

John Williams'  
**Shadow Government Statistics**  
*Analysis Behind and Beyond Government Economic Reporting*

**ShadowStats Flash Economic Commentary, Issue No. 1445**

**Jobs, GDP and Revisions, Faltering Economy, Money Supply, Fiscal Concerns, Gold and the U.S. Dollar**

**August 12, 2020**

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**Mounting, Fundamental Risks for Hyperinflation and Systemic Instabilities  
Promise New Highs for Gold and Silver Prices, Irrespective of the August 11th Sell-Offs**

**Historic GDP Collapse Wiped Out the Last Five Years of Economic Growth**

**Second-Quarter 2020 Real GDP Plunged at an Unprecedented,  
Albeit Consensus, Annualized Quarterly Pace of 32.9% (-32.9%),  
Down Year-to-Year by 9.5% (-9.5%)**

**Given Limited-Quality Hard Data, Has Headline Reporting Turned to the Consensus?**

**Benchmarked GDP Received a Boost from New Trade-Deficit Reporting Gimmicks**

**Nonetheless, Rebound from the Pandemic-Driven Economic Collapse Is Faltering**

**L-Shaped Economic Recovery Has Begun to Take Form, as  
July Jobs and Unemployment Improvement Decelerated, Amidst  
Continuing Pandemic-Disrupted Surveying and Reporting Quality Issues**

**Labor-Market Stress Has Intensified as Unemployment Claims Gyrate  
Around Still-in-Depression Levels; Fed Sees Early Indications of  
Renewed Pullback in Consumer Activity**

**U.S. Sovereign Credit Rating Rumbles Mount as Congress and the  
White House Negotiate a Second Round of Massive, Expanded Deficit Spending**

**Stalled Recovery Will Generate Even Greater Spending and Monetary Excesses**

**Federal Reserve Record Money Supply Expansion Continues,  
Despite Benchmark Money Numbers Showing Minimally Slower Growth**

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## Background Information for Subscribers

**New Circumstances, Breaking News and Schedule Changes Are Highlighted As They Happen in the [Daily Update](#).** 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* section of the [ShadowStats Home Page](#). For example, an initial assessment of headline details and any unusual twists in regular, major economic reporting always is reviewed in the *Daily Update*, usually within a couple hours of the reporting authority posting its economic release.

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), [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 for the Second-Quarter 2020 GDP, incorporating the latest monthly economic reporting. It examined the latest systemic, economic and financial-system disruptions, particularly as reflected in the price of gold (separately see today's *Section 5 – Financial Markets and Graphs*, beginning on page 46).

**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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## SPECIAL FLASH UPDATE

### July 2020 Employment and Unemployment

#### Sharply Decelerating Pace of Improvement in July Jobs and Unemployment

#### Continuing Issues With Pandemic-Disrupted Surveying and Reporting

#### “L”-Shaped Recovery Begins to Unfold

*Please Note: For discussion on today’s (April 11th) heavy selling in the **Gold and Silver Markets**, see **Section 5 – Financial Markets and Graphs**, beginning on page 46.*

*This **Special Flash Update Section** focuses on the July 2020 Payroll Employment and Unemployment numbers released August 7th by the Bureau of Labor Statistics, and has been inserted in front of the otherwise full **Commentary No. 1445**, which begins on page 13. **No 1445** covers the initial Second-Quarter 2020 GDP reporting and annual benchmark revisions, related economic releases, the latest Money Supply, Fiscal Circumstances and Financial Market graphs. The story told by both the latest labor and GDP data show a Pandemic-driven economic collapse, which appears to have hit bottom in Second-Quarter (April) 2020 and it has started to be recover slowly, in what is shaping up as a protracted “L”-shaped recovery, not a rapid “V”-shaped rebound that has been touted by Wall Street.*

**Headline July 2020 Payrolls and Unemployment Both Beat Expectations but Remained Well Shy of Recovery and Terribly Unreliable (Pandemic Disrupted and Distorted).** Severe quality and credibility Issues continue to plague the “improving” headline labor data, as reported August 7th by the Bureau of Labor Statistics (BLS). Although both the decline in July’s unemployment rate to 10.22%, from 11.10% in June, and the 1.763 million jobs increase in July payrolls, beat consensus expectations, neither headline series was close to economic recovery, let alone close to being credible (see ***Given Limited-Quality Hard Data, Has Headline Reporting Turned Consensus?*** on page 15).

**Unfolding, Protracted “L”-Shaped Recovery.** On top of the Pandemic-driven economic collapse, the uncomfortable reality of the headline July labor detail is that despite some good, headline pick up in the pace of economic recovery in the May and June 2020 numbers, the improvement in the headline July 2020 U.3 unemployment rate and payroll employment numbers was at a decelerating pace, showing the early stages of a developing “L”-shaped recovery, instead of the hoped-for and otherwise heralded “V”-shaped recovery. See ***Graphs A to D***.



Consider **Graph B**, showing an inverted plot of declining unemployment, with the inverted rising line (dropping unemployment rate) as an economic plus, a pattern seen otherwise in the plots in **Graphs C** and **D** of the upturn in payrolls and in the direction of year-to-year change, although the latter remains deep in negative territory. In each instance, the pace of improvement in the July numbers decelerated from the pace of gains in both May and June.

That pattern likely will tend to repeat and intensify, not only with the labor numbers in the months ahead, but also in key economic series likely including elements of July Manufacturing and Retail Sales, which will be reported on Friday, August 15th. If the decelerating growth continues, which is likely, the post-Pandemic economic recovery will be a particularly protracted “L”-shaped one. Also, see the discussion in **Section 2 – Other Indications of a Mixed to Slowing Economic Rebound** on page 34.

**Headline Labor Details Remain Disrupted.** The surveying and reporting of the unemployment and payroll numbers remain heavily disrupted and distorted. For the fifth month in a row, the BLS still is unable to generate a straight count on the number of surveyed unemployed, reporting that the actual July U.3 unemployment rate lay somewhere between the headline 10.2% and 11.1%, with a further 1.3 million plus “unemployed” individuals likely having been misclassified as “employed” in the July 2020 unemployment surveying and unemployment rate calculations. Consider, as well, that participation in the Household Survey, which usually is about 83%, remained down at 67% in July (previously 65% in June).

Using the official headline unemployment rates, which the BLS acknowledges are understated, Household Survey U.3 unemployment narrowed to 10.22% in July from 11.10% in June, U.6 declined to 16.53% from 18.03%, with the headline July ShadowStats Alternate Measure, on top of U.6, at 30.0%, down from 31.2% (see **Graph E**). Adjusted for the “misclassified” unemployed, U.3 unemployment narrowed roughly to 11.1% in July from 12.3% in June, U.6 declined to 17.4% from 19.2%, with the July ShadowStats Alternate Measure at 30.7%, down from 32.2% (see **Graph F**). Historic headline detail is available on the [Alternate Data](#) tab of the [www.ShadowStats.com](http://www.ShadowStats.com) website.

