

ShadowStats Flash Economic Commentary, Issue No. 1448

Labor Market Conditions, Inflation and Money Supply

September 14, 2020

**Evolving, “L”-Shaped Economic Recovery Confirmed by Latest,
Consistent Reporting of New Claims for Unemployment Insurance**

August 2020 CPI and PPI Core Inflation Continued to Spike

Record Annual Money Supply Growth Foreshadows Higher Inflation

**While Record Money Growth Appears to Be Topping, the Leading-Relationship
Federal Reserve Monetary Base Annual Growth Is Surging Anew**

**Pending FOMC Could Look to Accelerate Already Record
Money Supply Growth and the Pickup in Core Inflation**

**Broader Money Measures Should Resume Annual Expansion in
September/October With Inflation Accelerating Sharply in Early 2021**

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Background Information for Subscribers

New Circumstances, Breaking News and ShadowStats Schedule Changes Are Highlighted as They Happen in the [Daily Update](#) Section of the [ShadowStats Home Page](#). Rapidly shifting headlines, reporting details, intervening events, unusual developments in the markets, with the FOMC or the economy, and ShadowStats scheduling—all are covered in the *Daily Update*. For example, initial assessments of headline details and any unusual twists in regular economic reporting are reviewed in the *Daily Update*, standardly within a couple hours of the official posting of a given release.

For key economic and the market and systemic assessments of recent months, 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), [Flash Commentary, Issue No. 1442](#) (Gold, Money Supply GDP) and [Flash Commentary, Issue No. 1443](#) (GDP and Gold).

[Special Economic Commentary, Issue No. 1444](#) updated the economic outlook, incorporating the latest reporting and examined the latest 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 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 *ShadowStats* GDP forecasts for the balance of 2020. The prior [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.

Today's relatively brief *Flash Commentary, Issue No. 1448* reviews the latest New Claims for Unemployment developments and the August 2020 CPI- and PPI-Inflation and Money Supply circumstances, in advance of the September 15th to 16th FOMC Meeting. The regular financial-market graphs are updated through September 11th.

Given the very heavy schedule of economic releases in the week ahead, plus the FOMC Press Conference on September 16th, there likely will be multiple Flash Commentary postings.

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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Opening Comments and Ongoing Outlook

Latest New Claims Signaled a Hardening “L”-Shaped Recovery

Inflationary Pressures Mount Amidst Surging Money Supply

FOMC May Accelerate Pace of Both Money Supply and Inflation Growth

Today’s *Flash Commentary* Reviews Intensifying Signals of Reemployment Problems, Amidst Rising Inflation and Surging Money Supply, All in Advance of the September 15th/16th FOMC.

These *Opening Comments* review the latest New Claims for Unemployment Insurance along with what will be used by *ShadowStats* as standard analysis and graphs for that series, going forward, until such time as the Department of Labor resumes consistent and comparable reporting of the seasonally adjusted series (likely January 2021 or after).

FOMC, Inflation and Money Supply. Separately, the September 2020 meeting of the Federal Reserve’s Federal Open Market Committee (FOMC) begins tomorrow, September 15th, with an FOMC Announcement and Federal Reserve Chairman Powell’s Press Conference on the 16th, respectively at 2:00 and 2:30 p.m. ET (a brief *Flash Update* will follow the Press Conference).

August 2020 CPI and PPI saw surging “Core” inflation for a second month, with year-to-year growth in the August Money Supply at or near record levels, which may be flattening out. Given the leading indication of a renewed surge in year-to-year growth in the Fed’s Monetary Base, and with recent FOMC comments as to targeting a higher domestic inflation rate, the September FOMC—which will update the Fed’s economic forecasts—could announce moves specifically aimed at further Money Supply expansion in an attempt to accelerate the pickup in inflation.

Further Federal Reserve and Federal Government stimulus increasingly will be expected, as pending headline economic series such as August 2020 Industrial Production and Retail Sales likely will fall shy of expectations, a pattern that should intensify with most economic measures in the months ahead.

The headline August 2020 Consumer and Producer Price Indices (CPI and PPI) and August Money Supply conditions and related measures are updated and reviewed in the *Inflation and Money Supply* section, beginning on page 10.

Faltering New Claims Confirm a Weakening Labor Market

Recent Pattern of Declining Weekly New Claims for Unemployment Insurance Has Stalled or Reversed, as an “L”-Shaped Recovery from the Pandemic-Driven Economic Collapse Solidifies.

Reported September 10th by the Department of Labor (DOL), Employment and Training Administration, on a consistent, unadjusted year-to-year growth basis, both New Claims for Unemployment Insurance and continuing, Insured Unemployment are rising anew, suggestive of deteriorating labor-market conditions. *Graphs 1 to 4* plot the latest detail and reflect consistent trends, as discussed shortly.

DOL Destroyed Seasonally-Adjusted Series Consistency. Detailed in [Special Economic Commentary, Issue No. 1446](#) and [No. 1447](#), the DOL suddenly (with just one-week’s notice) changed its seasonal-adjustment methods for the weekly New Claims for Unemployment Insurance (between the headline weekly releases of the August 22nd and August 29th). That led to a non-comparable, nonsensical “headline” decline of 127,000 (-127,000) in New Claims, where the two periods simply were not comparable. On a comparable basis with the new series, the adjusted August 22nd level would have been very close to the 884,000 level headlined for both the following August 29th and September 5th weeks, effectively unchanged, albeit in a shallow, deteriorating uptrend (red line in *Graph 1*). That said, there no longer is a seasonally-adjusted current series that has a consistent, comparable history, in terms of level, moving average or year-to-year change. Standard comparability of the historical data will not be possible, until the DOL publishes revised historical data, reportedly not before January 2021, at the earliest.

Also discussed in [No. 1446](#), most measures of U.S. economic activity troughed in April 2020, as the full force of the Pandemic shutdown swept through the nation. Initial hopes for a “V”-shaped economic recovery began to fade, as the pace of rebounding growth in activity and employment began to slow into June, with an intensified deceleration in economic activity and jobs growth in July and a continuing intensification of same in the payroll and employment measures in August. As seen in the accompanying graphs, the headline “recovery” here also is increasingly “L”-shaped (viewed with an inverted scale).

Unadjusted Pandemic-Driven New Claims Levels Largely Can Be Comparable. Where the extreme levels of New Claims seen in the Pandemic-driven collapse largely are not seasonal in nature, the unadjusted series at present is a fair indicator of evolving trends, particularly in terms of unadjusted year-to-year change. On a consistent, unadjusted level and year-to-year growth basis, both New Claims and Insured Unemployment are rising or have flattened out anew (deteriorating labor conditions).

Going forward, *ShadowStats* standardly will use the *Graphs 1 to 4* for assessing the unfolding patterns in the New Claims data, until the DOL provides a consistent history for its newly defined seasonally adjusted series. On a consistent, unadjusted level and year-to-year growth basis, both New Claims and Insured Unemployment are rising or have flattened anew, again, reflecting deteriorating or stagnating labor conditions.

Graph 1 – Where the dark-blue line represents the unadjusted level of weekly New Claims, the light-blue line was the seasonally-adjusted series discontinued with the August 22nd week. The new seasonally-adjusted series is shown with its headline break from the light-blue line as the red line. The adjustments in the new series are so relatively small, against the non-seasonal massive jobless claims from the

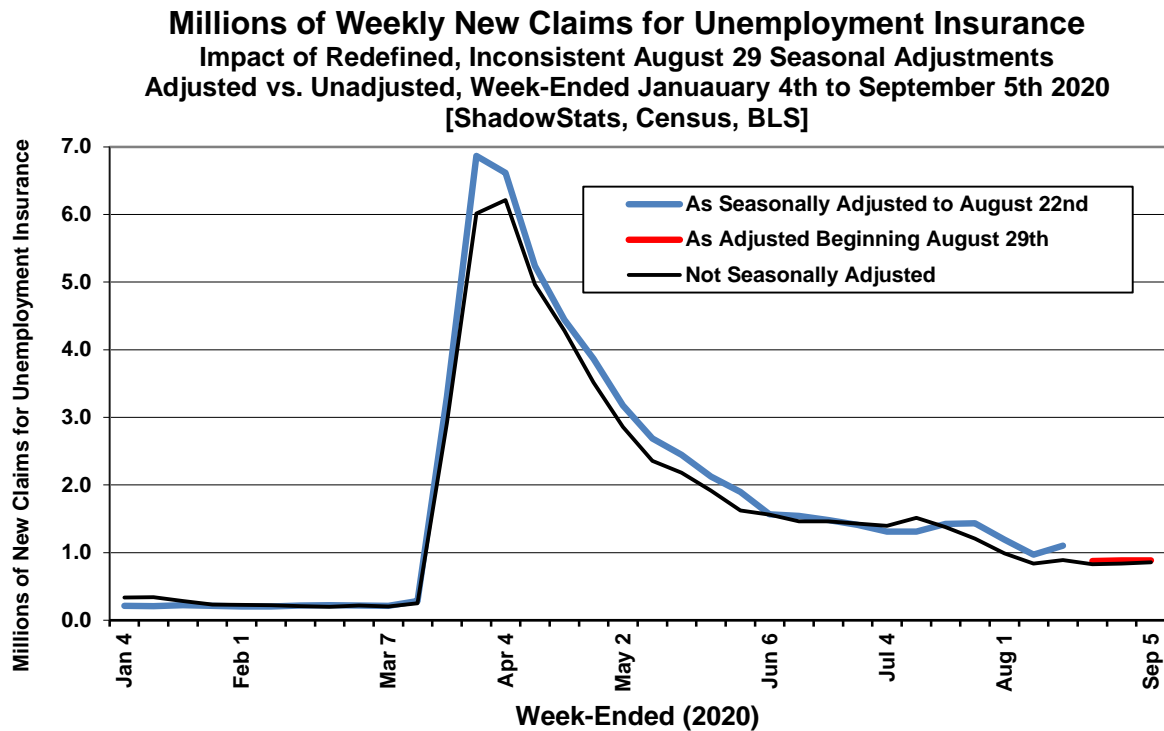
Pandemic shutdown that, going forward, the new seasonally adjusted series (red line) will appear to be hugging the “unadjusted” level on New Claims, as seen in the current plot.

Graph 2 - There is no consistent year-to-year change for the new series, as its second reading was for September 5th (again the red line is the series level in **Graph 1**). The year-to-year change in the old seasonally-adjusted series (orange line) followed the year-to-year change in the unadjusted closely (as will the new adjusted series). Where the year-to-year change in an unadjusted series is an alternative approach to seasonal adjustment, such probably is the best indicator at present of current trends. The pattern shows a rising (labor-market deteriorating) pattern in the Weekly New Claims series.

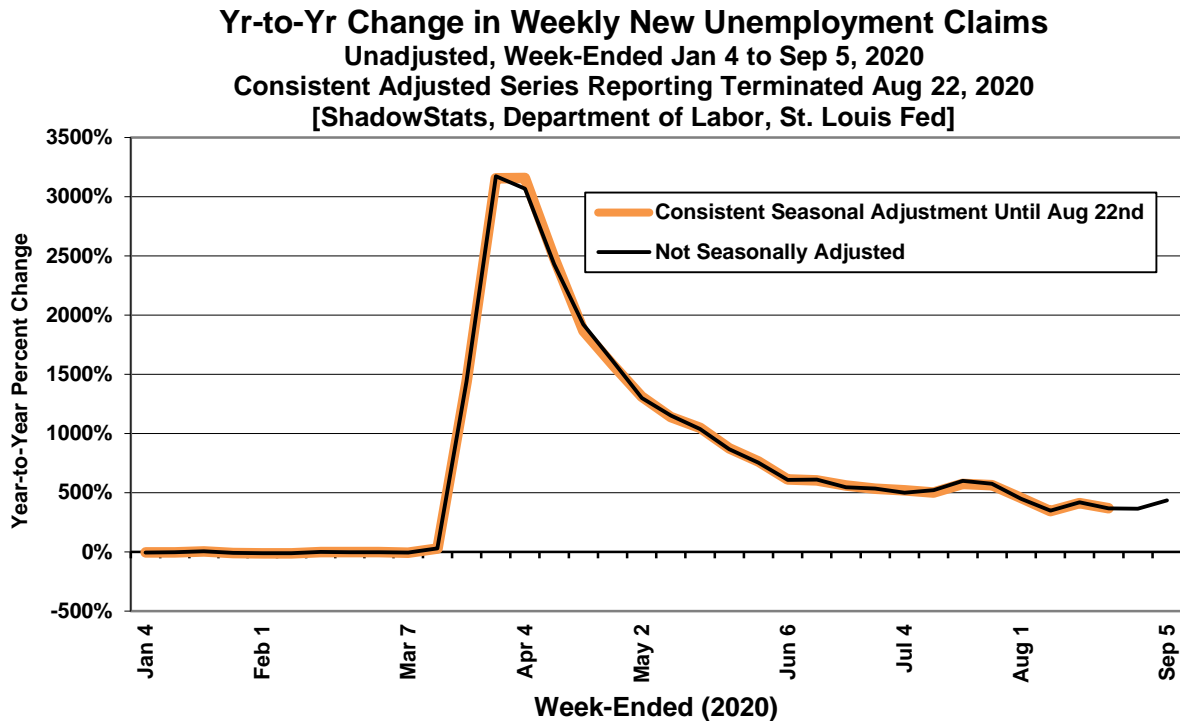
Graphs 3 and 4 – As with **Graphs 1 and 2**, these respective plots of the weekly level of and weekly year-to-year change in the number of persons receiving Unemployment Insurance are dominated by Pandemic-driven claims that were not seasonal in nature. The level shows an upturn in coverage in the latest week, while the year-to-year continues to slow in a decelerating pattern.

