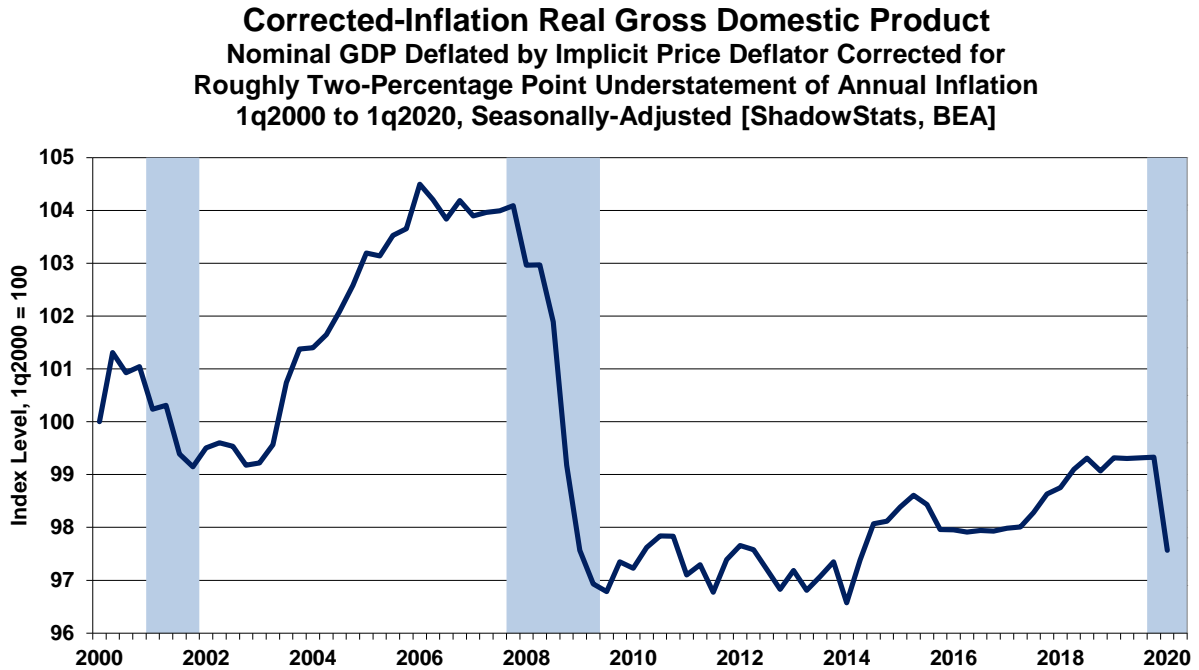
**Graph 24: Second Estimate, Real First-Quarter 2020 GNP**



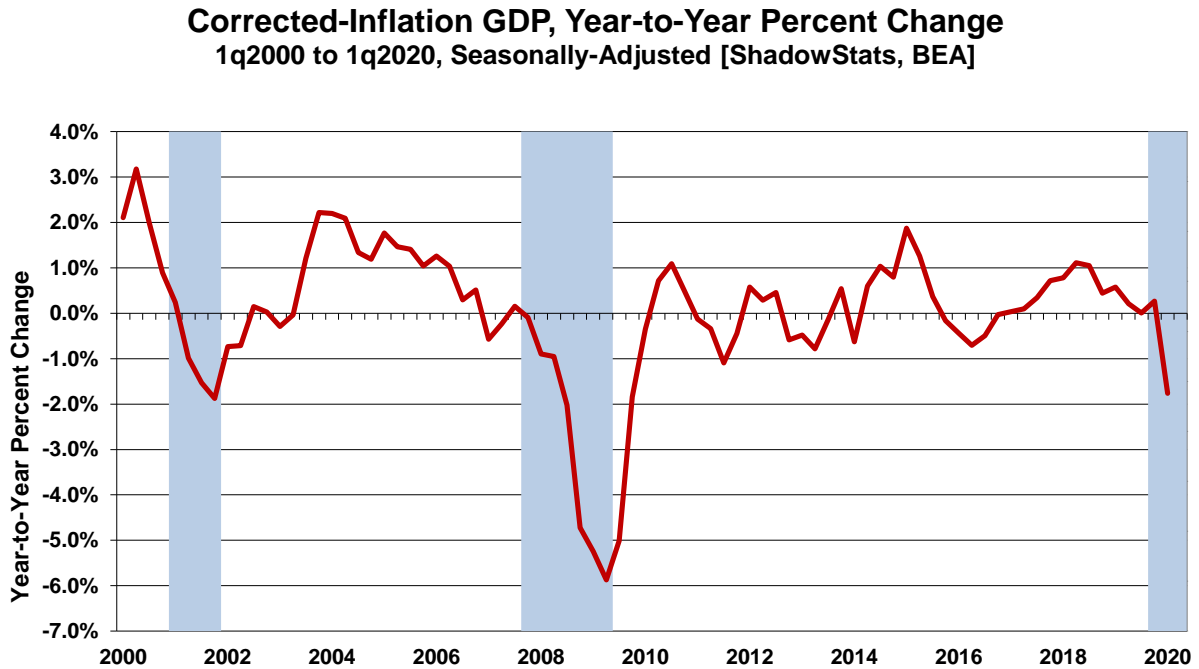
**Graph 25: Third Estimate, Real First-Quarter 2020 GNP, Year-to-Year Percent Change**



**Graph 26: Third Estimate, Real First-Quarter 2020 GDP, ShadowStats Alternate Estimate**



**Graph 27: Third Estimate, Real First-Quarter 2020 GDP, ShadowStats Alternate, Year-to-Year Percent Change**





## **May 2020 Trade Deficit Deterioration Signaled Second-Quarter GDP Hit**

### **Plunging Imports and Exports Signaled Collapsing Global Economy**

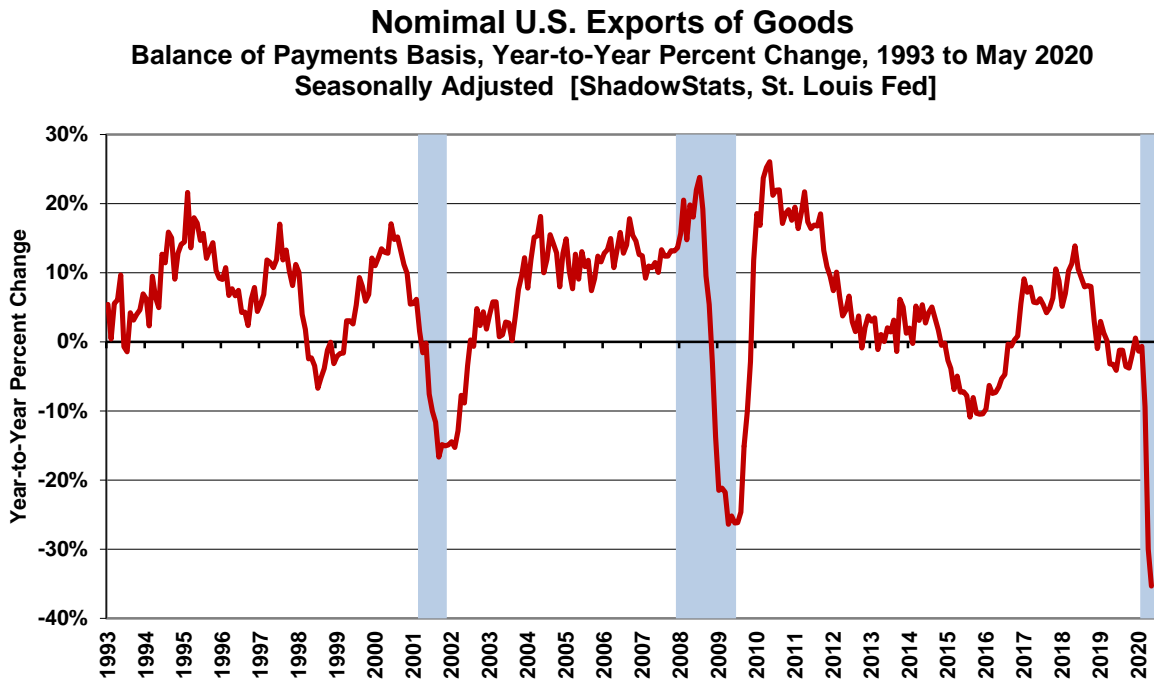
**The May 2020 Trade Deficit Deepened Sharply, in Context of Collapsing Trade Volume, With Sharply Negative Implications for Second-Quarter 2020 GDP.** As reported July 2nd, by the Census Bureau and the Bureau of Economic Analysis, the May 2020 Merchandise Trade Deficit widened sharply for the third month, amidst collapsing global trade activity. The monthly deterioration in the trade deficit (exports minus imports) was enough to suggest a meaningful hit to Second-Quarter 2020 GDP, yet that masked a more ominous circumstance.