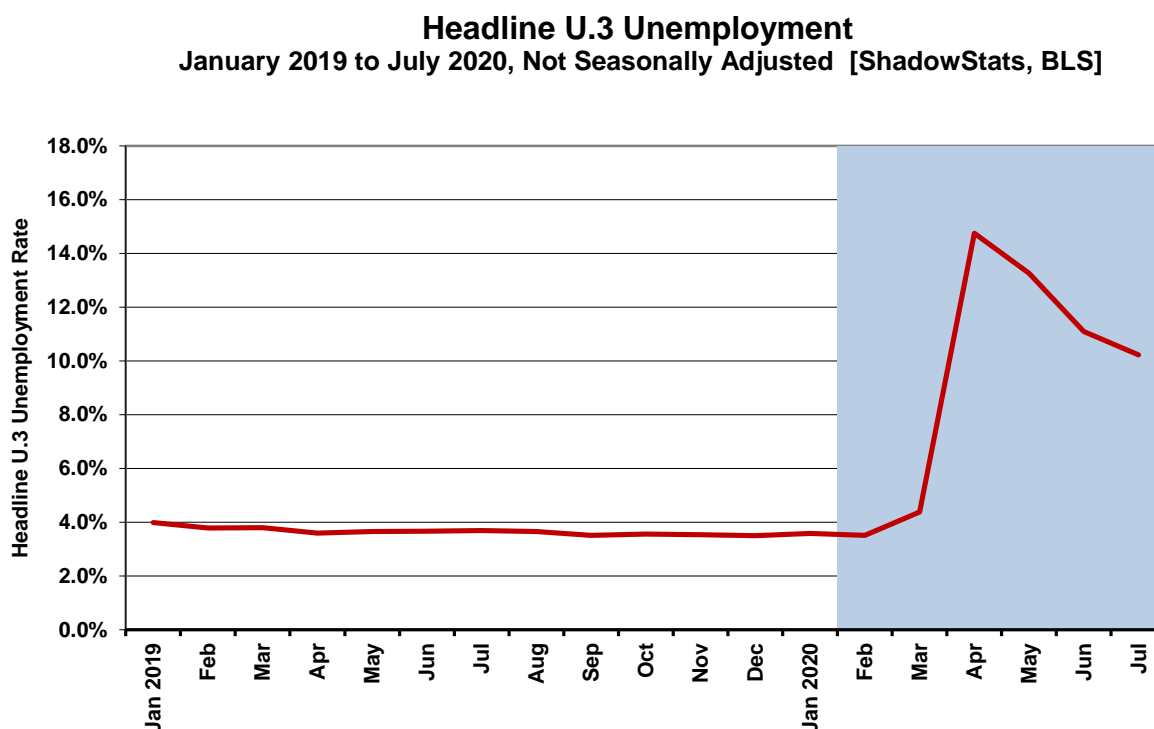
Separately, the Payroll Employment data in recent months had to be recast, with an unusual earlier period correction and re-estimation, due to the Pandemic disruptions. Of particular interest, the regular, preliminary annual benchmark revisions for the Payroll Employment series will be released on August 19th, recasting March 2020 payrolls, where the March payrolls were so heavily hit by the Pandemic.

The headline monthly gain in the July 2020 payrolls was 1.763 million, versus a revised 4.791 (previously 4.800) million in June, with an adjusted year-to-year decline of 7.70% (-7.70%) in July 2020 payrolls, following an unrevised 8.72% (-8.72%) drop in June 2020.

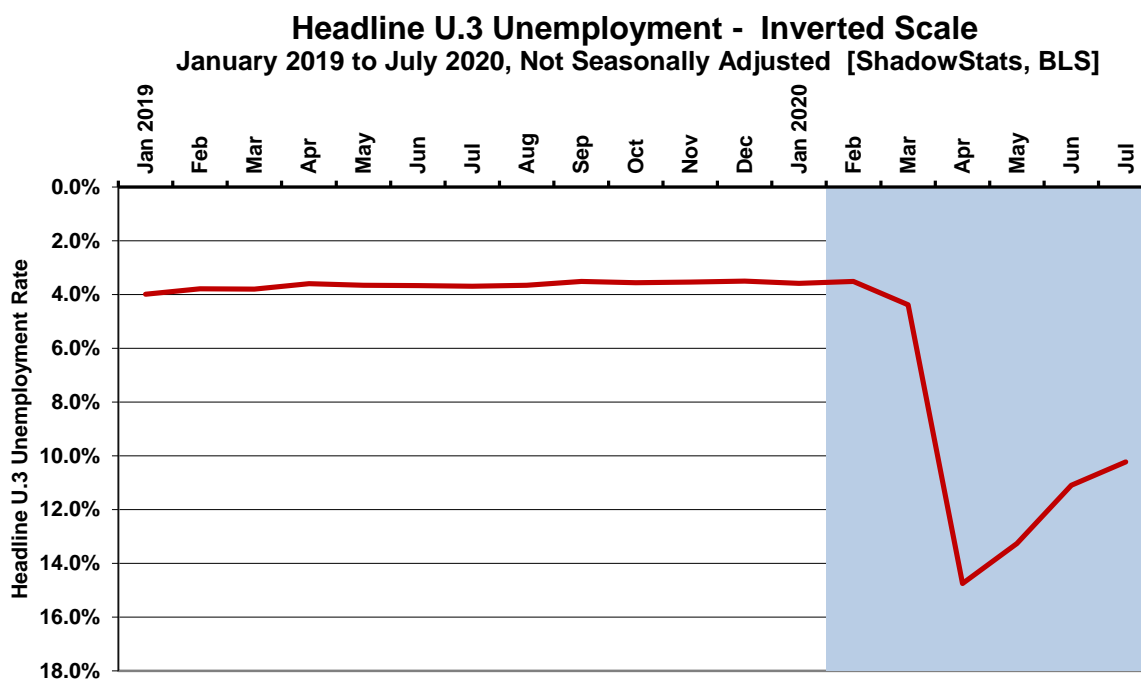
**[Flash Graphs A to H begin on the next page.]**