[Graphs 1 to 4 begin on the next page.]

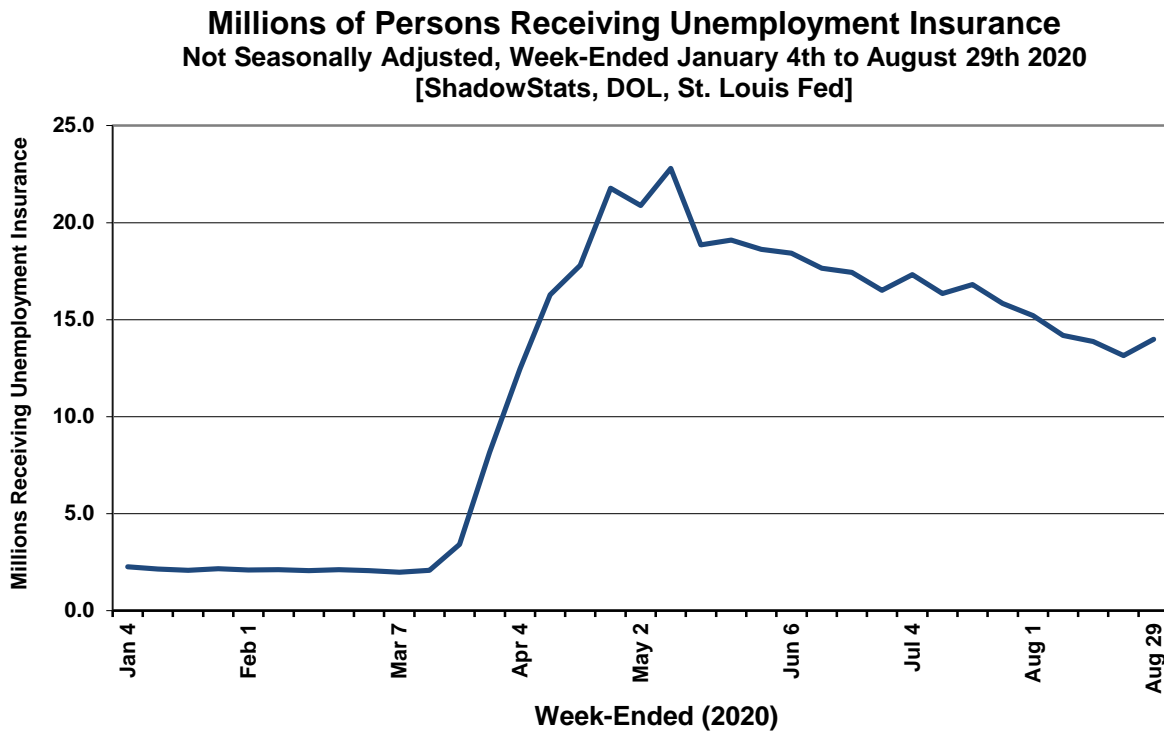
Graph 1: Weekly New Claims for Unemployment Insurance – As Previously Reported and Revised



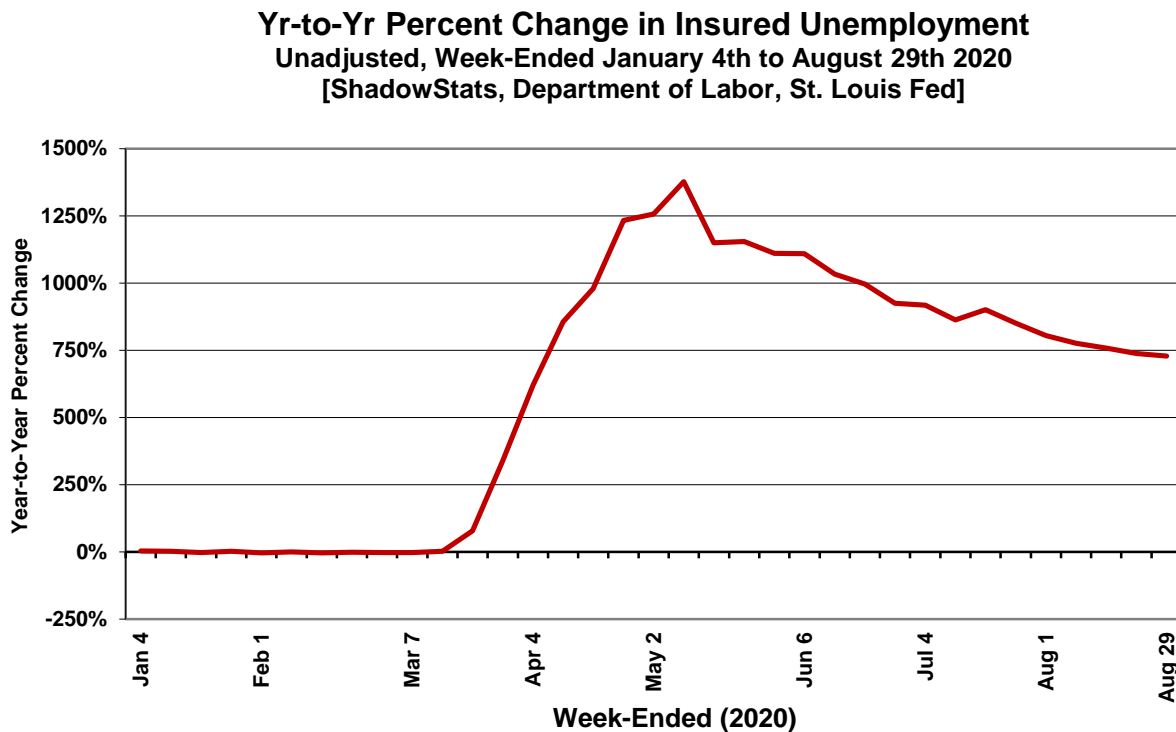
Graph 2: Weekly New Claims for Unemployment Insurance, Year-to-Year Percent Change



Graph 3: Persons Receiving Unemployment Insurance, Weekly Count, Through Week-Ended August 29, 2020



Graph 4: Persons Receiving Unemployment Insurance, Yr-to-Yr Change, Through Week-Ended August 29, 2020



[Inflation and Money Supply coverage begins on the next page.]

Inflation and Money Supply

August 2020 CPI and PPI “Core” Inflation Signal Troubles

M1 and M2 Annual Growth at Record Levels

August 2020 Core CPI-U at Quarter-Century High for a Second Month

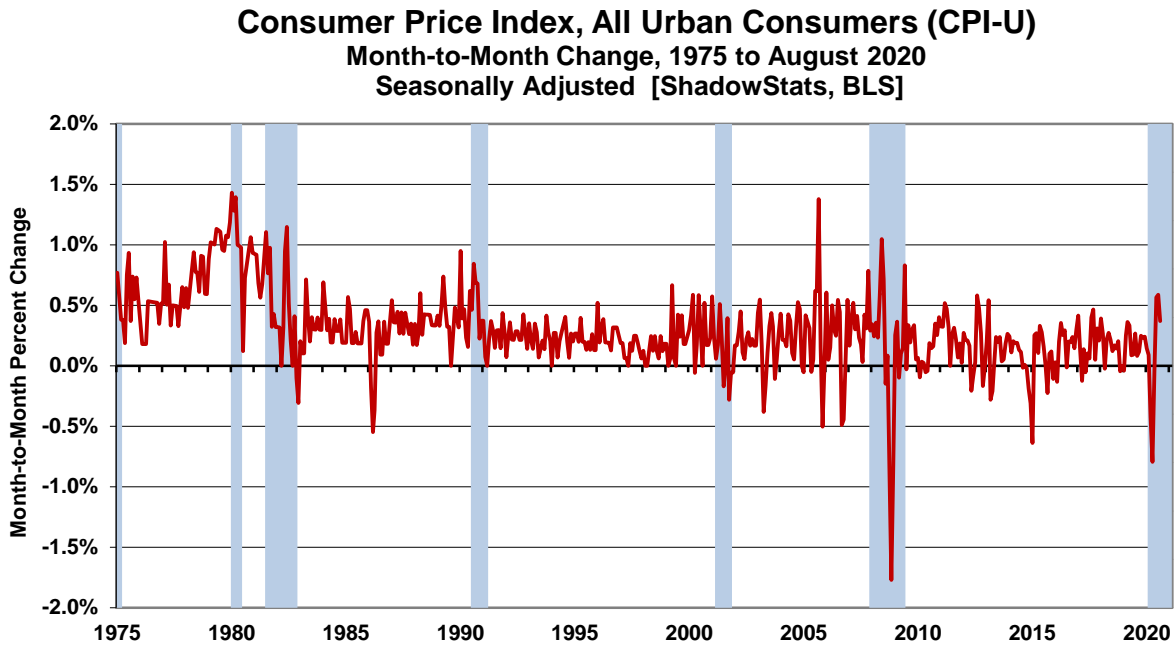
Mounting Inflation Pressures—Other Than for July’s 0.62% “Core” Inflation, the August 2020 Consumer Price Index “Core” Inflation of 0.39% Was the Highest Reading in 25 Years. As negative inflation impact from the oil-price war continued to dissipate, monthly headline CPI-U continued to come in stronger than expected in August 2020, up 0.4% (0.37%) [0.3% expected], versus 0.6% (0.59%) [0.3% expected] in July, up year-to-year by 1.31% in August, versus 0.99% in July (see *Graphs 5 to 8* for comparative month-to-month inflation, *Graph 9* for year-to-year inflation). As reported by the Bureau of Labor Statistics (BLS) on September 11th, monthly “Core” inflation, net of food and energy prices, continued spiking to levels not seen in decades, as headlined above.

The headline or pending movement there likely was reality-based factor behind the FOMC’s recent proposed change “targeting” of headline “Core” CPI to the upside. In the current circumstance, year-to-year headline “Core” CPI-U should top the FOMC’s former upper limit of 2.5% in the next month or two.

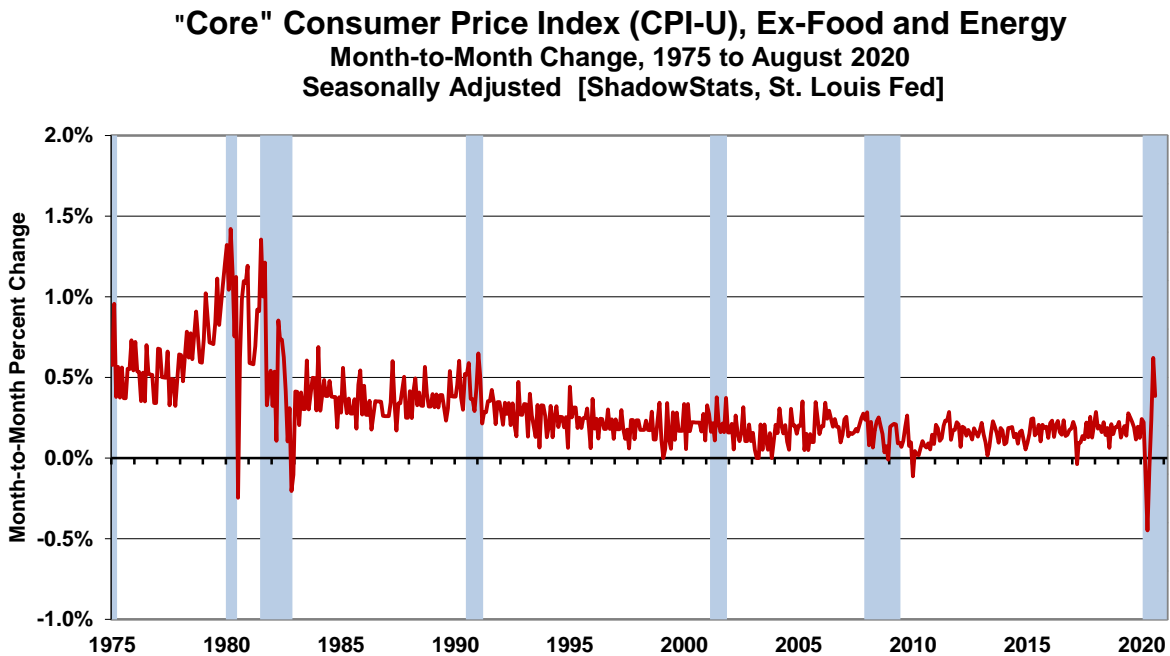
August 2020 ShadowStats Alternate CPI (1980 Base) Rose to 9.0% Year-to-Year, versus 8.6% in July, 8.3% in June and 7.7% in May. Against the headline August 2020 headline CPI-U annual inflation of 1.3%, the ShadowStats Alternate CPI came in at 9.0% (see *Graph 9*). The ShadowStats estimate restates current headline inflation so as to reverse the government’s inflation-reducing gimmicks of recent decades (since the early 1980s). Related graphs and methodology are available on the [ALTERNATE DATA \(CPI\)](#) tab on the www.ShadowStats.com home page. Subscriber-only data downloads and an [Inflation Calculator](#) also are available there.