Consider that nominal May U.S. exports plunged year-to-year by an unprecedented 35.3% (-35.3%), with imports plunging by 24.6% (-24.6%), the steepest decline ever seen outside the trough of the Great Recession. Plotted in **Graphs 28** and **29**, those annual declines suggest not only the extraordinary magnitude of the global economic downturn, the sharp deterioration trending in the second-quarter U.S. trade deficit also should suggest a sharp bite out of broad second-quarter U.S. GDP.

Separately, **Graph 30** plots the quarterly trend on the Real Merchandise Trade Deficit, suggesting a deep downturn in the Second-Quarter 2020 real deficit, while **Graphs 31** and **32** plot the related GDP accounts, available only for the headline First-Quarter 2020 GDP data, at present. Second-Quarter 2020 GDP should show a negative contribution from Net Exports.

**[Graphs 28 to 32 begin on the next page]**

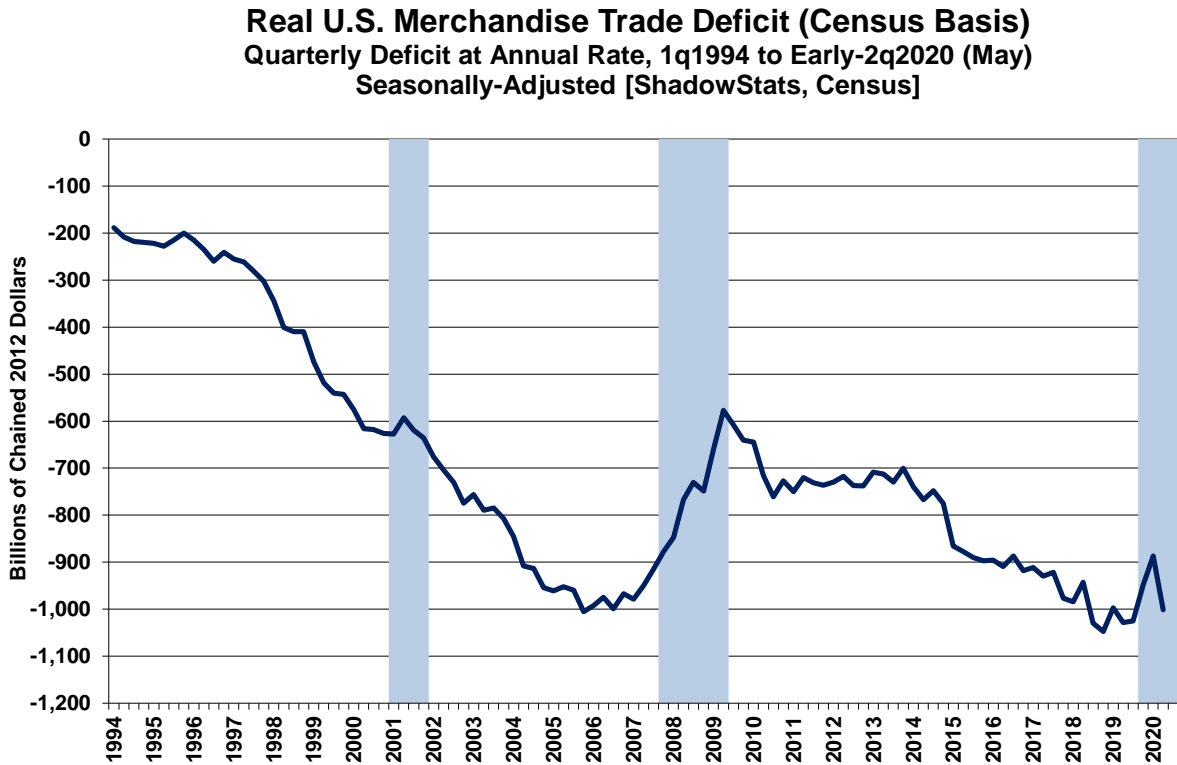
**Graph 28: Nominal U.S. Merchandise Exports, January 1993 to May 2020, Year-to-Year Percent Change**



**Graph 29: Nominal U.S. Merchandise Imports, January 1993 to May 2020, Year-to-Year Percent Change**



**Graph 30: Real U.S. Merchandise Trade Deficit to May 2020 (Early-Second Quarter 2020)**



**Graph 31: Real U.S. Net Exports (Dominant Goods Sector Only) to First-Quarter 2020 (Third Estimate)**



**Graph 32: Real U.S. Net Exports (Goods and Services) to First-Quarter 2020 (Third Estimate)**



[Updated Monetary Conditions begin on the next page]

## Updated Monetary Conditions

### Monetary Base and Assets Notched Lower With Reduced Dollar Swaps

### June 2020 M1, M2 and ShadowStats Ongoing M3 Hit Record Annual Growth

**Money Supply Annual Growth and Headline Levels Continued Jumping to Record Highs.** Updating [Special Hyperinflation Commentary, Issue No. 1438](#) and subsequent monthly money supply reporting, the Money Supply M1, M2 and the Ongoing ShadowStats M3 estimate, hyperinflationary caution signs remain in place. **Graphs 33 to 40** show reporting of preliminary full-month June 2020 Money Supply M1, M2 and the ShadowStats Ongoing M3 estimates, continuing to expand at record high levels of monthly activity, as well as year-to-year growth.

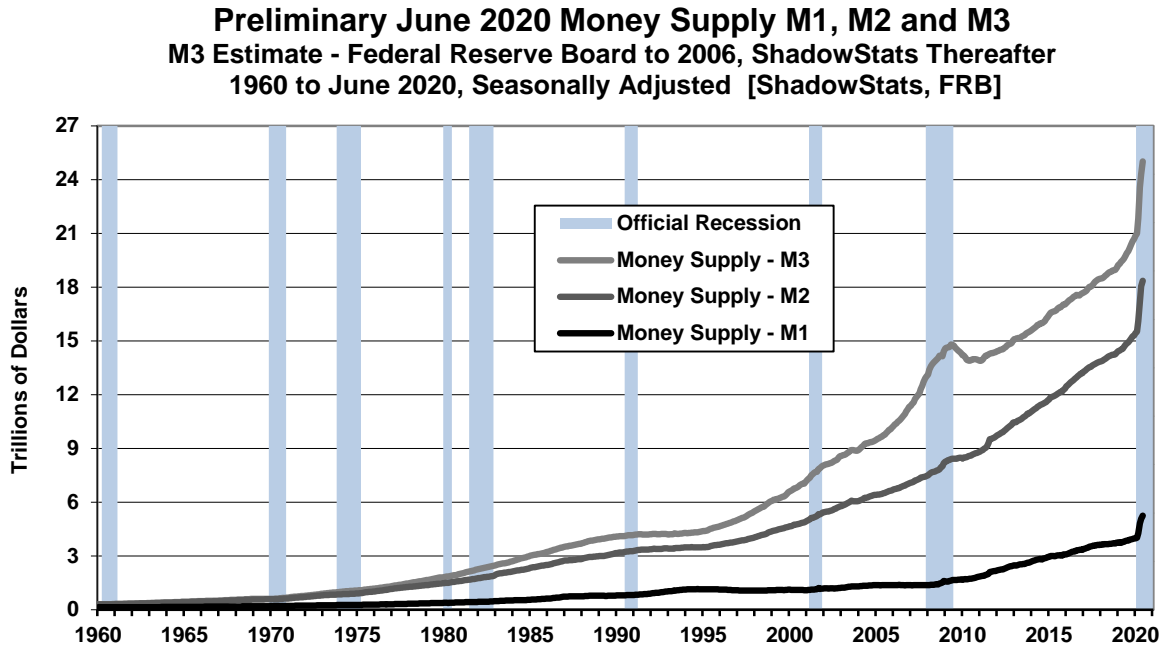
**Graphs 41 to 44** show some continued topping in the Monetary Base and Federal Reserve Bank Assets, related at least partially to declining Currency Swaps. Where the usually unstable currency markets appears to have stabilized a bit in the affected period, reflected in later **Graphs 48 and 49**, page 40, the Financial-Weighted U.S. turned negative year-to-year in June, and is accelerating on the downside in early-July, for the first time in several years.