**Note: Shaded blue areas represent periods of formal recession.**

**Flash Graph A: Near-Term Pattern of Shifting Headline U.3 Unemployment Rate (January 2019 - July 2020)**

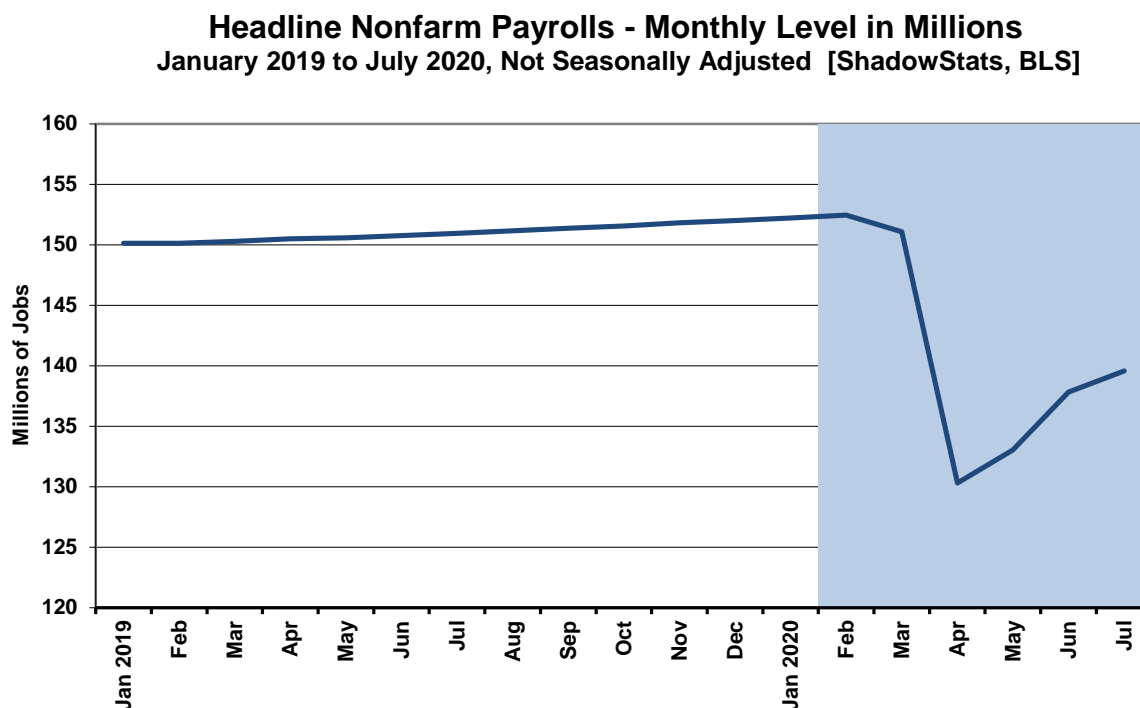


**Flash Graph B: Inverted Scale of Headline U.3 Unemployment Rate**

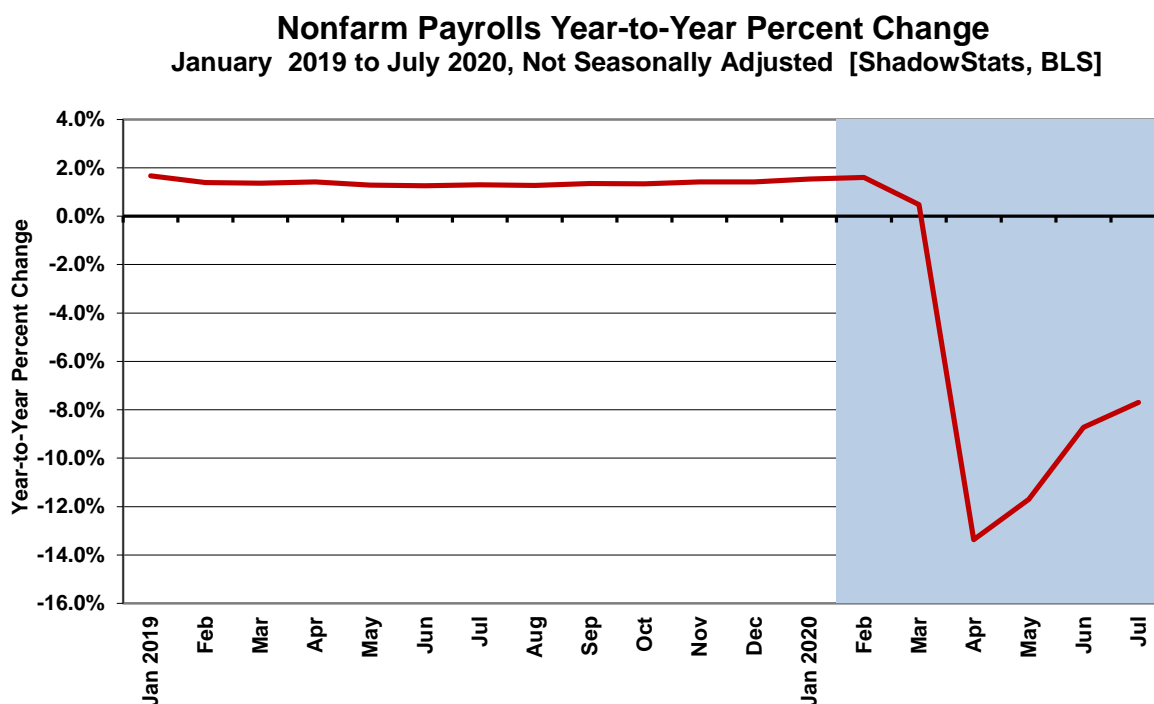




**Flash Graph C: Near-Term Pattern of Payroll Employment (January 2019 - July 2020)**

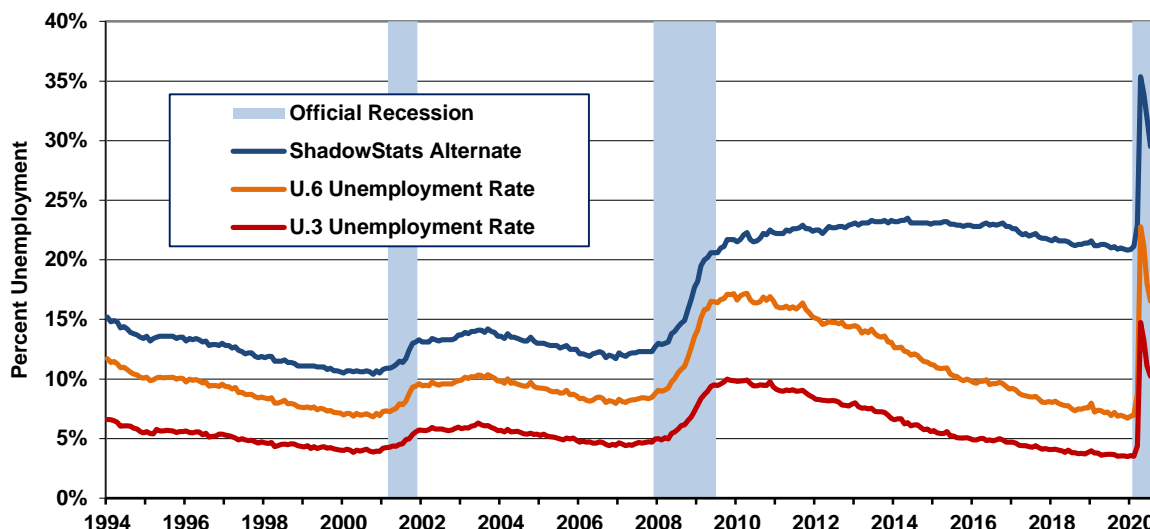


**Flash Graph D: Near-Term Pattern of Payroll Employment, Year-to-Year Change (January 2019 - July 2020)**



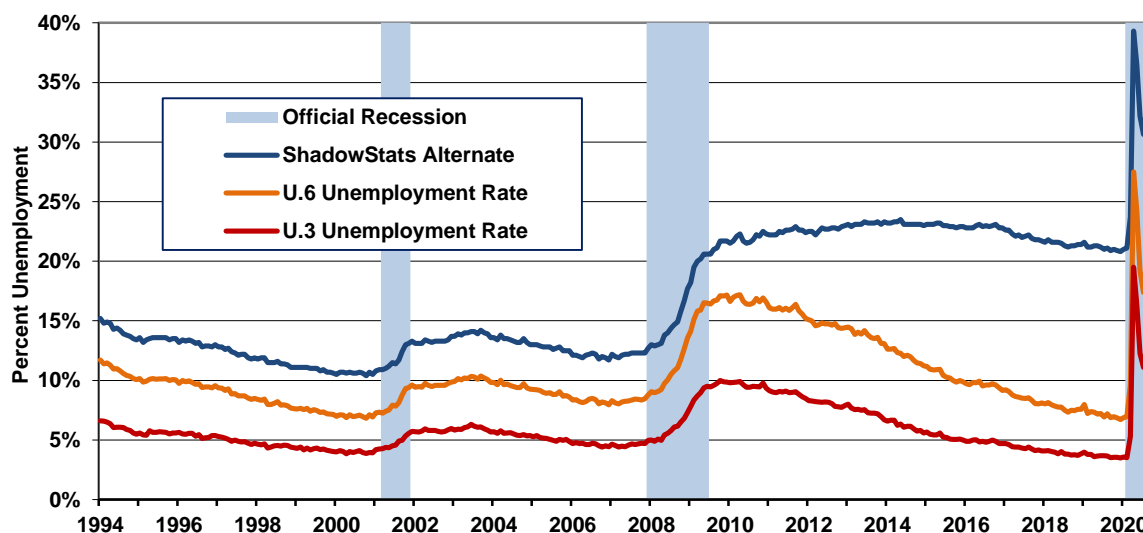