[*Graphs 5 to 9* begin on the next page.]

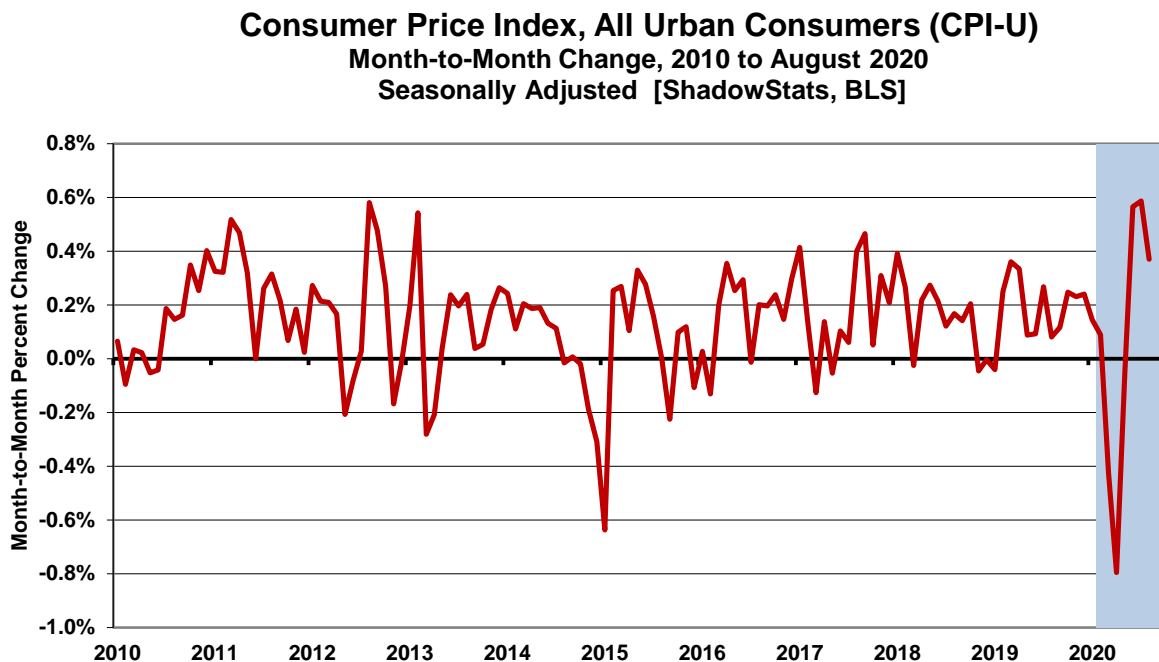
Graph 5: CPI-U, Month-to-Month Change, 1975 to August 2020



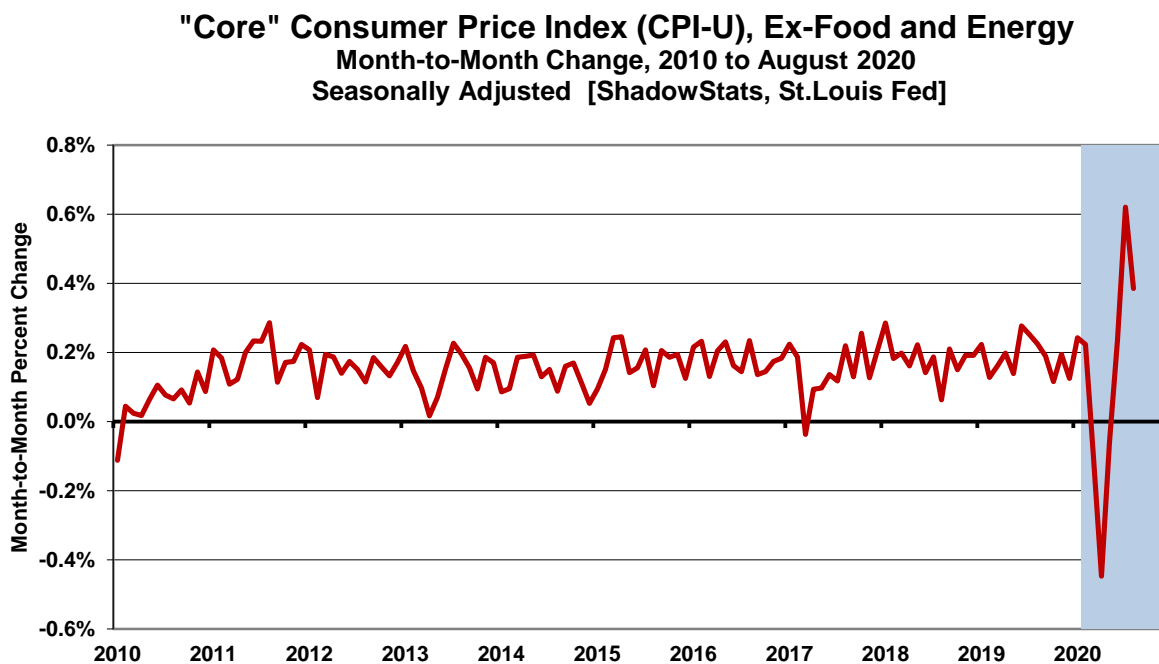
Graph 6: "Core" CPI-U, Month-to-Month Change, 1975 to August 2020



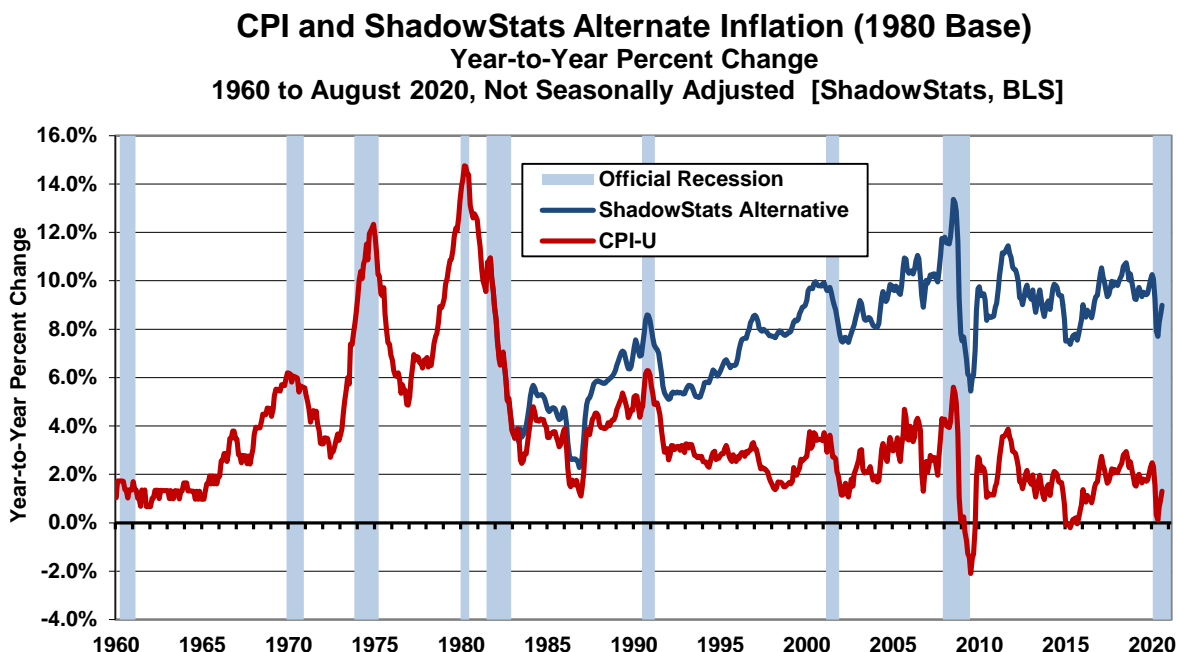
Graph 7: CPI-U, Month-to-Month Change, 2010 to August 2020



Graph 8: Core CPI-U, Month-to-Month Change, 2010 to August 2020



Graph 9: CPI-U versus ShadowStats Alternate Inflation Measure (1980 Base), Unadjusted, Year-to-Year