Previously discussed, as to the potential of mounting inflation pressures in the context of rapidly expanding money against “too few goods,” such as the meat-shortage spiked PPI food inflation discussed in [Flash Commentary, Issue No. 1440](#), consider the upwardly revised headline Real Retail Sales series and the effective unrevised collapsed Production series. Assuming any relevance to the headline moves, greater consumption versus declining production, would be consistent with evolving product shortages. More will follow here as better-quality information becomes available next week.

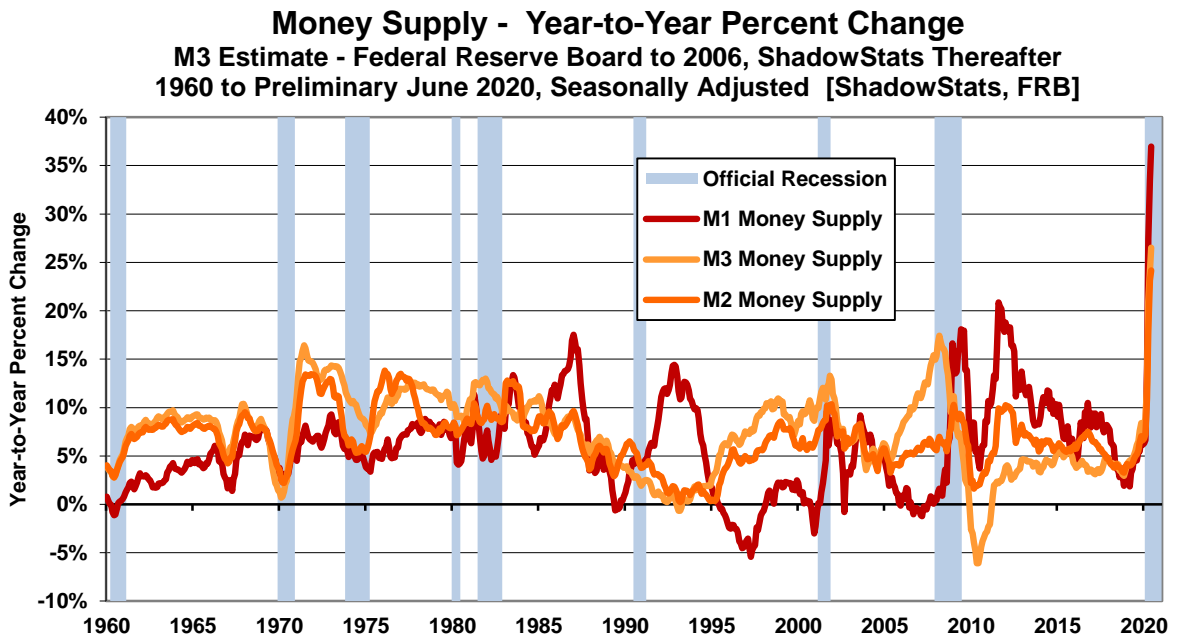
One note of caution: Gold and Silver prices have continued to move higher in recent days and weeks. Such movement can be a leading indicator of a developing inflation problem, again, as discussed in [Flash Commentary, Issue No. 1440](#).

**[Graphs 33 to 44 begin on the next page.]**

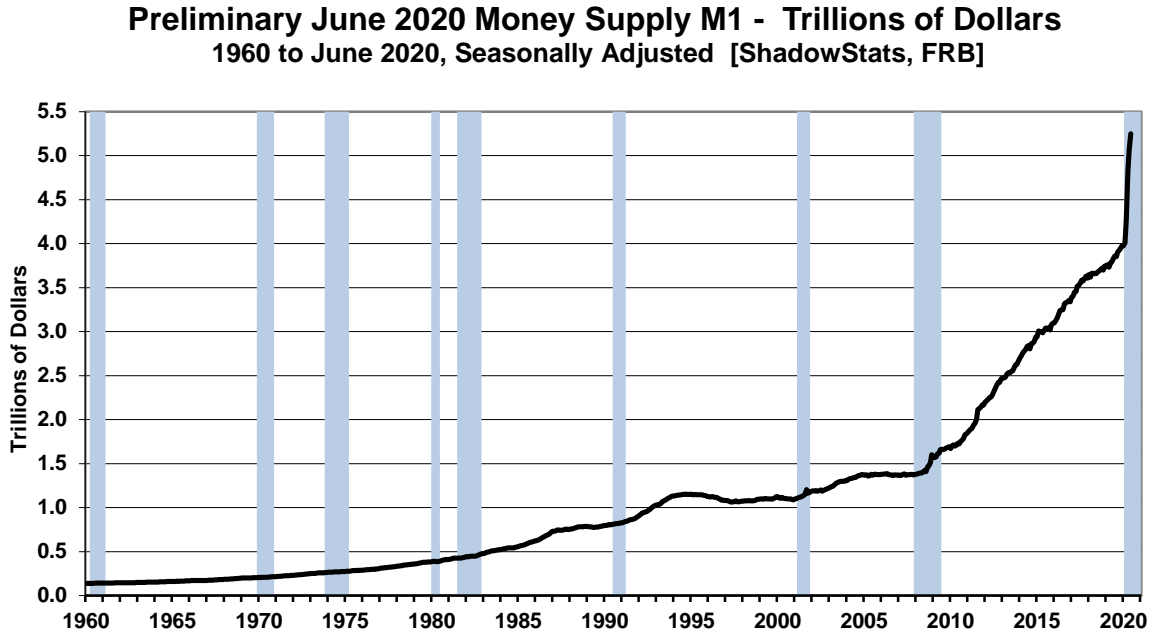
**Graph 33: Money Supply M1, M2, M3/ShadowStats Ongoing M3 (1960 to June 2020), Trillions of Dollars**



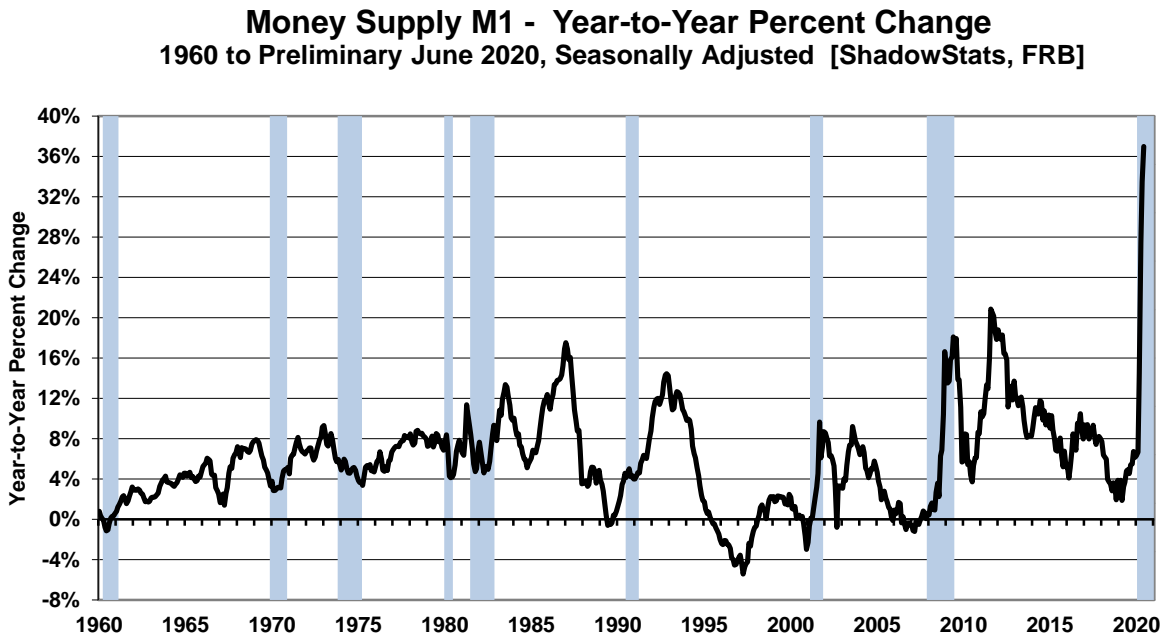
**Graph 34: Money Supply M1, M2 and M3 (1960 to June 2020), Year-to-Year Percent Change**