**Flash Graph E: Headline Unemployment Rates, Full History Current Series (1994 to Date)**

**Headline U.S. Unemployment Rates  
U.3 and U.6 versus the ShadowStats Alternate**  
1994 to July 2020, Seasonally Adjusted  
[ShadowStats, Bureau of Labor Statistics]

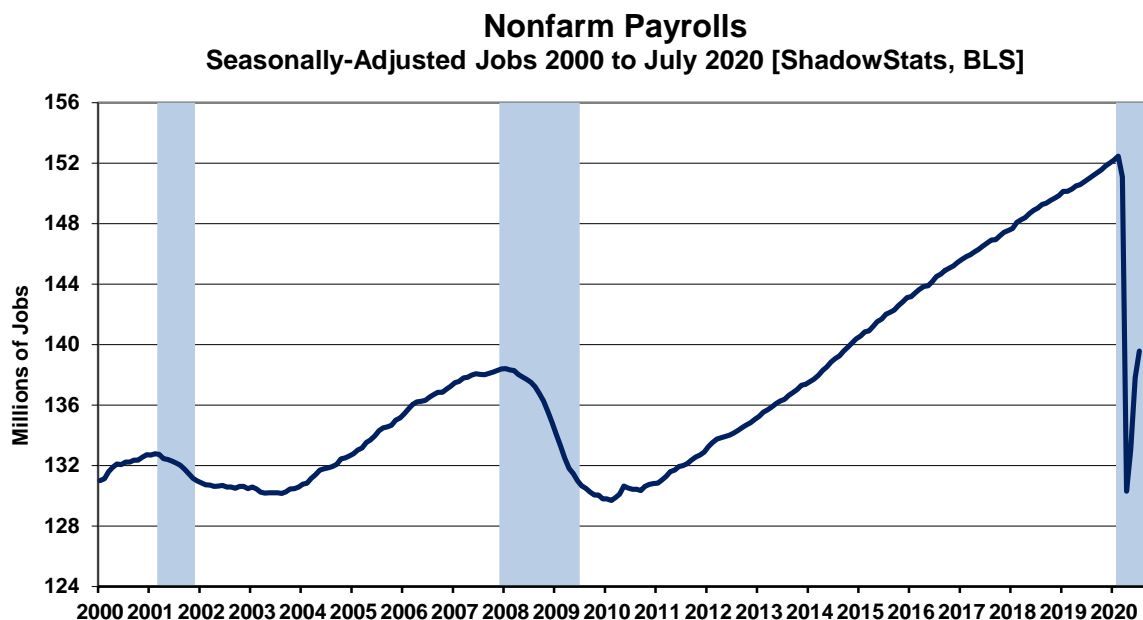


**Flash Graph F: Headline Unemployment Rates (1994 to Date) – BLS CORRECTED ESTIMATES**

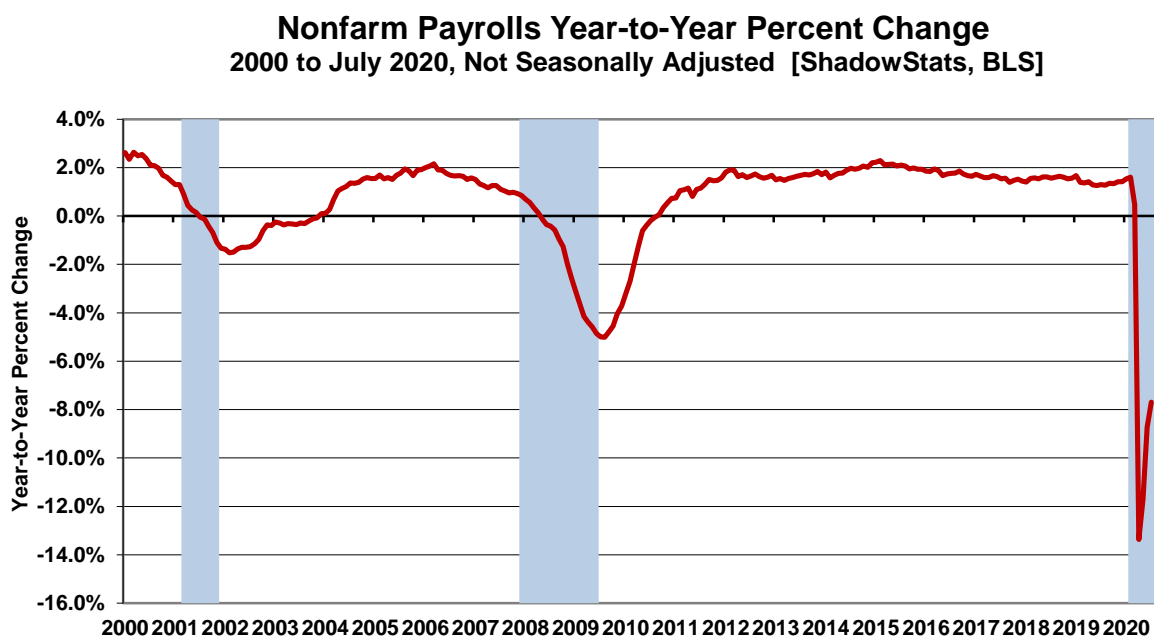
**BLS-Corrected Headline U.S. Unemployment Rates  
U.3 and U.6 versus the ShadowStats Alternate**  
1994 to July 2020, Seasonally Adjusted  
[ShadowStats, Bureau of Labor Statistics]