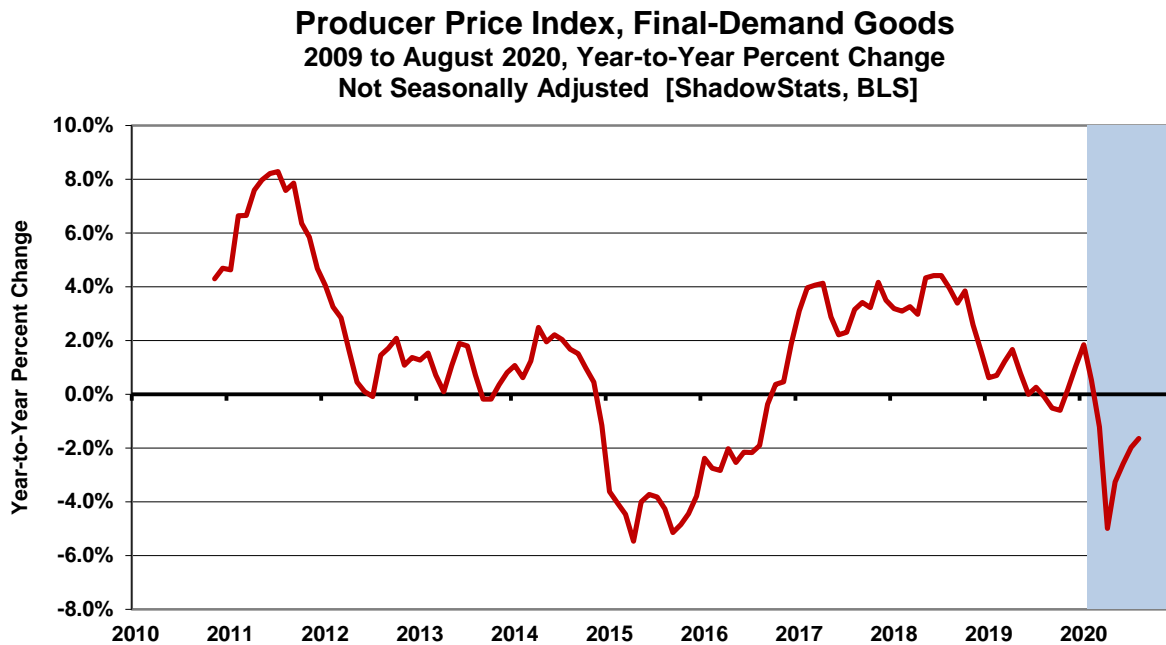


Producer Price Index “Core” Inflation Also Is Pushing Higher

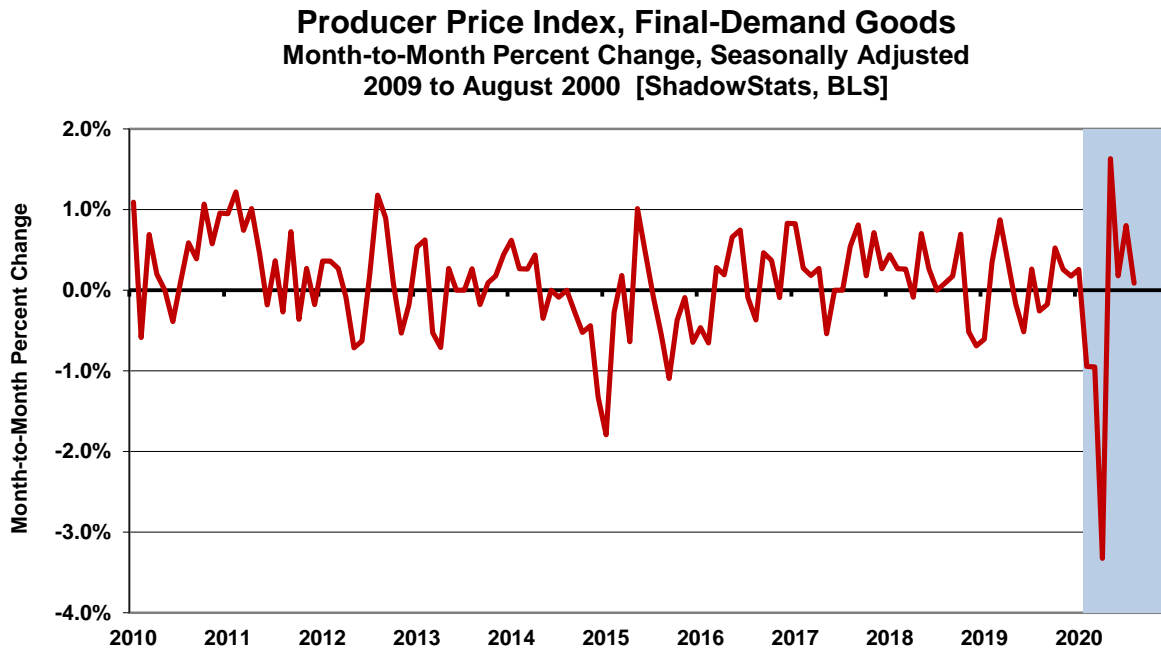
August 2020 Producer Price Index Annual “Core” Inflation Hit an 11-Month High of 0.8%. As reported by the Bureau of Labor Statistics (BLS) on September 10th, year-to-year declines in the Total and the Goods-based PPI have narrowed, as with the CPI, also from dissipating negative inflation impact from the oil-price war. Where the more-meaningful PPI Final Demand Goods series declined by 1.64% (-1.64%) year-to-year in August [narrowed from 1.98% (-1.98%) in July], August “Core” inflation, net of declines in both Food and Energy, jumped by 0.77% year-to-year [up from 0.51% in July], its highest level since 0.86% in September 2019. Incorporating the mal-defined Services-based series, the total August 2020 PPI-FD gained a near-consensus 0.34% in the month [previously up by 0.60% in July], and declined by 0.17% (-0.17%) year-to-year [previously down 0.42% (-0.42%) in July].

[*Graphs 10 and 11* follow on the next page.]

Graph 10: PPI, Final-Demand Goods, 2010 to August 2020, Year-to-Year Inflation



Graph 11: PPI, Final-Demand Goods, 2010 to August 2020, Month-to-Month Inflation



Federal Reserve Policy and Monetary Conditions

**Record-High Annual Money Supply Levels and Growth
Continued in August 2020, With M1 Rising to 40.0% and M2 Holding at 23.3%**

**August 2020 ShadowStats Ongoing M3 Annual Growth Slowed to 24.5%,
Down from the June 2020 Record Peak of 26.1%**

**Renewed Expansion in the Monetary Base and the Fed's Balance Sheet Likely
Signal Renewed Upside Pressure on Money Supply**

**FOMC Upside Retargeting of Core Inflation
Should Encompass Even Greater Money Growth**

August 2020 M1 Money Supply Growth Hit a Record High 40.0% Year-to-Year Growth Rate, Amidst Extreme Systemic Liquefaction by the Fed and Related, Mounting Domestic Inflation Pressures. The Federal Reserve Board (FRB) reported monthly average August 2020 Money Supply M1 and M2 on September 10th, the ShadowStats Ongoing M3 estimate published on September 11th. In the context of massive money supply expansion by the Fed and a general market shift to holding more-liquid assets, seasonally adjusted annual growth in the most liquid M1 Money Supply category rose to an unprecedented 40.0% in August 2020, from its prior record annual gain of 38.1% in July.

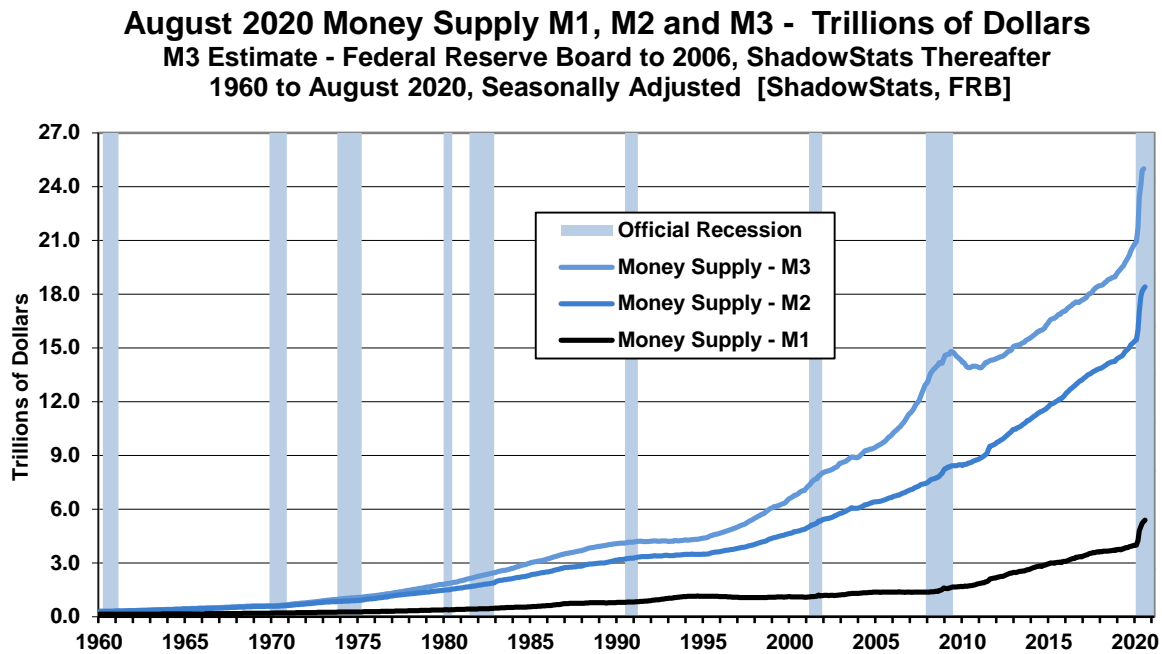
While August 2020 M2 increased month-to-month, its annual change stagnated at its record high 23.3%, while the ShadowStats Ongoing M3 estimate showed a small monthly decline, with annual growth slowing for a second month, to 24.5%, down from 25.7% in July and a record 26.6% in June. Such strong money growth could be expected to generate some pickup in headline inflation

Graphs 12 to 19 plot various versions of the monthly level of and annual growth in Money Supply M1, M2 and the ShadowStats M3 Continuation, through August 2020. Where annual growth in the Monetary Base had led M3 lower, the Monetary Base annual growth is on the rise, again, as is annual growth in the Fed's Balance Sheet Assets (see **Graphs 20 to 23**).

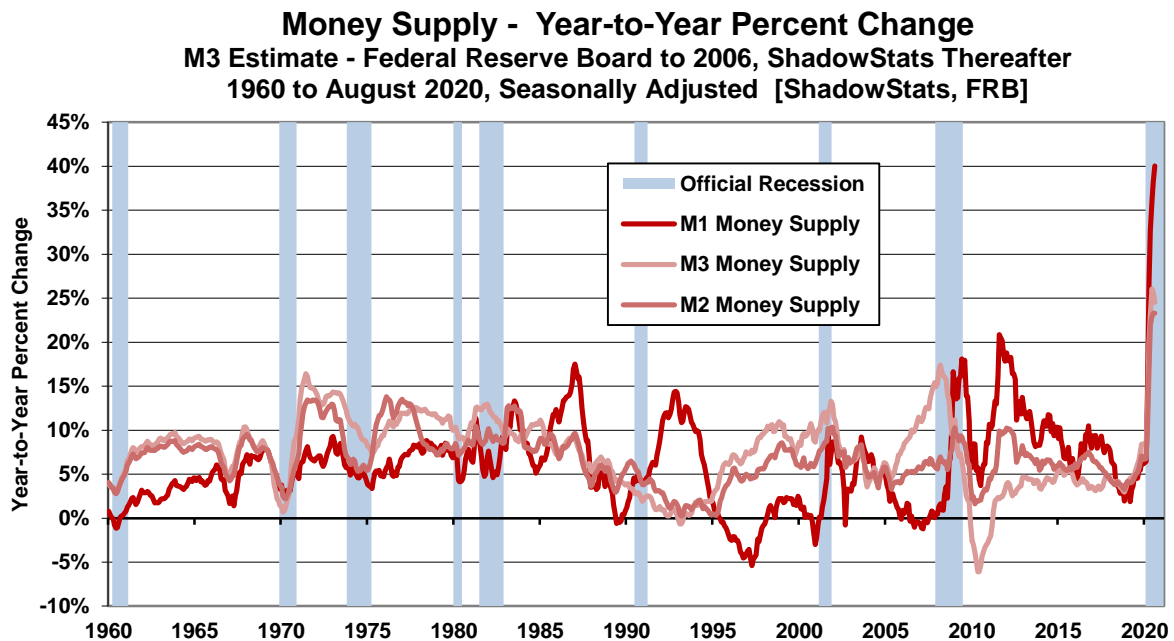
Other money graphs, methodology and a data download are available on the [ALTERNATE DATA \(Money Supply\)](#) of the www.ShadowStats.com home page

[Graphs 12 to 23 begin on the next page.]

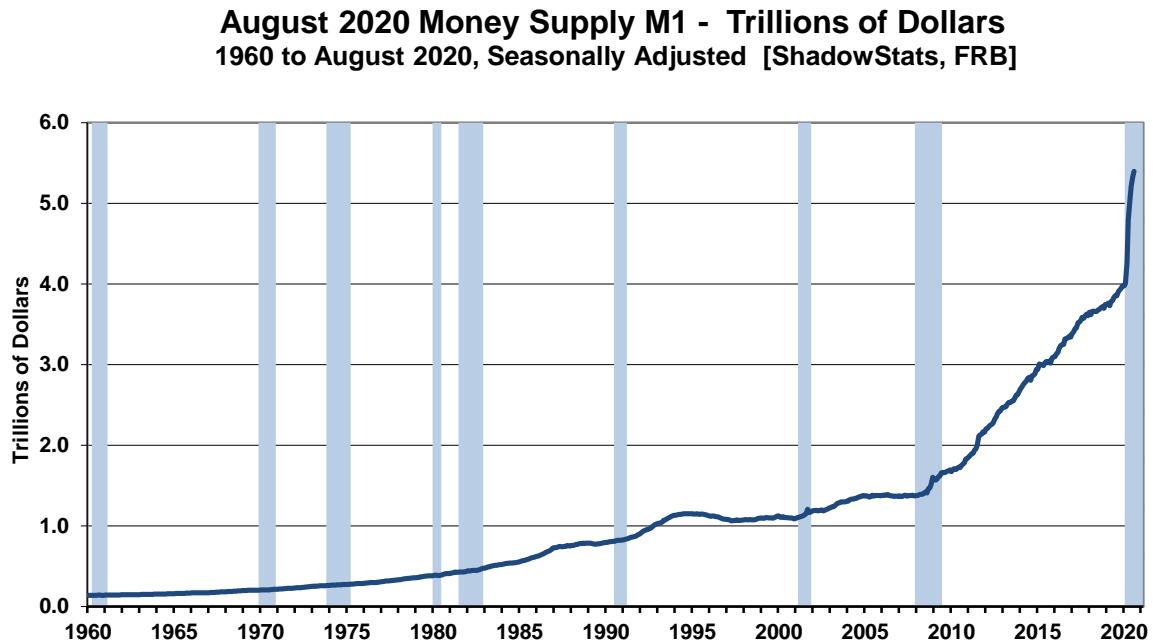
Graph 12: Money Supply M1, M2 and M3 and ShadowStats Continuing M3, Trillions of Dollars, to August 2020