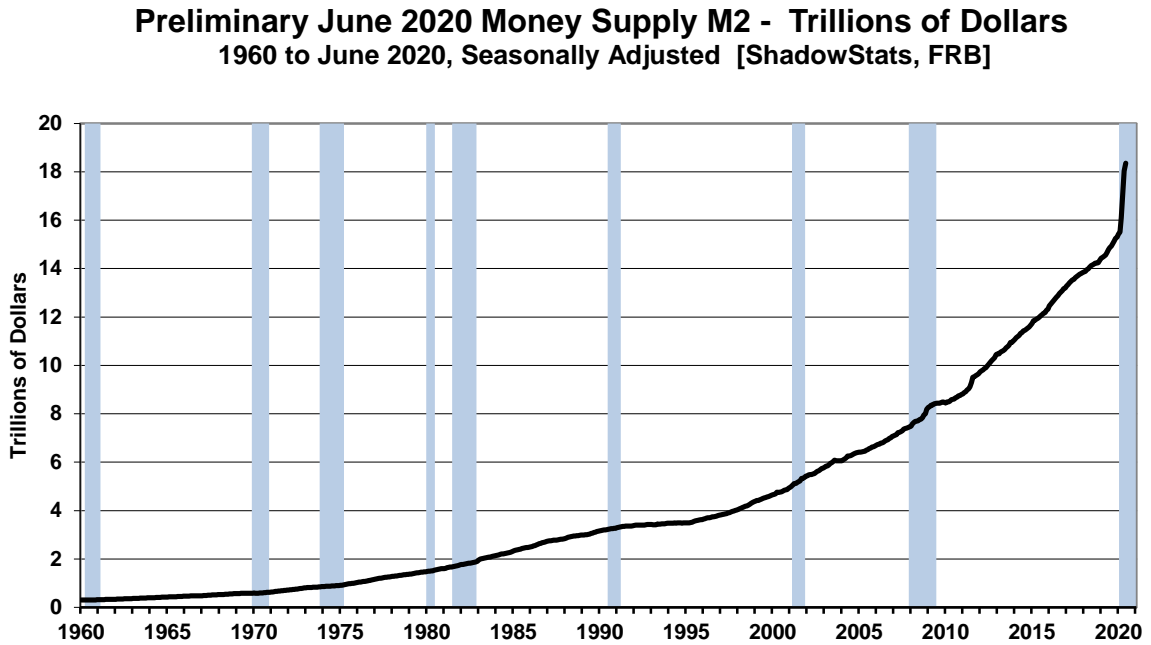
**Graph 35: Money Supply M1 (1960 to June 2020), Trillions of Dollars**



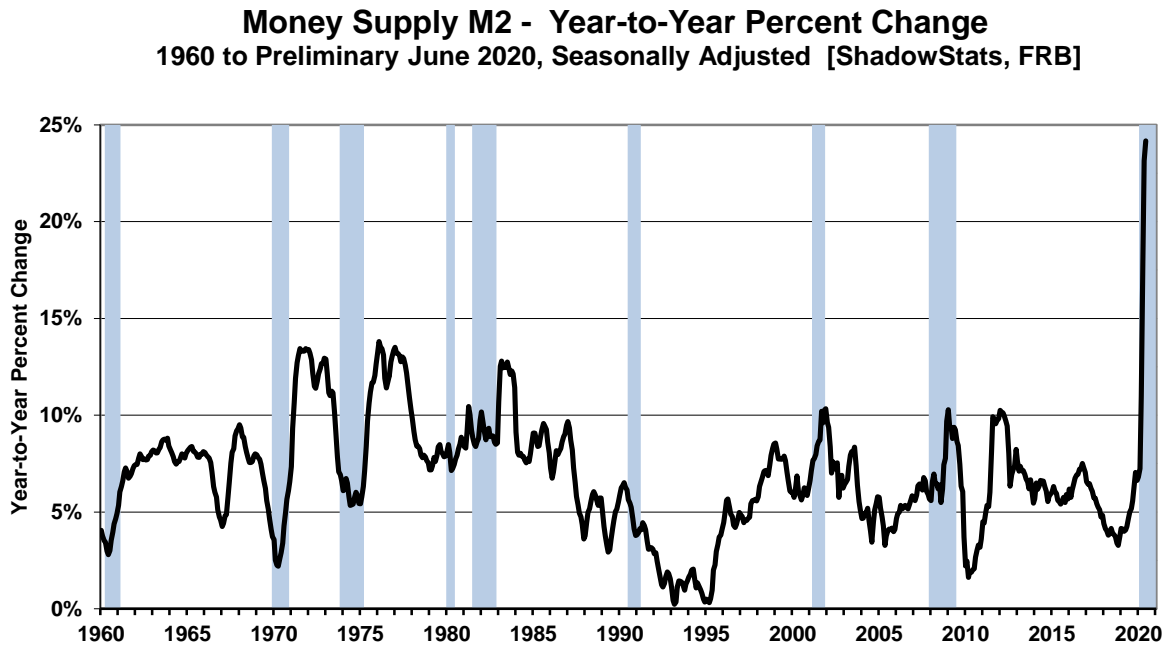
**Graph 36: Money Supply M1 (1960 to June 2020), Year-to-Year Percent Change**