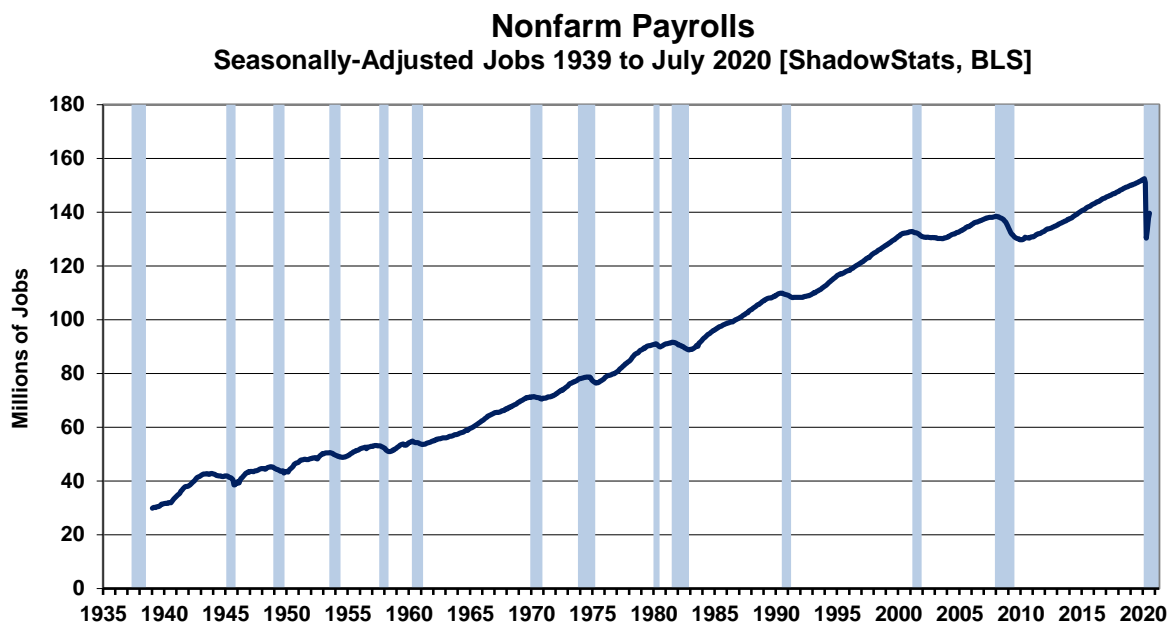
**Flash Graph G: Payroll Employment (2000 to Date)**



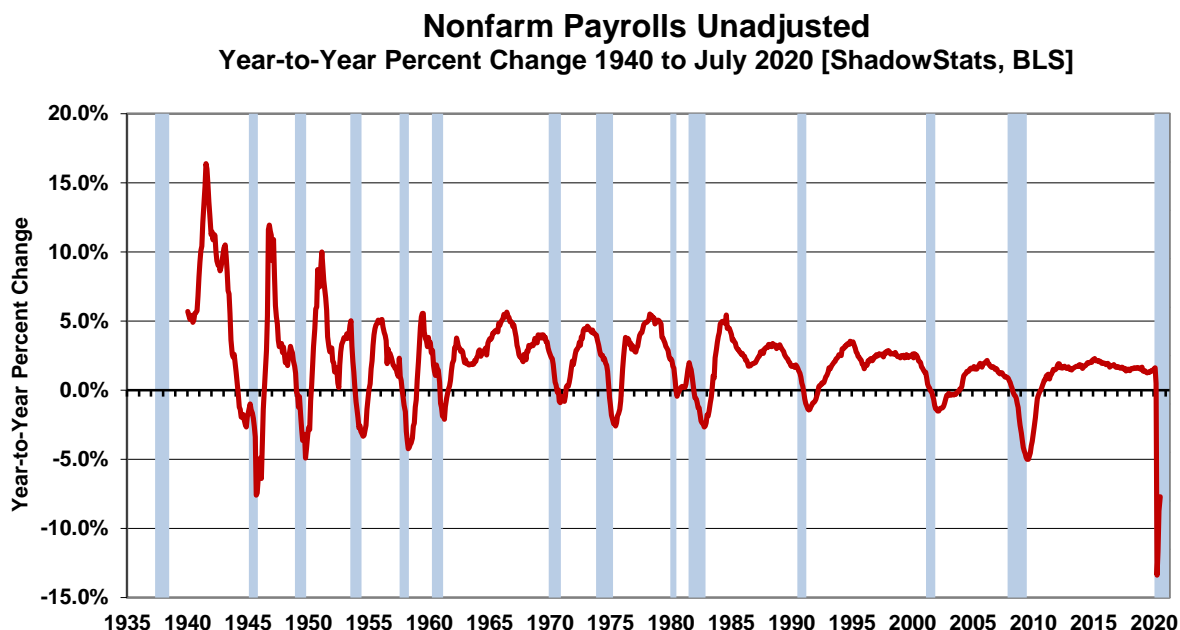
**Flash Graph H: Payroll Employment (2000 to Date), Year-to-Year Percent Change**



**Flash Graph I: Payroll Employment – Full History (1939 to Date)**



**Flash Graph J: Payroll Employment – Full History (1940 to Date), Year-to-Year Percent Change**



[ShadowStats Regular Commentary, Opening Comments and Ongoing Outlook begin on the next page.]

## SHADOWSTATS REGULAR COMMENTARY

### Opening Comments and Ongoing Outlook

*Please Note: For discussion on today's (April 11th) heavy selling in the **Gold and Silver Markets**, see **Section 5 – Financial Markets and Graphs**, beginning on page 46.*

*The **FLASH UPDATE Special Coverage of the August 7th release of July 2020 Employment and Unemployment reporting begins on page 6.** The balance of today's **Flash Economic Commentary, Issue No. 1445** begins here, covering the initial estimate of Second-Quarter 2020 Gross Domestic Product (GDP) and annual benchmark revisions, other recent reporting, including Federal Reserve Money Supply, Federal Government Fiscal Circumstances and mounting instabilities in the U.S. Financial Markets. The story told by both Labor and GDP numbers suggests the Pandemic-driven economic collapse, has moved off bottom, but headed most likely for an "L"-shaped as opposed to a "V"-shaped recovery. At work are intensifying issues with a full economic reopening, in the midst of what appear to be still deteriorating Pandemic-crisis conditions and related public circumstances.*

**Ongoing ShadowsStats Outlook: Economic and Systemic Crashes Should Intensify, Continuing to Move 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, federal deficit spending and eventual U.S. Dollar hyperinflation, continue to unfold in the context of an economy that is in the midst of an unprecedented collapse and an accelerating U.S. Dollar debasement against (albeit briefly stalled) precious metals—gold and silver—and against the stronger global currencies, particularly the Swiss franc.