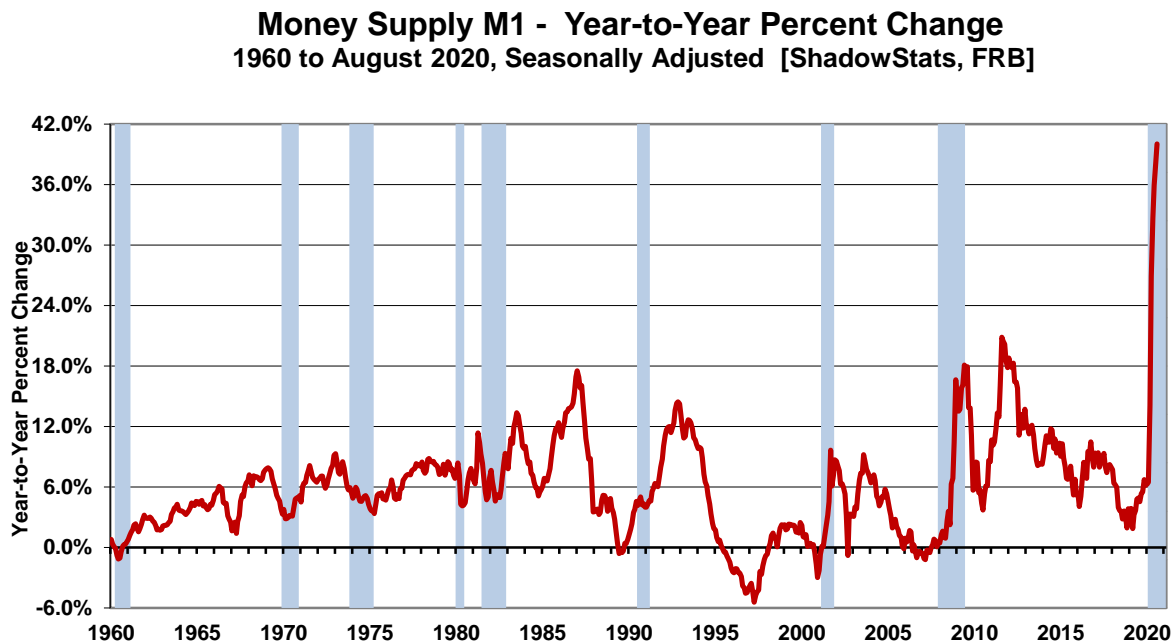
Graph 13: Money Supply M1, M2 and M3 and ShadowStats Continuing M3, Monthly Yr-to-Yr Growth to Aug 2020



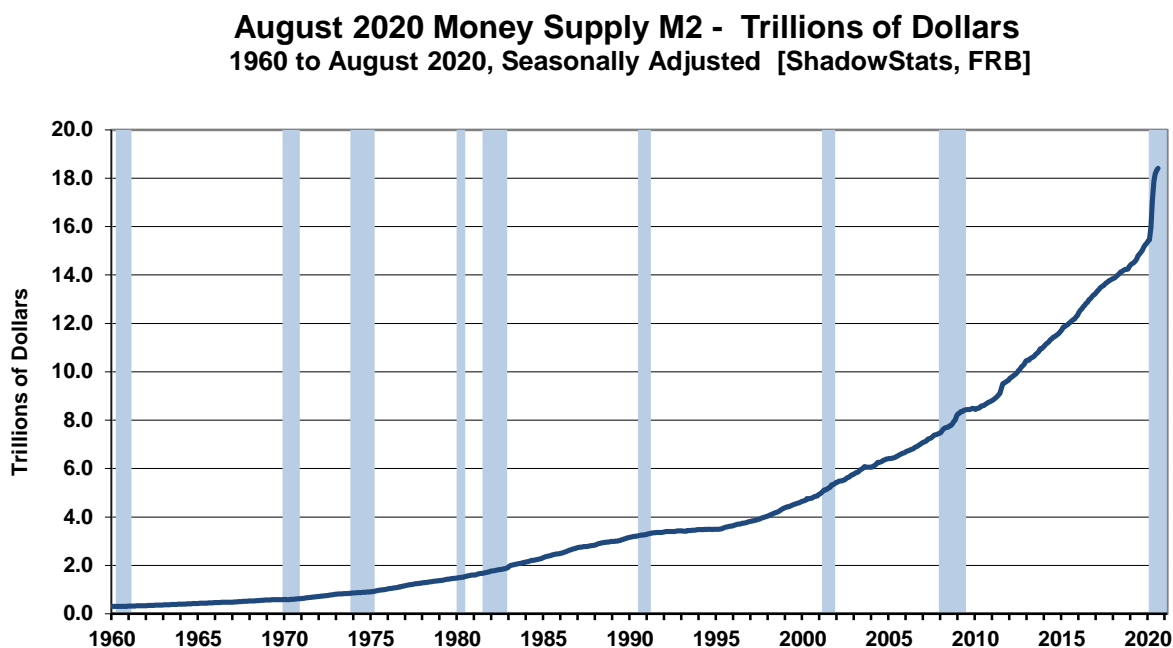
Graph 14: Money Supply M1, 1960 to August 2020



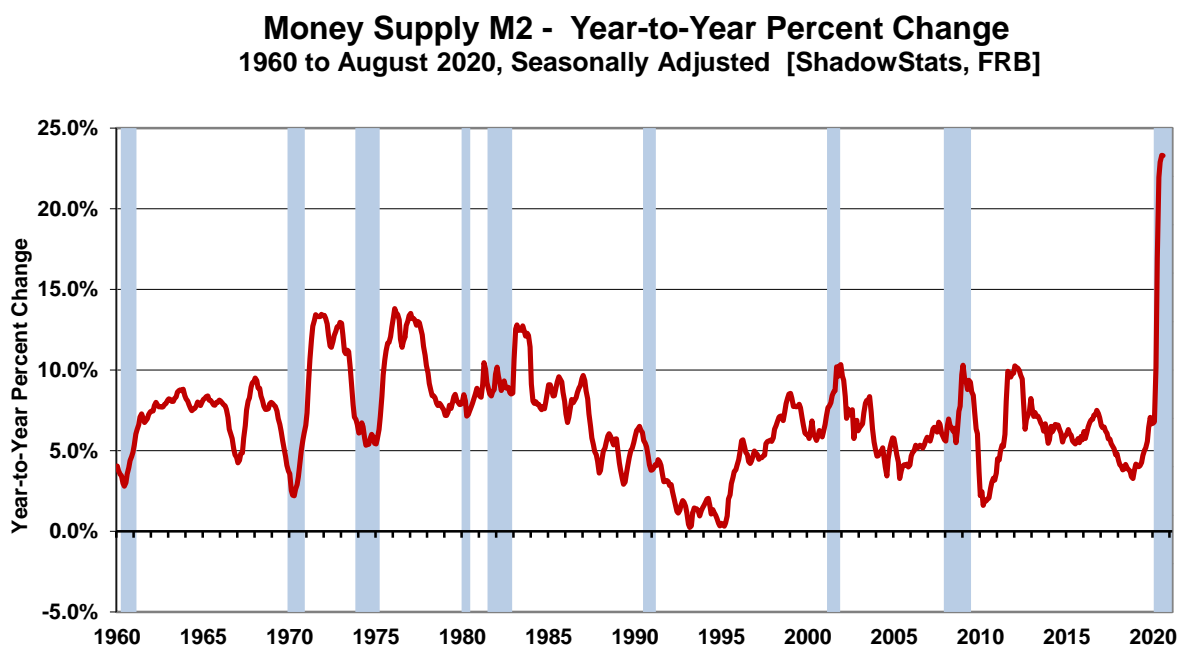
Graph 15: Money Supply M1, 1960 to August 2020, Year-to-Year Change



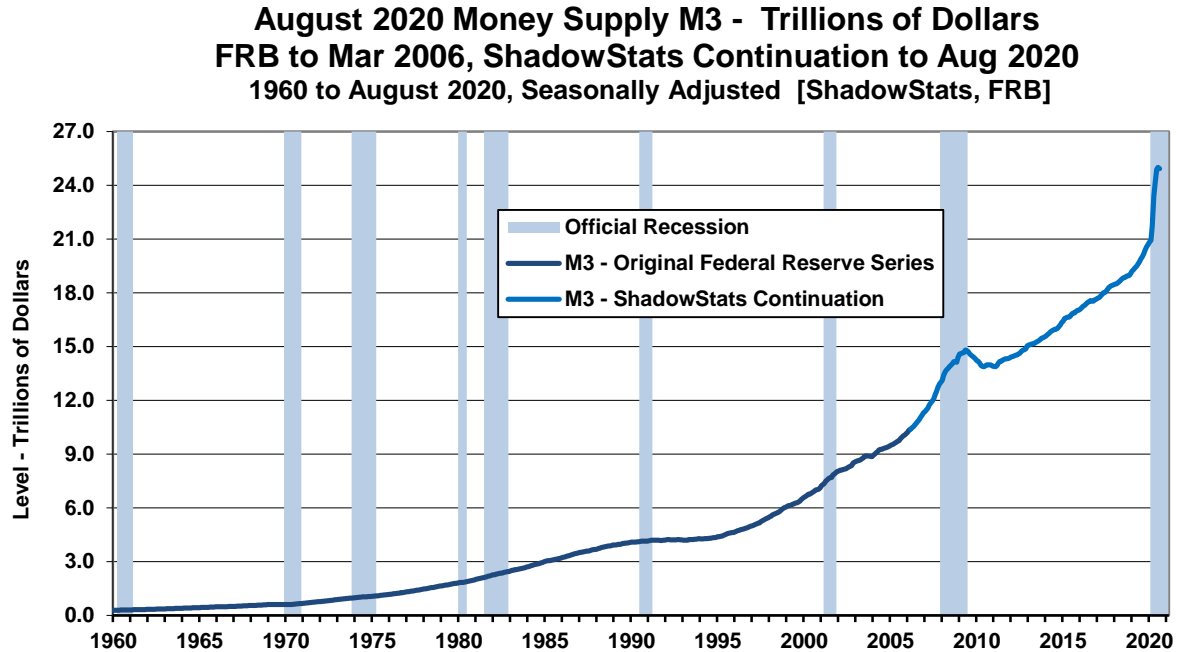
Graph 16: Money Supply M2, 1960 to August 2020



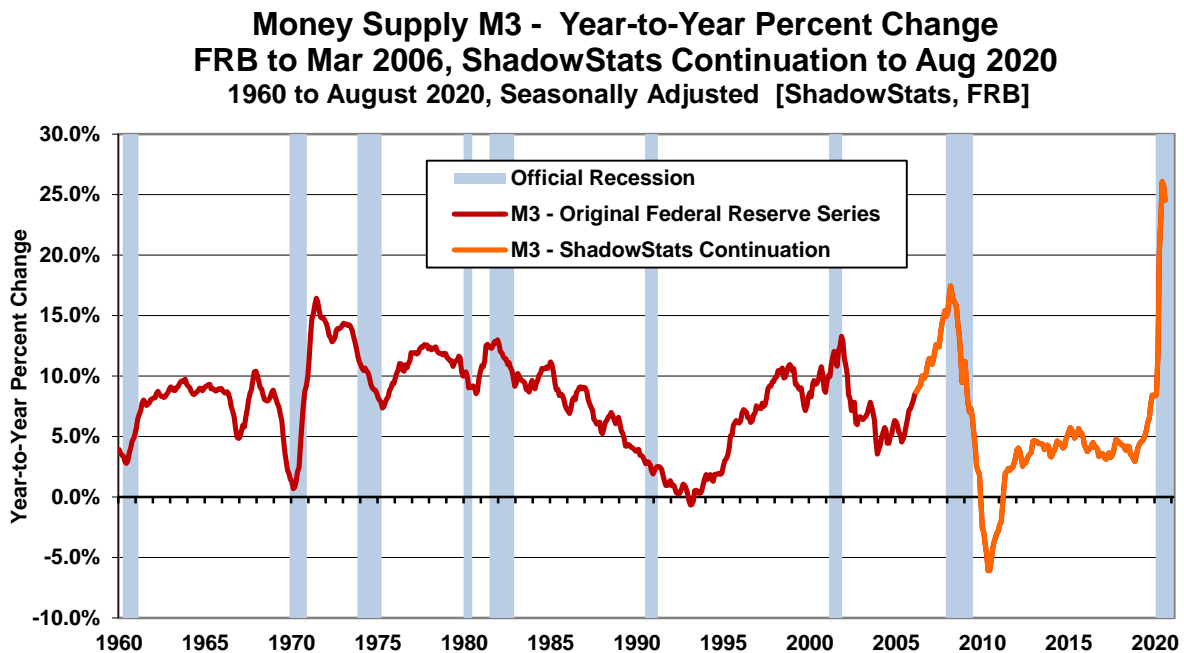
Graph 17: Money Supply M2, 1960 to August 2020, Year-to-Year Change