**Graph 37: Money Supply M2 (1960 to June 2020), Trillions of Dollars**

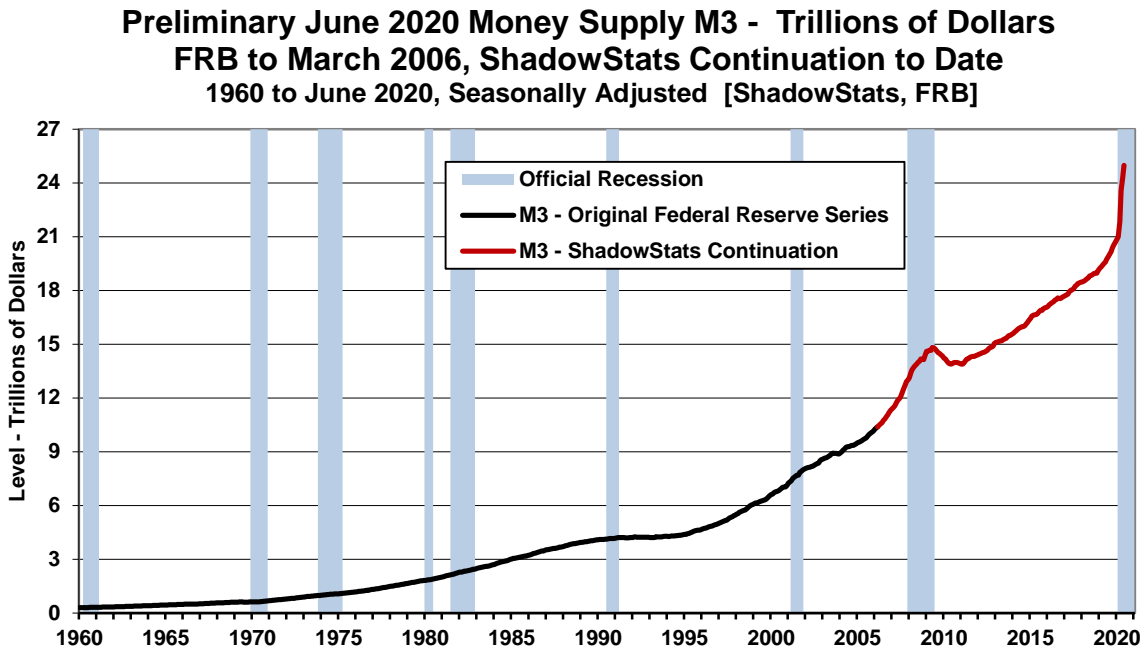


**Graph 38: Money Supply M2 (1960 to June 2020), Year-to-Year Percent Change**

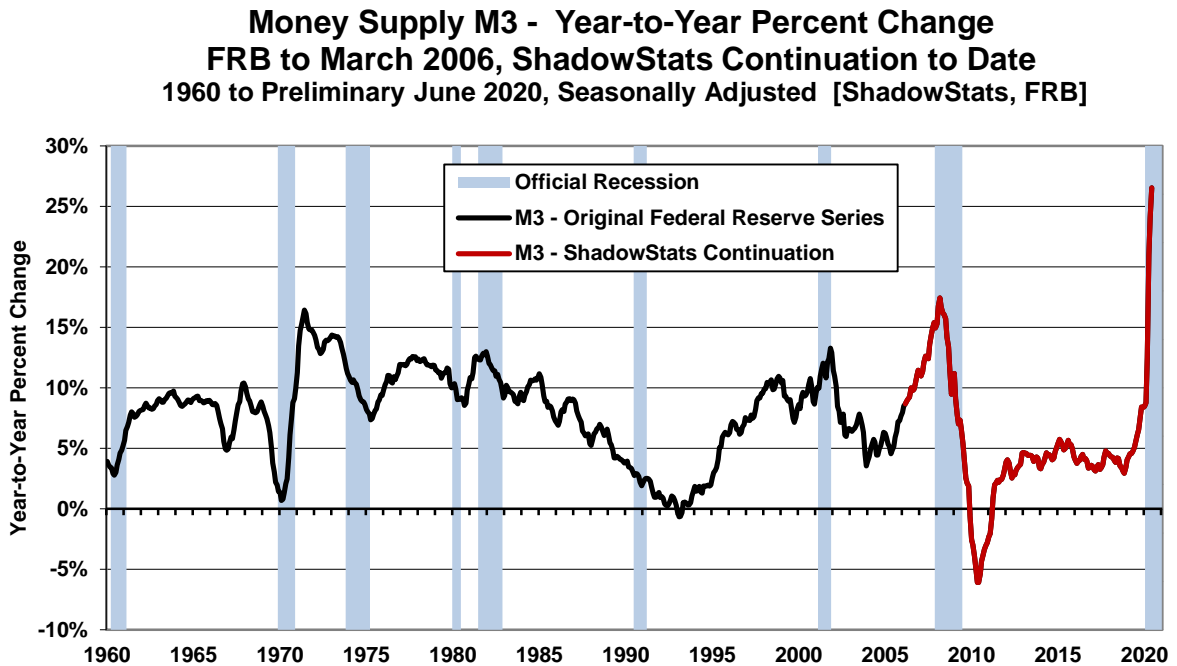




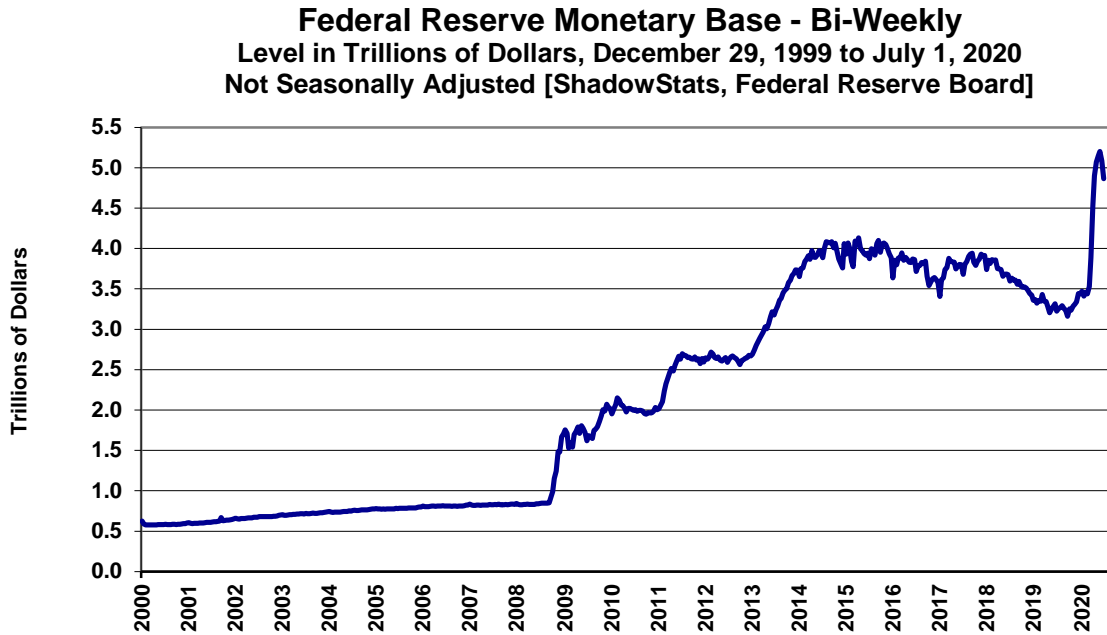
**Graph 39: Money Supply M3 and ShadowStats Ongoing M3 (1960 to June 2020), Trillions of Dollars**



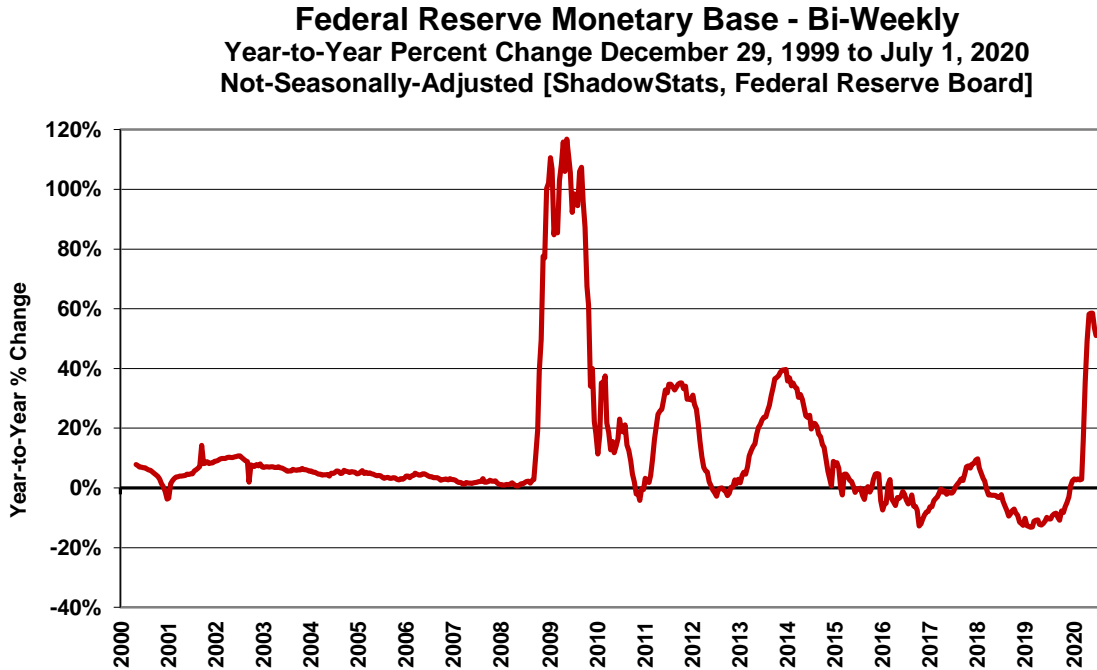
**Graph 40: Money Supply M3 (1960 to June 2020), Year-to-Year Percent Change**



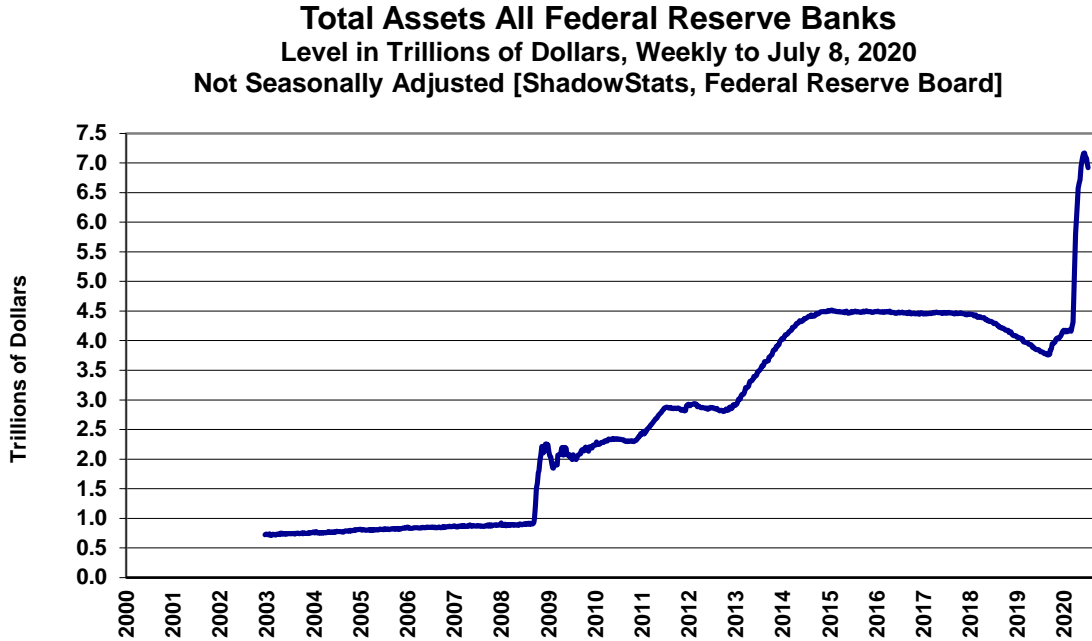
**Graph 41: Federal Reserve Monetary Base (2000 to Date)**