**ECONOMIC ACTIVITY:** Incorporating the opening *Special Flash Update* (page 6) of the July labor numbers, today's *Flash Economic Commentary, Issue No. 1445* reviews details of the unprecedented collapse of Second-Quarter 2020 U.S. GDP, along with accompanying GDP historical benchmark revisions back through 2015. The revisions were minimal, but with some interesting twists (see **Section 1 – Second-Quarter GDP and Annual Benchmarking Detail** beginning on page 15). Any bottom bouncing of the economy in Third- or Fourth-Quarter 2020 GDP likely will be much weaker than hoped, again, leading into a protracted, "L"-shaped economic recovery, expanded Monetary and Fiscal stimulus, and intensifying debasement of the purchasing power of the U.S. dollar.

**Section 2 – Other Indications of Mixed-to-Slowing Economic Rebound**, beginning on page 34, and incorporating the opening *Special Flash Update* (page 6), reviews late-breaking indicators of labor-market stress (*New Claims for Unemployment Insurance*) and as well as *Construction Spending*. Economic and financial-market disruptions continue to be exacerbated by an increasingly troubled and uncertain economic reopening from the ongoing Pandemic-induced economic shutdown. A stalling "recovery" from the collapse has been signaled in the last several weeks by an interrupted decline in weekly *New Claims for Unemployment Insurance*, which had been dropping meaningfully and regularly since peaking in March. Separately, the Federal Reserve observed a negative shift in late-July consumer activity, as cited by Federal Reserve Chairman Jerome Powell at his July 29th FOMC Press Conference.

**FEDERAL RESERVE AND FEDERAL GOVERNMENT ACTIVITY:** Systemic turmoil likely still is just beginning, with the Federal Reserve and the U.S. Government driving uncontrolled U.S. dollar creation and debasement, discussed in *Section 3 – Monetary Conditions and the Developing Inflation Concerns* (beginning on page 37). Monthly year-to-year growth in the domestic Money Supply continues to soar, setting successive monthly record highs, despite the Fed’s latest quarterly benchmark revisions to the data, which minimally softened the annual growth rates. Inflation risks are exacerbated by unfolding product shortages, where relatively strong demand, against weak production sapped inventories in the Second-Quarter 2020 GDP, with extended background discussion in [\*Special Hyperinflation Commentary, Issue No. 1438\*](#) and [\*Flash Commentary, Issue No. 1440\*](#).

**Section 4 – Fiscal Conditions Raise Sovereign Solvency Concerns** (beginning on page 44). With the White House and Congress in the process of negotiating another, needed, large fiscal stimulus package, rapidly deteriorating fiscal circumstance have begun to rattle the credit markets and Credit Rating Agencies, hitting the dollar and placing upside pressure on the prices of flight-to-safety assets such as gold and silver. That should continue irrespective of any near-term profit taking in those assets.

**FINANCIAL MARKETS:** The rise in Gold and Silver prices continued to accelerate, with the price of Gold setting record highs almost daily, through last week. August 11 market interventions and/or profit-taking hit prices hard, yet new highs are ahead, discussed briefly and graphed in *Section 5 – Financial Markets and Related Graphs* (beginning page 46, with *Graphs 46* to *53* beginning on page 48).

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 metal is a fundamental signal of serious Fed and/or U.S. Treasury malpractice and mismanagement of monetary and/or fiscal policy. The same is true for the intensifying, broader financial flight out of the U.S. dollar. Both the Fed and the Treasury are running panicked, with their respective fiscal and monetary policies out of control (see [\*Special Hyperinflation Commentary, Issue No. 1438\*](#) and [\*Commentary, Issue No. 1444\*](#)).

As noted here previously, 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, market interventions, as likely seen today, should be fleeting, of temporary, short-lived impact.

With some evolution, the ShadowStats broad outlook in the weeks and months ahead remains is for:

- A continuing and potentially hyperinflationary U.S. economic collapse, with significant bottom bouncing and an unfolding, troubled and protracted “L”-shaped recovery, reflected in
- Continued flight to safety in precious metals, with accelerating upside pressures on gold and silver prices, irrespective of temporary market machinations,
- 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.

**[Section 1 – Second-Quarter GDP and Annual Benchmarking begins on the next page.]**

## **Section 1 – Second-Quarter 2020 GDP and Annual Benchmarking Detail**

**Upfront Severe Economic Damage from the Pandemic Shutdown and Intensifying Reopening Complications Promise a Very Difficult Recovery**

**Headline Second-Quarter GDP 33% (-33%) Collapse Effectively Was Consensus**

**Given Limited-Quality Hard Data, Has Headline Reporting Turned Consensus?**

**Third-Quarter 2020 GDP Bottom-Bouncing Should Be Well Shy of Consensus**

**U.S. Economy and People's Lives Have Been Altered Permanently**

**Headline “Recovery” of Pre-Pandemic, Fourth-Quarter 2019 GDP Peak Could Take Years**

**Encompassing GDP-Boosting Gimmicks, Benchmark Revisions Were Minimal but Mixed**

**Late-2018 and Early-2019 Activity Slowed in Revision**

**Second-Quarter 2020 Real GDP Just Lost Five Years of Headline Economic Growth.** As reported July 30th by the Bureau of Economic Analysis (BEA), the Pandemic driven, historic annualized quarterly plunge of 32.90% (-32.90%) and year-to-year drop of 9.54% (-9.54%) in Second-Quarter 2020 Gross Domestic Product (GDP) followed an annualized First-Quarter 2020 annualized quarter drop of 4.96% (-4.96%) and an annual gain of 0.31%. The near-consensus reporting was in the context of minimal benchmark revisions, which were not credible in the context of recent downside benchmarking to underlying series, as discussed previously in [\*Special Economic Commentary, Issue No. 1444\*](#).

Annual growth in real 2019 GDP revised lower by 0.17% (-0.17%), while 2018 picked up 0.07%. That said, the level of inflation-adjusted real GDP in second-quarter 2020 was the lowest since fourth-quarter 2014.