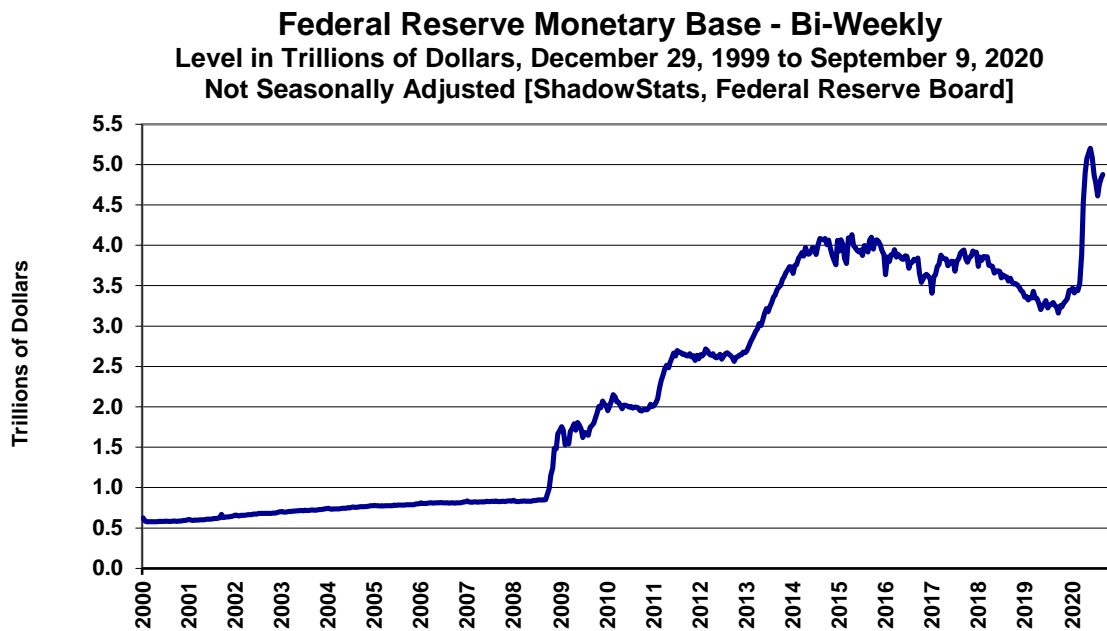
Graph 18: Money Supply M3, 1960 to 2006, With ShadowStats Continuation to August 2020



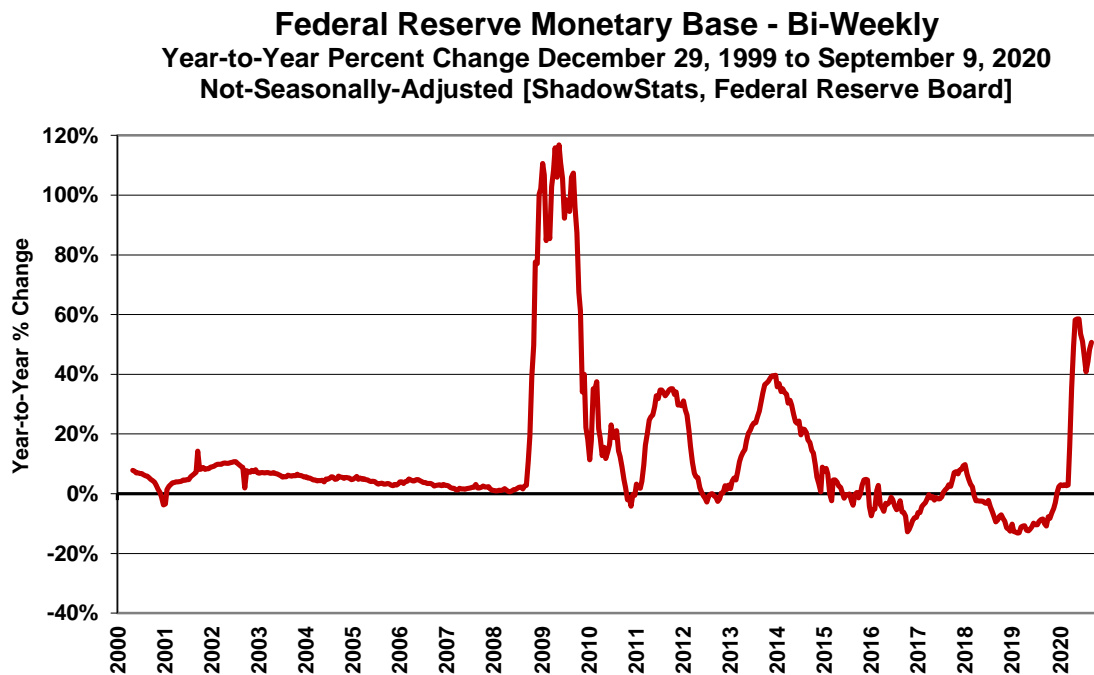
Graph 19: Money Supply M3, 1960 to 2006, With ShadowStats Continuation to Aug 2020, Year-to-Year Change



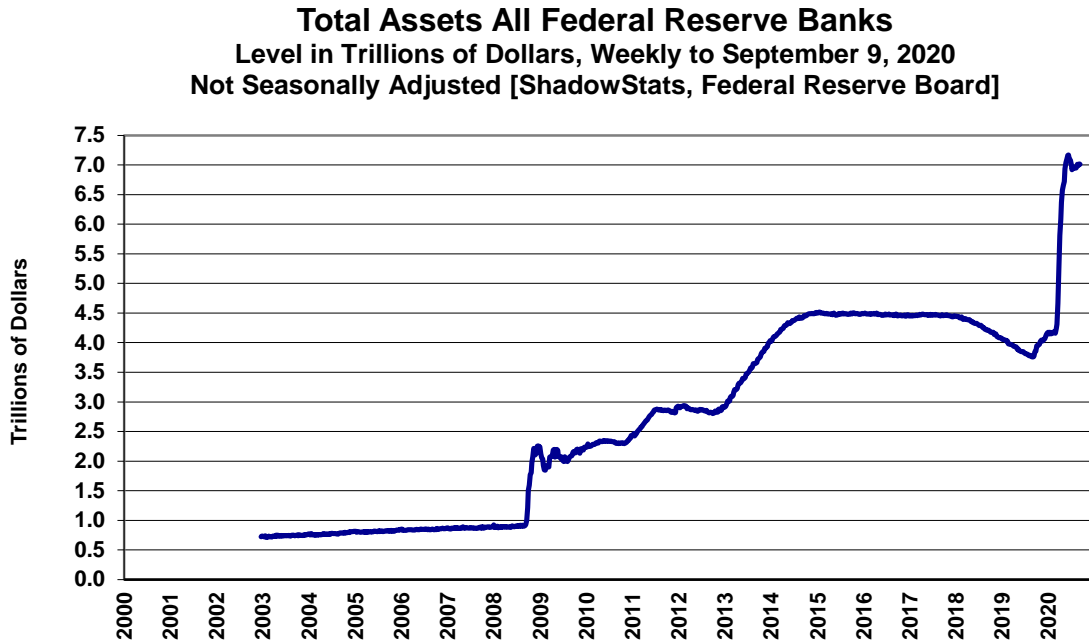
Graph 20: Federal Reserve Monetary Base, 2000 to September 9, 2020



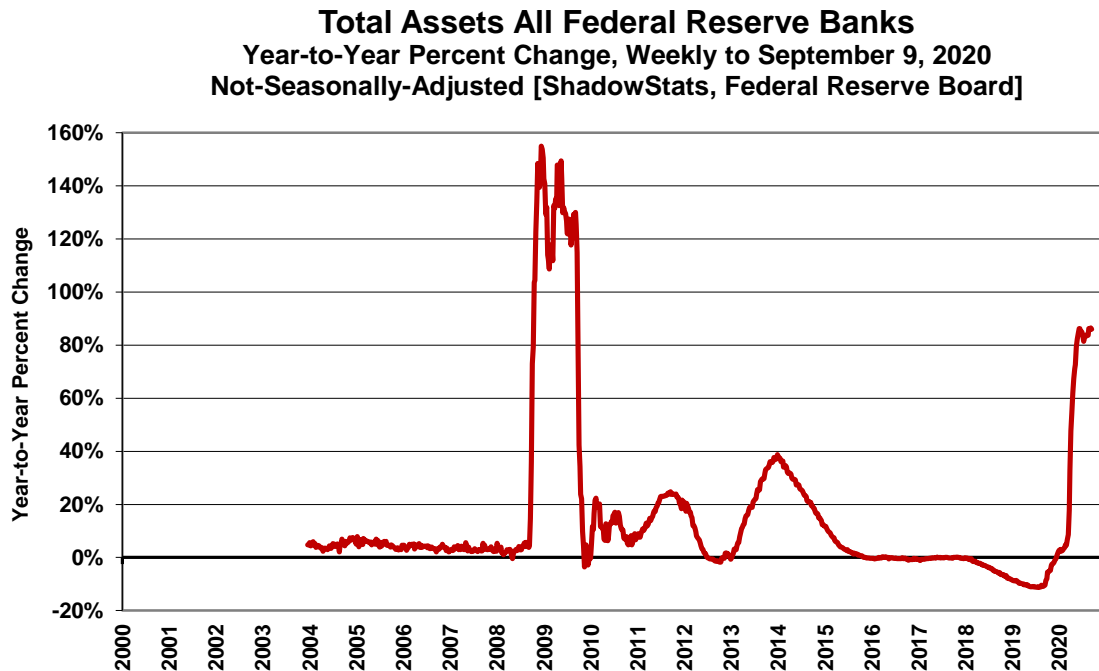
Graph 21: Federal Reserve Monetary Base, 2000 to September 9, 2020, Year-to-Year Change



Graph 22: Total Assets All Federal Reserve Banks, 2000 to September 9, 2020



Graph 23: Total Assets All Federal Reserve Banks, 2000 to September 9, 2020, Year-to-Year Change



Financial Markets

Unfolding Inflation and Economic Signals Remain Bullish for Gold and Silver, Bearish for the U.S. Dollar

U.S. Dollar-Debasing Actions by the FOMC and U.S. Government Likely Will Intensify In Response to a Faltering Recovery from the Pandemic-Driven Economic Collapse

[Note: Text here is little changed from [No. 1447](#). No. 1448 is going to press before the close of the U.S. financial markets on September 14th, so the numbers reported here are the U.S. September 11th close.]

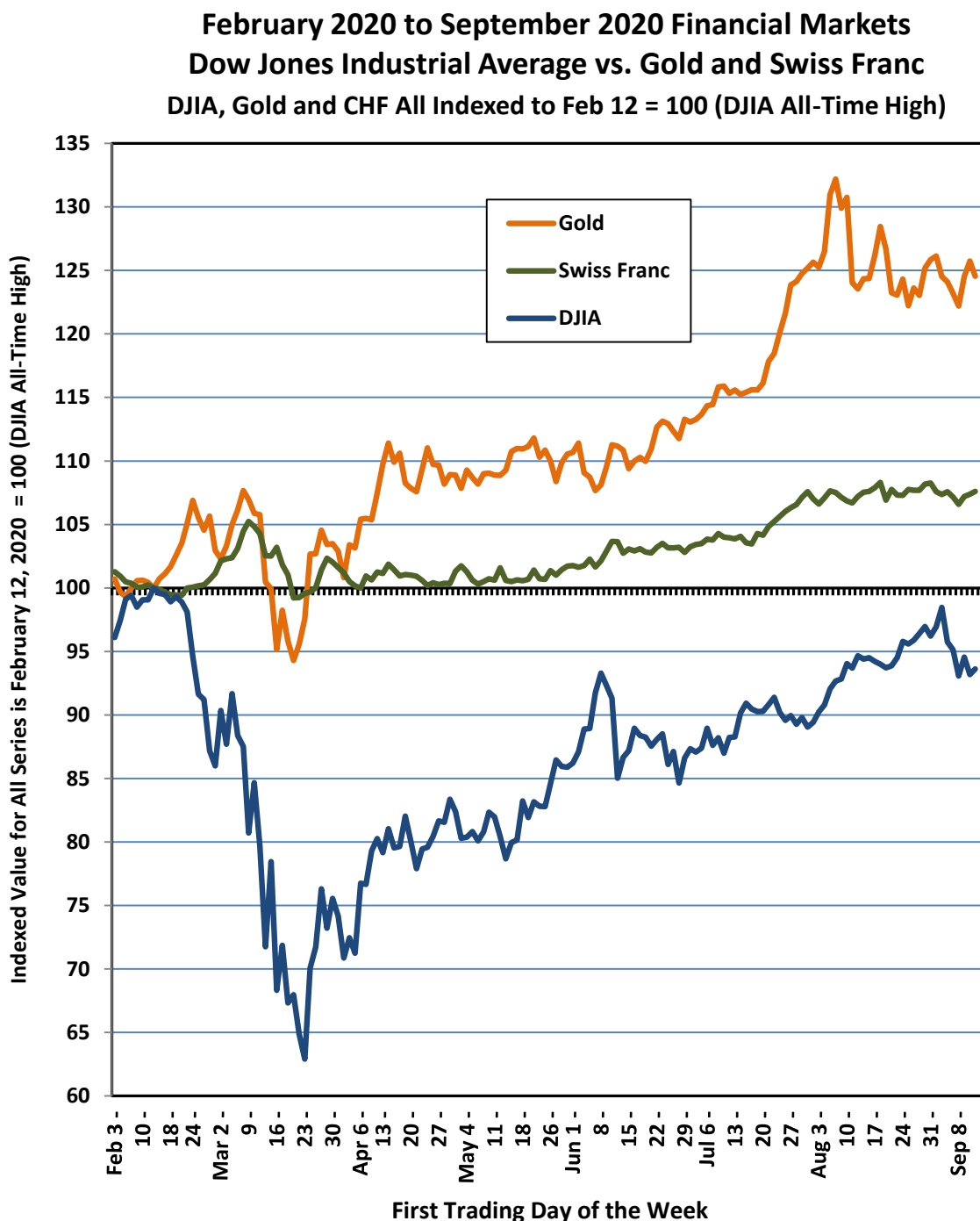
Surging Gold and Silver Prices, and the Tumbling U.S. Dollar Have Reflected Mounting Fears of Inflation and Systemic Instability. Despite mixed pressures in the last week or so, discussed previously in [Special Hyperinflation Commentary, Issue No. 1438](#) (Risks of a Hyperinflationary Economic Collapse), and in various subsequent writings, a rising gold price tends to lead a pick-up in inflation. In the context of continuing, soaring gold and silver prices and a weakening U.S. dollar, those mounting inflation concerns have been generated by explosive, uncontrolled Money Supply creation by the Federal Reserve, and by soaring, uncontrolled Deficit Spending by the Federal Government. Those official acts of U.S. Dollar debasement continue, having been designed to prevent or to mitigate systemic, economic and financial-market collapse, in the wake of the Coronavirus-Pandemic shutdown of the economy and regular social functioning in the United States. As the full reopening of the U.S. economy and hoped for economic recovery are not unfolding as well as had been expected by the markets, further stimulus action by the Fed and the Federal Government likely will surface, as needed, albeit with exacerbating impact on developing inflation problems and a weakening U.S. Dollar.