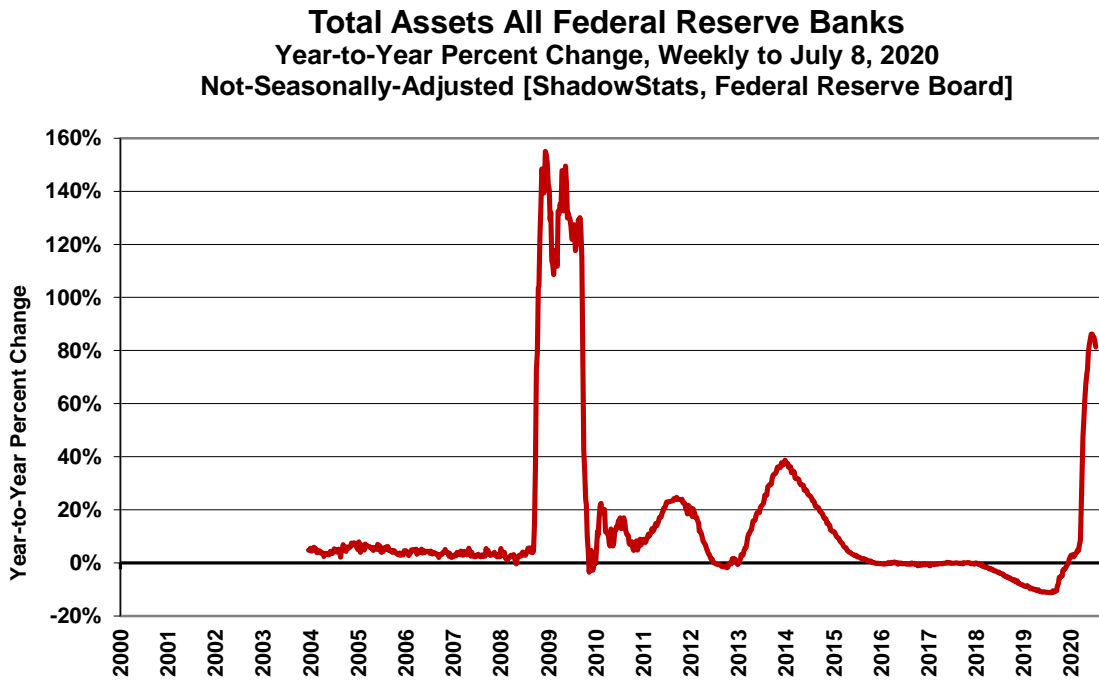
**Graph 42: Federal Reserve Monetary Base (2000 to Date), Year-to-Year Change**



**Graph 43: Total Assets All Federal Reserve Banks, to Date**



**Graph 44: Total Assets All Federal Reserve Banks, to Date, Year-to-Year Change**



[Updated and Expanded Financial Market Graphs 45 to 52 begin on the next page.]

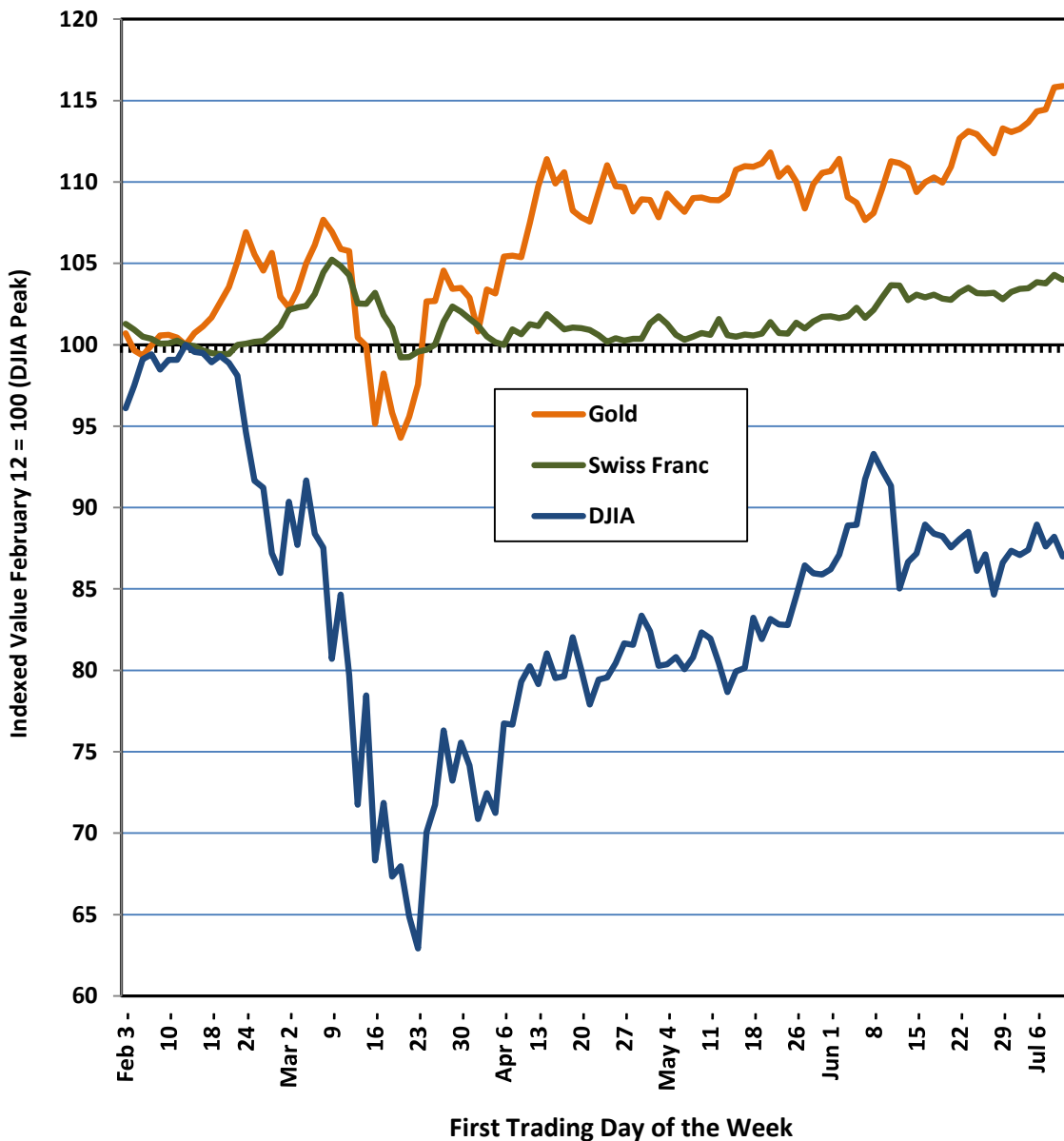
## Updated Financial Market Graphs to July 9, 2020

### Physical Gold and Swiss Franc Increasingly Protect U.S. Dollar Purchasing Power

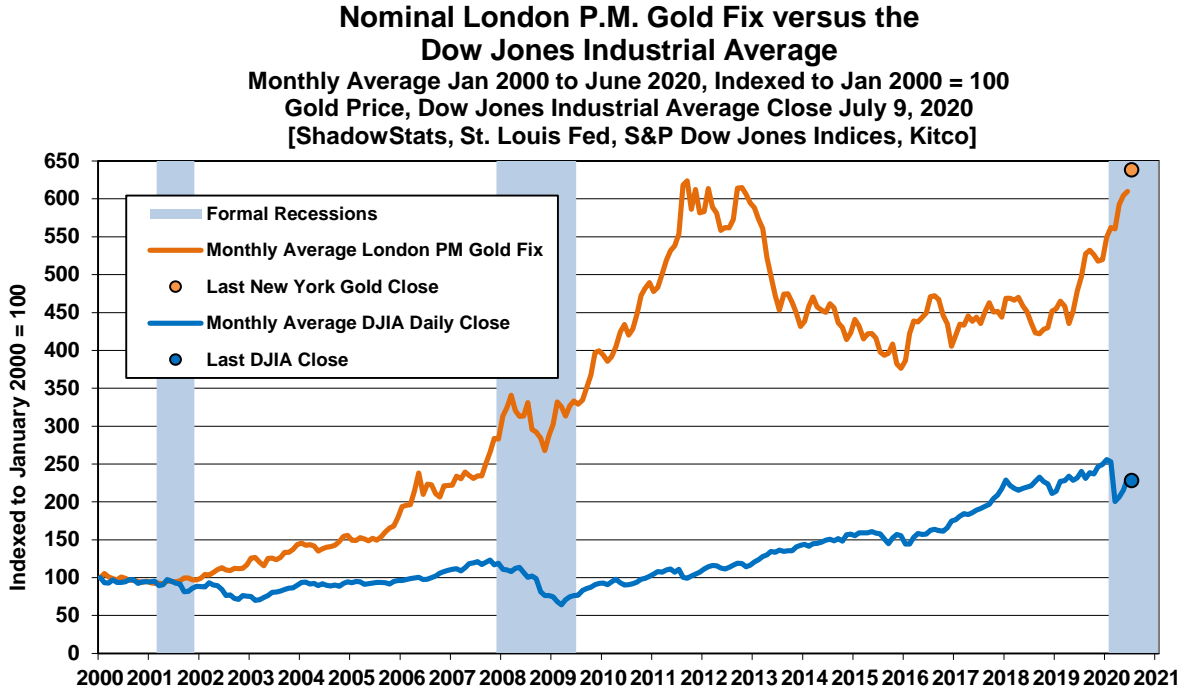
#### Inflation Risks Mount as Gold and Silver Prices Jump