***Given Limited-Quality Hard Data, Has Headline Reporting Turned Consensus?*** When I first had interactive dealings with the BEA in the early 1980s, I was advised that a key consideration in the quarterly GNP estimates was the consensus outlook. Despite all the intervening improvements in reporting and modeling quality, I have to wonder if headline economic reporting has not shifted back to centering more on the consensus forecasts than hard data, at the moment, given the surveying and reporting issues created by the Pandemic shutdown of the economy (see the reporting issues discussed in the *Special Flash Update* section on page 6). Consider in the current, extremely troubled data reporting environment, the headline 32.9% (-32.9%) second-quarter GDP was right on the consensus. Separately,



that BLS reporting of both the headline July Unemployment Rate U.3 and the Payroll Employment gains was very close to the Consensus, although both readings were minimally on the happy side of what the markets were looking for.

**Headline Initial Second-Quarter 2020 GDP and Annual Benchmark Revisions.** Details of the latest and revised economic growth contributions, against prior reporting are shown for the last four quarters in **Table I** on page 18, with the graphs of the revisions, and comparative revisions between the headline Gross Domestic Product (GDP), Gross Domestic Income (GDI) and Gross National Product (GNP). Only the initial Second-Quarter 2020 estimate of the GDP was published along with the benchmarking. Initial estimates of Second-Quarter GDI and GNP will follow on August 27th. **Series Definitions** and a **Schedule of Table and Graphs Related to the Headline Second-Quarter 2020 GDP and Accompanying Benchmark Revisions** follows on page 17.

**Business Recovery Will Be Slower, More Protracted than Expected.** Dependent on some successful “reopening” of the economy, third- and fourth-quarter 2020 GDP should be moving off bottom, but as discussed in the **Special Flash Update** section (beginning page 6), and here later, recent headline numbers have begun to show the economic recovery will be more “L”-shaped than “V”-shaped, and much more protracted than generally has been hyped by Wall Street. **ShadowStats** will publish an initial, hard forecast for Third-Quarter 2020 GDP activity in the next **Commentary, Issue No. 1446**, incorporating initial headline details from the major monthly economic indicators for July 2020.

**Inventories.** Of some note in terms of inflation concerns to be discussed in pending **No. 1446**, ongoing second-quarter personal consumption in the Pandemic-depressed economy, although reduced, has been stronger than new production, with the effect of a decline in Inventories accounting for 4.0% (-4.0%) of the 32.9% (-32.9%) annualized GDP collapse. The impact of declining inventories should begin to show up in some product shortages.

**[Definitions, a Schedule of Table of and Graphs and  
the related GDP/Trade graphs begin on the next page.]**

## Series Definitions

**Gross Domestic Product (GDP)** is the broadest measure of the U.S. economy, as published by the Bureau of Economic Analysis (BEA), Department of Commerce, standardly viewed in inflation-adjusted real terms, deflated by the GDP Implicit Price Deflator (IPD). ShadowStats contends that the IPD understates inflation by about three percentage points, with the effect of overstating headline real economic growth by about three percent.

**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).

**Gross Domestic Income (GDI)\*** is the theoretical income-side equivalent to the GDP's product side.

**Gross National Product (GNP)\*** is the GDP net of the trade balance in Factor Income, which is interest and dividend payments.

Please note: The accompanying plots reflect headline GDP, quarterly and annual data through the “Advance” Second-Quarter 2020 reporting, including the July 30, 2020 annual benchmark revisions from 2015 to date.

\* Initial Second-Quarter 2020 reporting for the GDI and GNP, and the second estimate, first revision for the GDP are scheduled for August 27, 2020. Final revisions are scheduled for September 30, 2020.

## Schedule of Table and Graphs Related to the Headline Second-Quarter 2020 GDP and Accompanying Benchmark Revisions

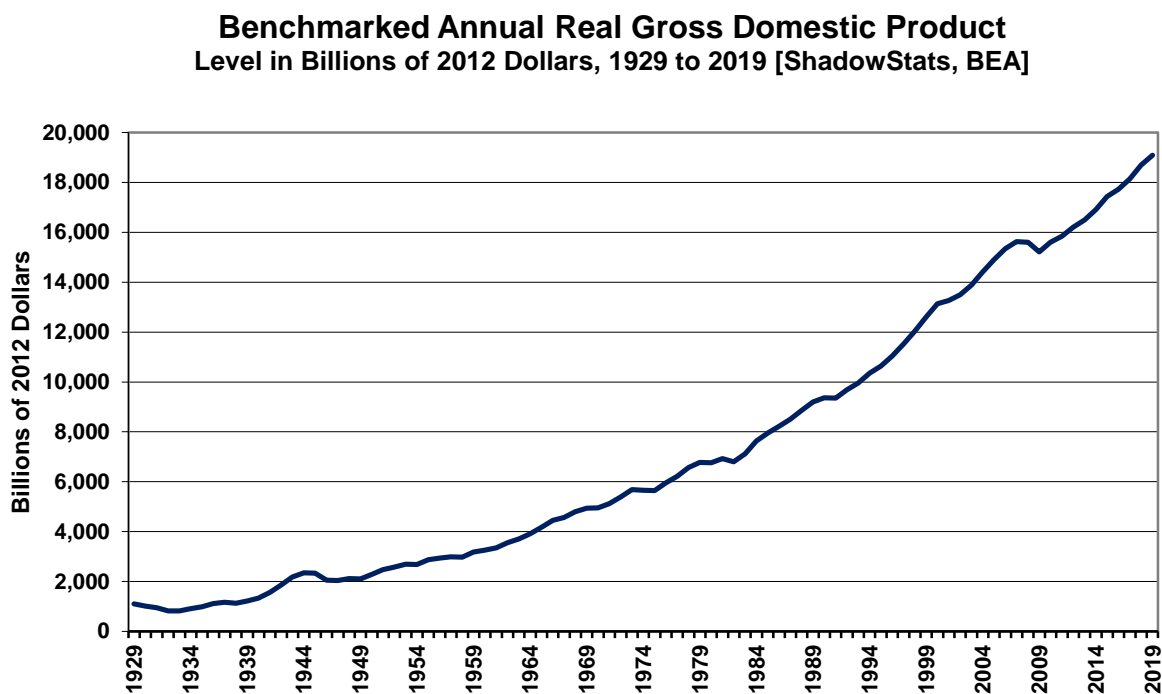
	Beginning Page
<b>Table I: GDP Growth Contribution by Sector, Last Four Quarters, Pre- and Post-Benchmark Revisions to Initial 2q2020</b>	18
<b>Graphs 1 to 4: Annual Real GDP, 1929 to 2019 (Complete Annual History), and Related Plots of Annual Revisions 2013 to 2019</b>	19
<b>Graphs 5 to 8: Quarterly Real GDP, 1q1947 to 2q2020 (Complete Quarterly History), and Related Plots of Quarterly Revisions and Reporting</b>	21
<b>Graphs 9 to 16: Revised Quarterly GDP, ShadowStats Alternate, GDI* and GNP*, 1q2000 to 2q2020 (Complete History)</b>	23
<b>Graphs 17 to 22: Quarterly GDP and Related Plots of GDI and GNP Comparative Quarterly Revision Details, 1q2014 to 1q2019</b>	27
<b>Graphs 23 and 24: Quarterly Headline Real Merchandise Trade Deficit and Quarterly Real Net Exports (GDP Accounting), 1q1994 to 2q2020</b>	31
<b>Graphs 25 to 27: Gimmicked Quarterly Revisions to the GDP's Total Net Exports and Separately to Net Exports of Services and of Goods</b>	32