[Financial Market Graphs 24 to 32 begin on the next page.]

Financial Market Graphs Updated to September 11, 2020

**Physical Gold and Swiss Franc Continue to Protect U.S. Dollar Purchasing Power
Inflation Risks Continue With High Gold and Silver Prices and a Weaker U.S. Dollar**

Graph 24: February 3 to September 11, 2020 Financial Markets (Dow Jones Industrial Average)



DJIA and S&P 500 Have Moved Off Recent Post-Pandemic Crash Highs

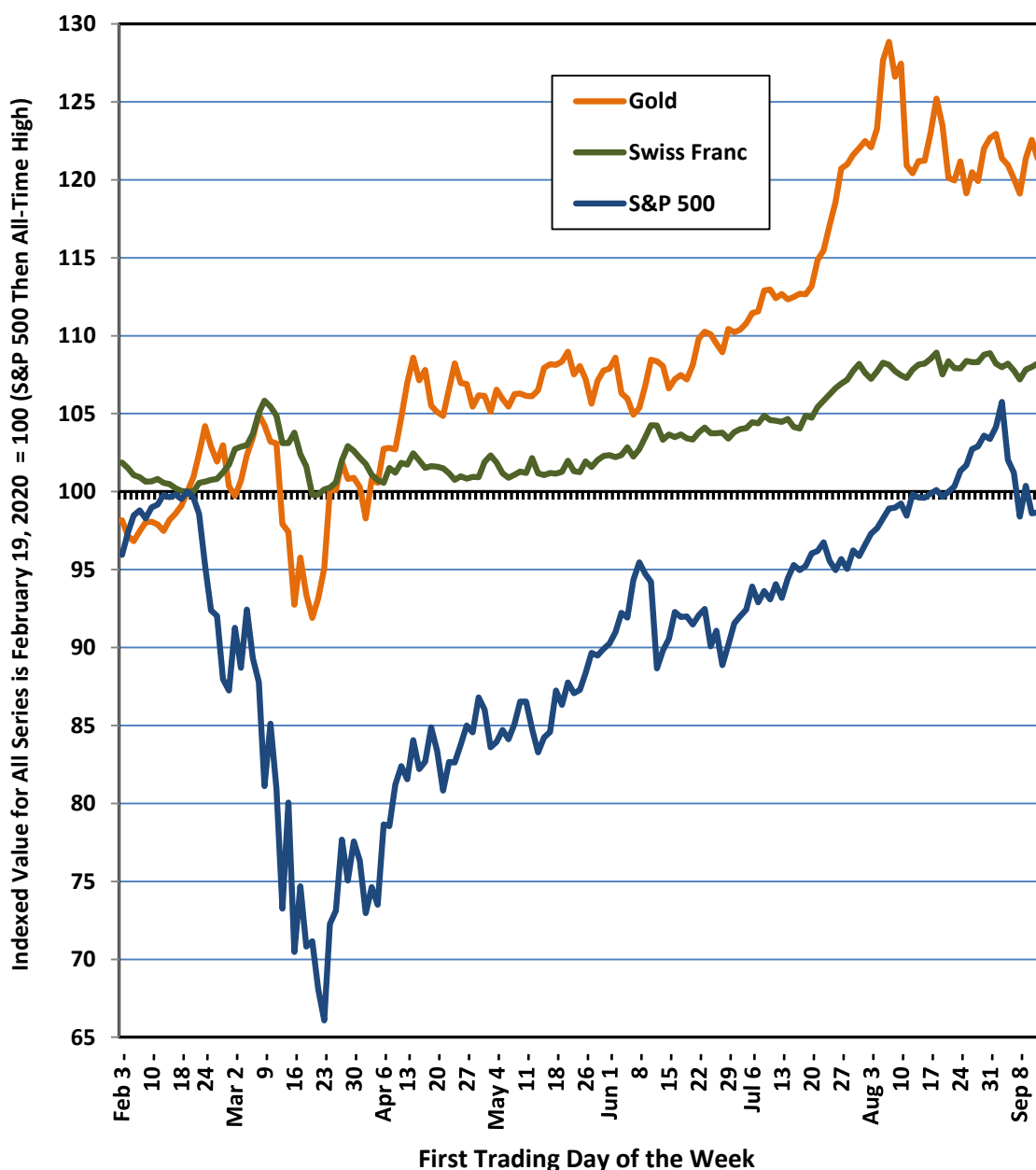
With the Dow Jones Industrial Average (DJIA) currently shy by about 7% (-7%) of ever recovering its pre-Pandemic crash peak activity (see preceding *Graph 24*) it had hit a post-crash high, before retreating into the Labor Day Weekend. In contrast, the S&P 500 had broken about 6% above its pre-Pandemic high, before pulling back to a 2% (-2%) loss, reflected in *Graph 25*. Where the DJIA and S&P 500 pre-Pandemic peaks were a week apart, the indexing of the pre-Pandemic peak close, and same-day Gold and Swiss Franc levels all to 100, varies slightly between *Graphs 24* and *25*.

Graph 25: February 3 to September 11, 2020 Financial Markets (S&P 500)

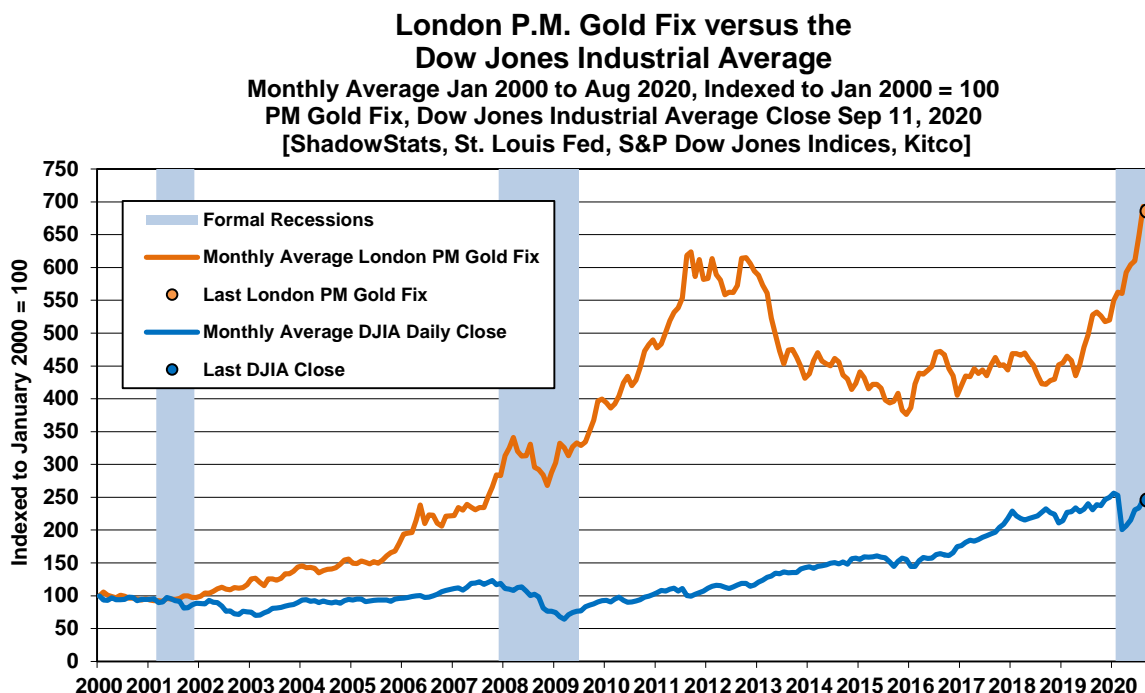
February 2020 to September 2020 Financial Markets

S&P 500 vs. Gold and Swiss Franc

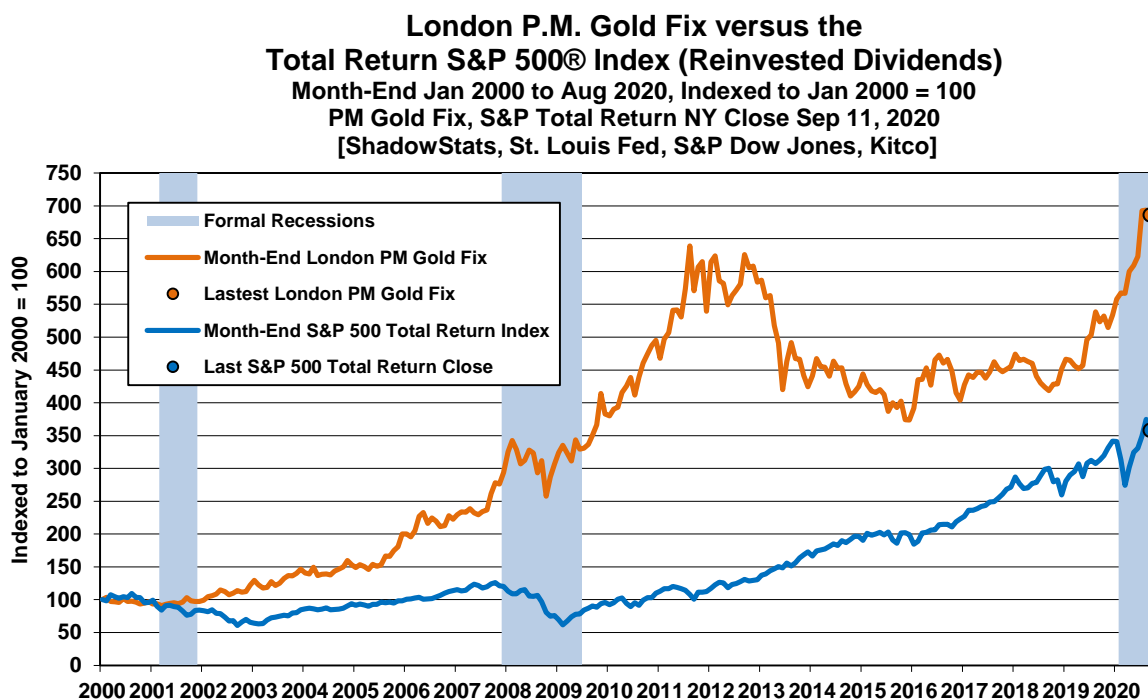
S&P 500, Gold, CHF Indexed to Feb 19 = 100 (S&P 500 Then All-Time High)