Graph 45: Feb. 3 to Jul. 9, 2020 Financial Markets — Scale: Feb. 12 = 100, Day of DJIA All-Time High Close

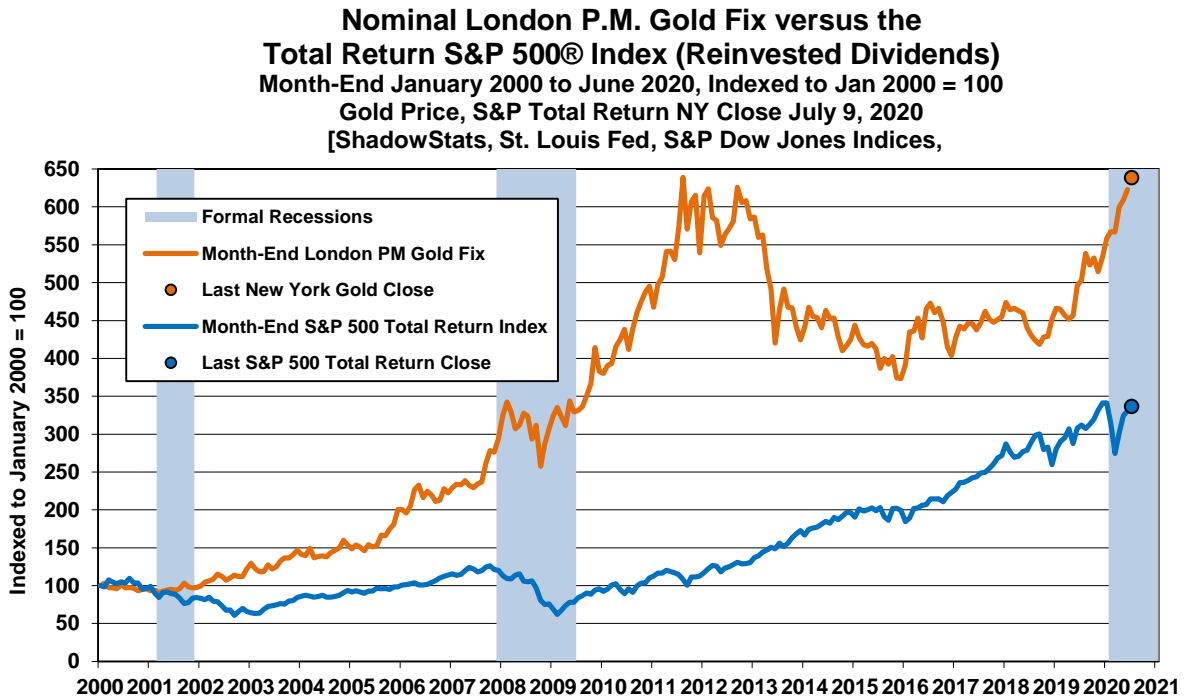
#### February 2020 to July 2020 Financial Markets Dow Jones Industrial Average vs. Gold and Swiss Franc All Indexed to February 12 = 100 (the DJIA Peak Close)



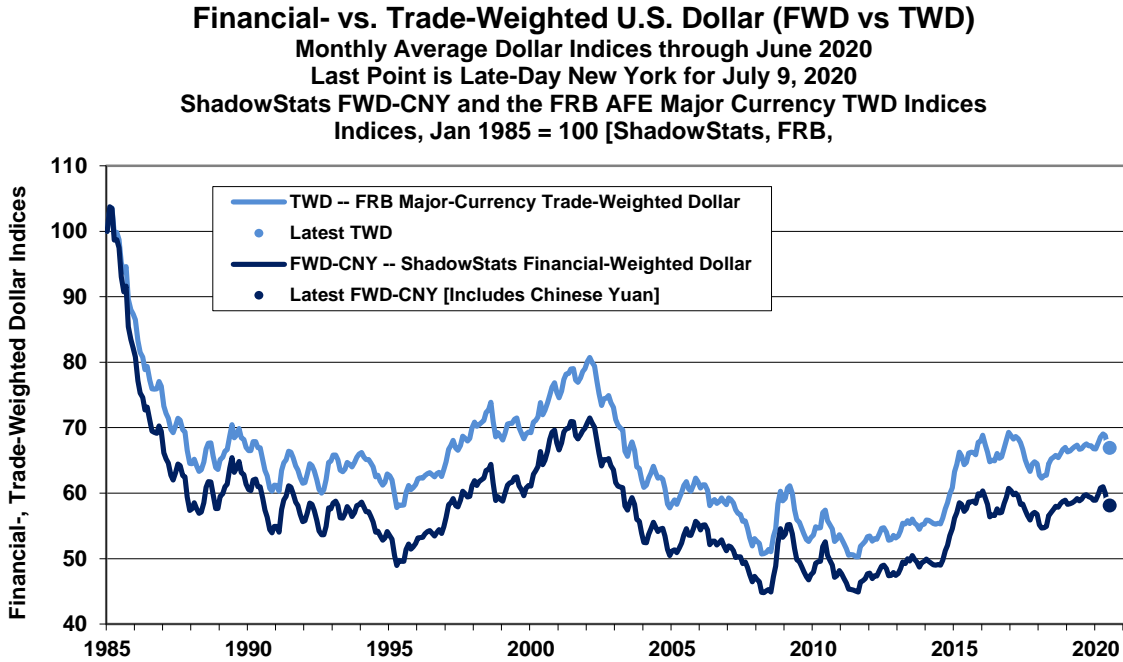
**Graph 46: Dow Jones Industrial Average versus Gold (Monthly Average)**



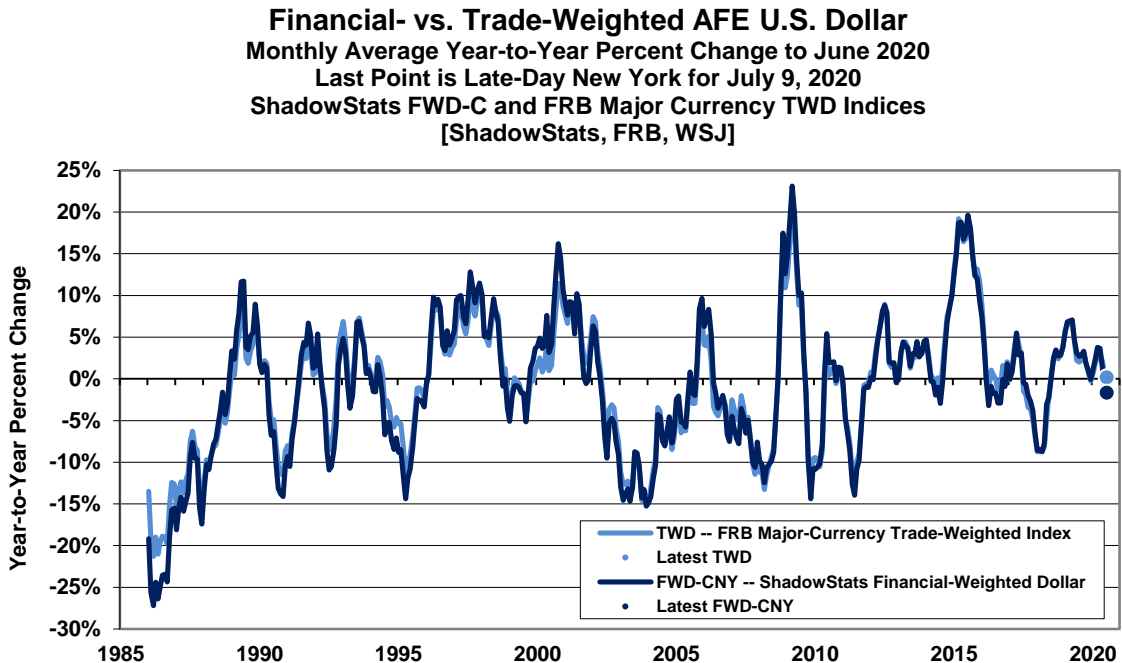
**Graph 47: Total Return S&P 500® versus Gold (Month End)**



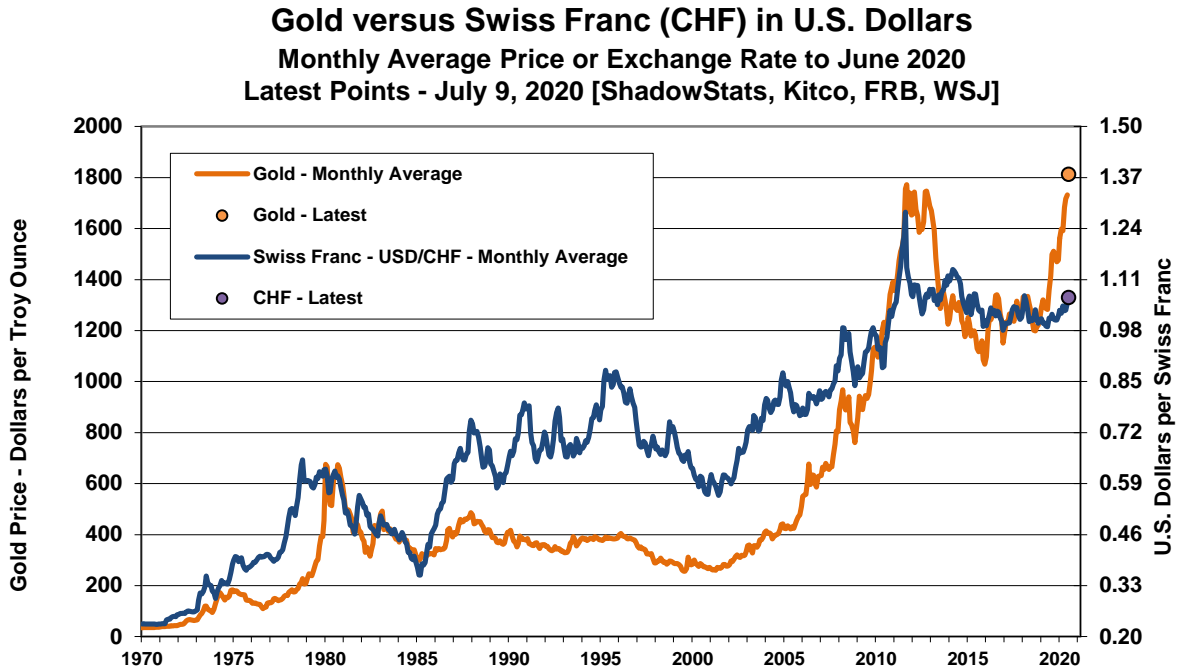
**Graph 48: U.S. Financial- vs. Trade-Weighted U.S. Dollar**



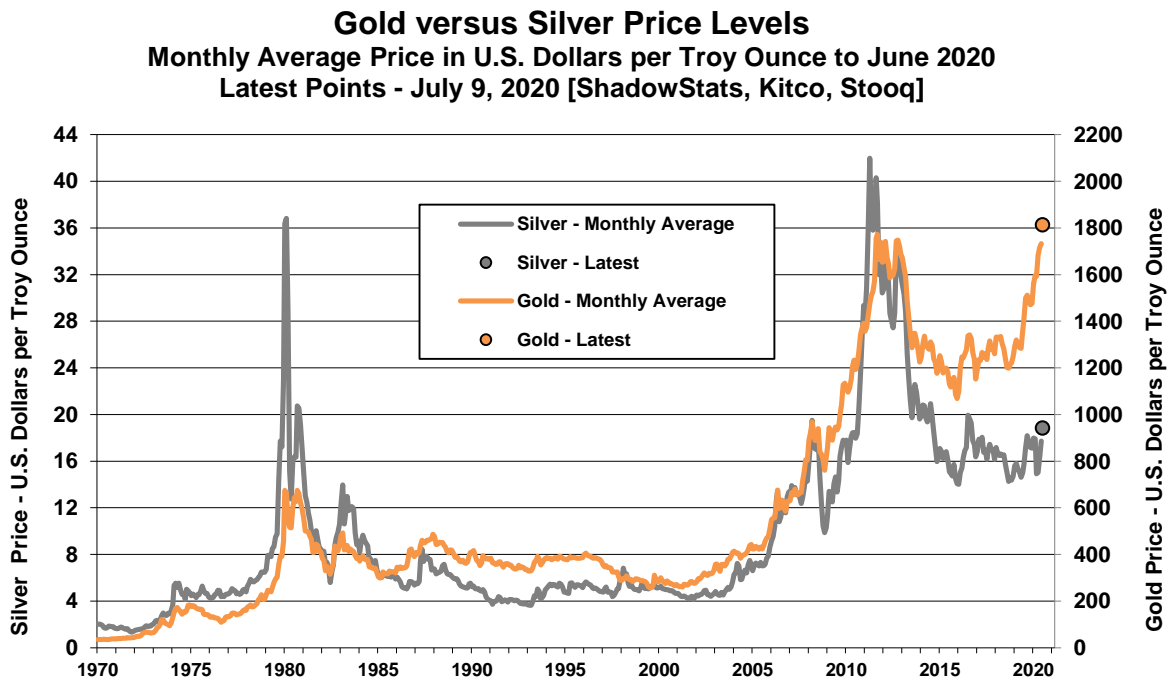
**Graph 49: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change**



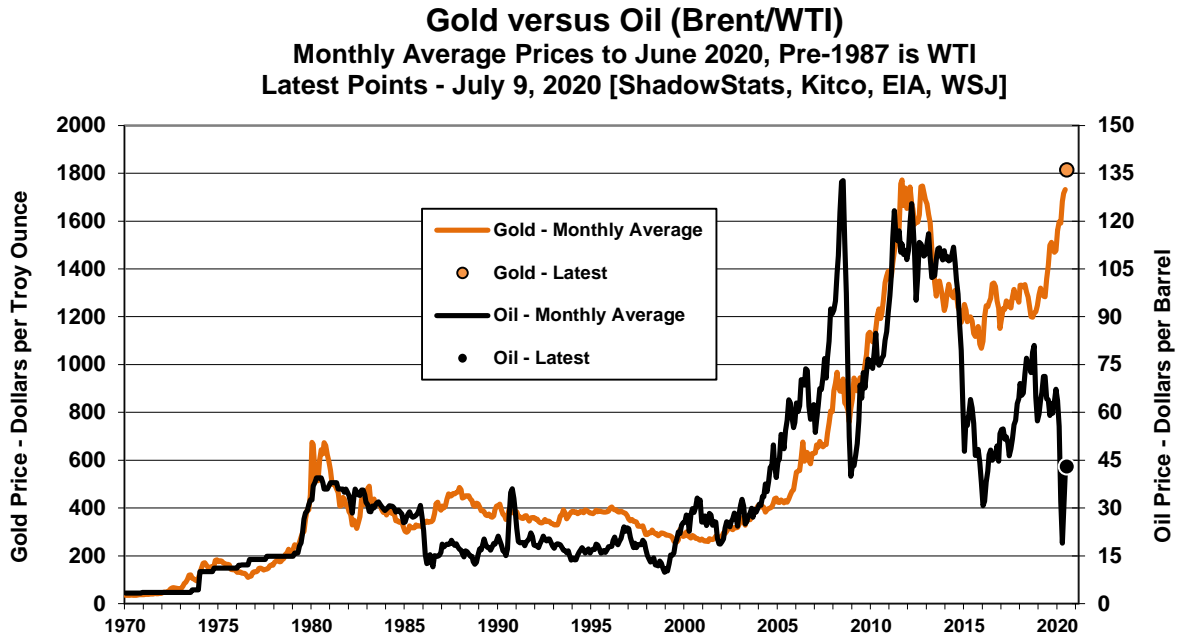
**Graph 50: Gold versus Swiss Franc**



**Graph 51: Gold versus Silver**



**Graph 52: Gold versus Oil**



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