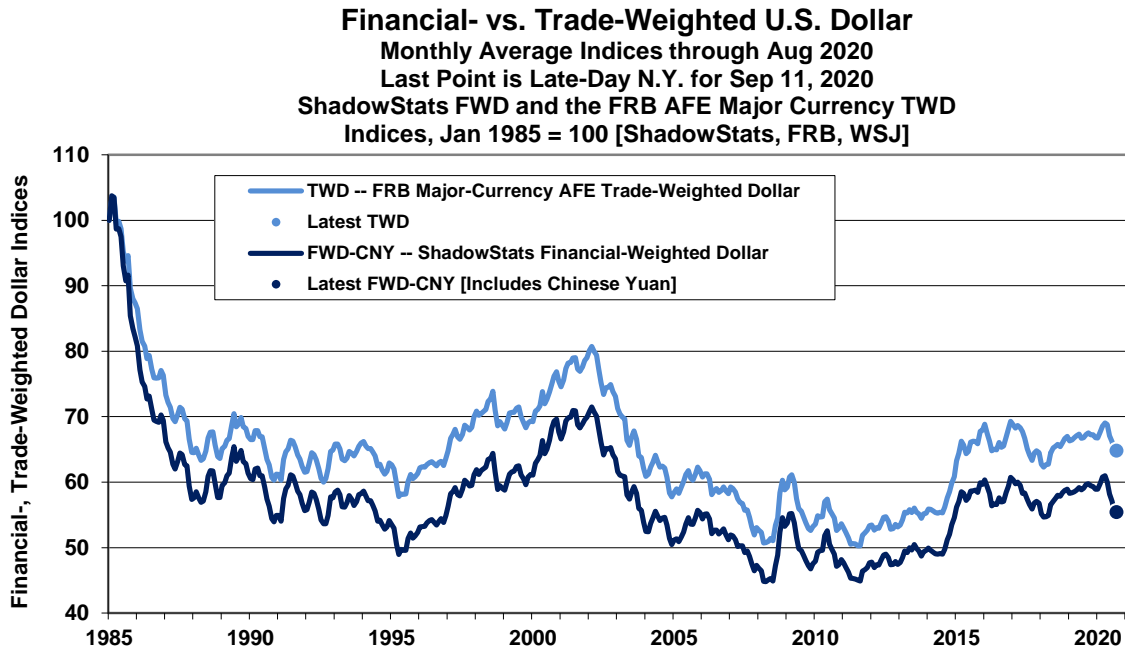
Graph 26: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)



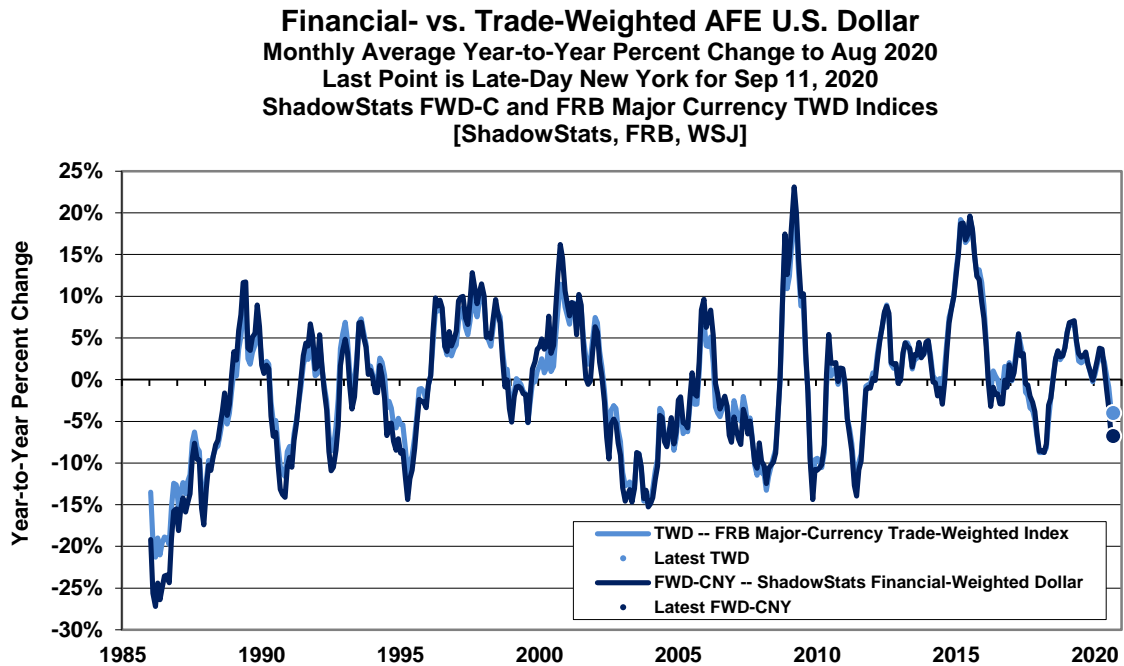
Graph 27: Total Return S&P 500® versus Gold (Month-End and Latest)



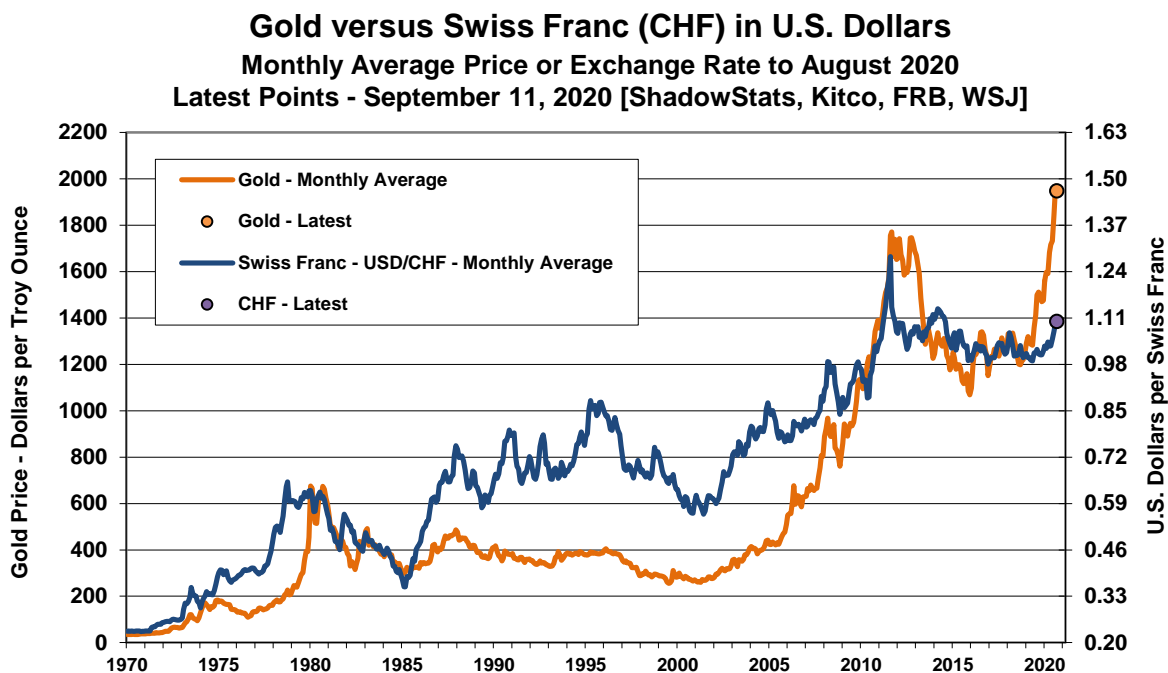
Graph 28: U.S. Financial- vs. Trade-Weighted U.S. Dollar



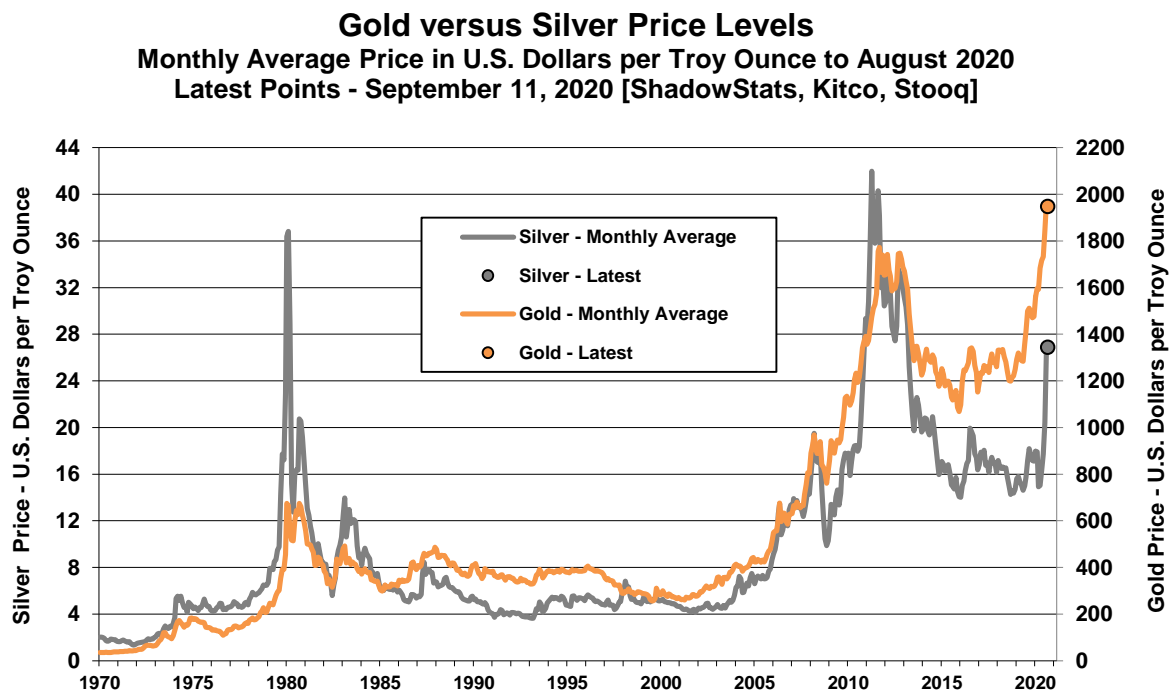
Graph 29: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change



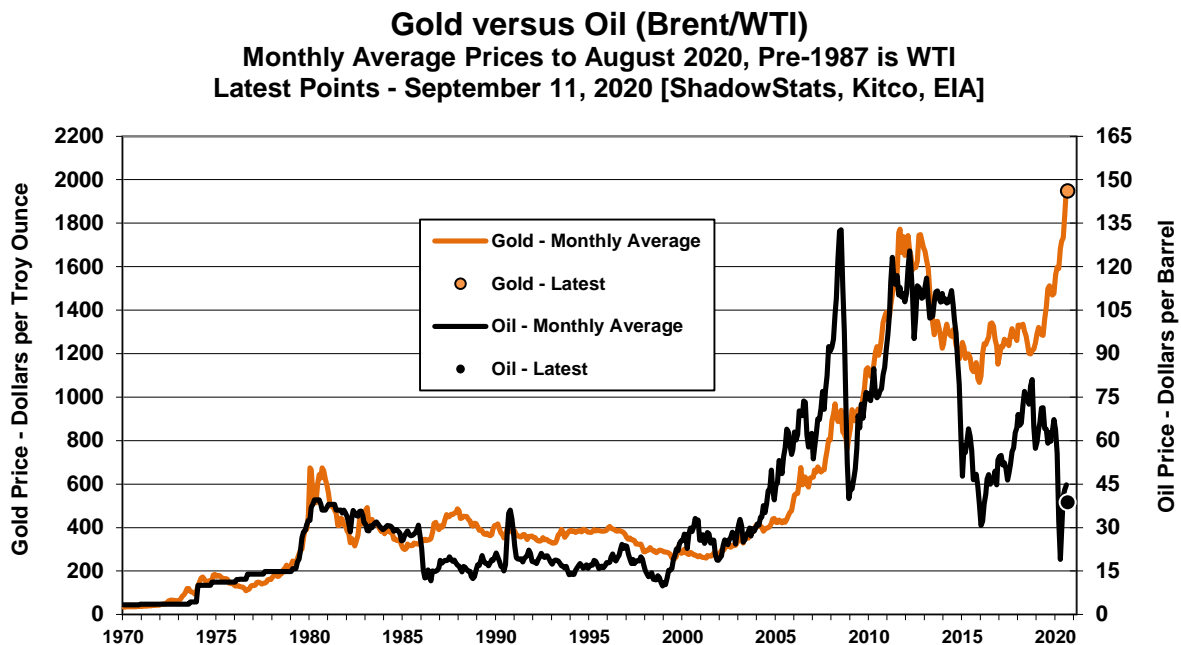
Graph 30: Gold versus Swiss Franc



Graph 31: Gold versus Silver



Graph 32: Gold versus Oil



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