**Table I: GDP Growth Contribution by Sector**

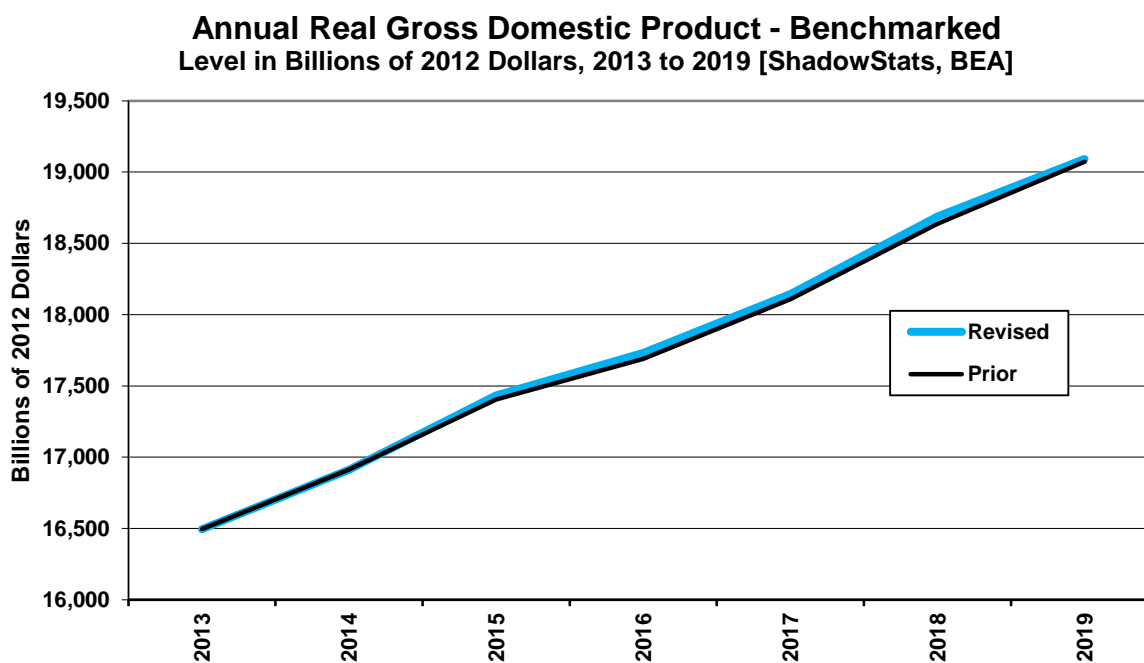
Initial, Second-Quarter 2020 Real Gross Domestic Product and 2020 Benchmarking, Annualized Quarterly Real Growth Contribution by Economic and Product Sector							
GDP COMPONENT GROWTH CONTRIBUTION BY SECTOR	Third-Quarter 2019		Fourth-Quarter 2019		First-Quarter 2020		Second-Quarter 2020
	Prior	Revised	Prior	Revised	Prior	Revised	Initial
<b>ECONOMIC SECTOR</b>							
Personal Consumption							
- Goods	1.09%	0.87%	0.12%	0.12%	0.05%	0.03%	-2.12%
-- Motor Vehicles	0.06%	0.01%	0.13%	0.08%	-0.84%	-0.78%	0.15%
- Services	1.02%	0.96%	1.12%	0.96%	-4.78%	-4.78%	-22.93%
Gross Private Domestic Investment							
- Fixed Investment	-0.14%	0.42%	-0.09%	0.17%	-0.21%	-0.23%	-5.38%
-- Residential	0.17%	0.17%	0.24%	0.22%	0.65%	0.68%	-1.76%
- Change in Private Inventories	-0.03%	-0.09%	-0.98%	-0.82%	-1.56%	-1.34%	-3.98%
Net Exports of Goods and Services	-0.14%	0.04%	1.51%	1.52%	1.31%	1.13%	0.68%
Government Consumption	0.30%	0.37%	0.44%	0.42%	0.20%	0.22%	0.82%
REAL GDP GROWTH (Qtr/Qtr)	2.10%	2.57%	2.13%	2.37%	-4.99%	-4.96%	-32.90%
Final Sales, GDP Less Inventories	2.13%	2.66%	3.11%	3.19%	-3.43%	-3.62%	-28.92%
<b>PRODUCT SECTOR</b>							
Goods	1.20%	1.23%	0.51%	0.94%	-1.21%	-0.98%	-7.91%
Services	1.11%	1.12%	1.51%	1.29%	-4.68%	-4.82%	-22.09%
Structures	-0.21%	0.22%	0.10%	0.13%	0.90%	0.85%	-2.90%
REAL GDP GROWTH	2.10%	2.57%	2.13%	2.37%	-4.99%	-4.96%	-32.90%
<b>SUPPLEMENTAL</b>							
Annualized Quarter-to-Quarter Real GDP Change and Headline Implicit Price Deflator Inflation							
Gross Domestic Product (GDP)	2.10%	2.57%	2.13%	2.37%	-4.99%	-4.96%	-32.90%
Gross Domestic Income (GDI)	1.23%	0.82%	3.11%	3.30%	-4.39%	-2.46%	--
Gross National Product (GNP)	2.20%	2.68%	2.17%	2.34%	-5.62%	-5.57%	--
ShadowStats Corrected GDP*	0.04%	0.50%	0.06%	0.29%	-6.92%	-6.88%	-34.26%
Implicit Price Deflator (IPD) Inflation	1.71%	1.40%	1.35%	1.50%	1.63%	1.66%	-2.13%
Year-to-Year Real GDP Change and Headline Implicit Price Deflator Inflation							
Gross Domestic Product (GDP)	2.07%	2.08%	2.33%	2.34%	0.26%	0.32%	-9.54%
Gross Domestic Income (GDI)	2.00%	1.21%	2.11%	1.88%	0.17%	0.69%	--
Gross National Product (GNP)	2.47%	2.13%	2.56%	2.33%	0.32%	0.28%	--
ShadowStats Corrected GDP*	0.58%	0.01%	0.26%	0.27%	-1.76%	-1.71%	-11.37%
Implicit Price Deflator (IPD) Inflation	1.94%	1.73%	1.61%	1.63%	1.82%	1.79%	0.59%
Sources: Bureau of Economic Analysis, ShadowStats.com.							
(*) Real GDP corrected for understated headline inflation, see Special Commentaries No. 968 / 983-B for background.							

## Annual Gross Domestic Product, 1929 to 2019

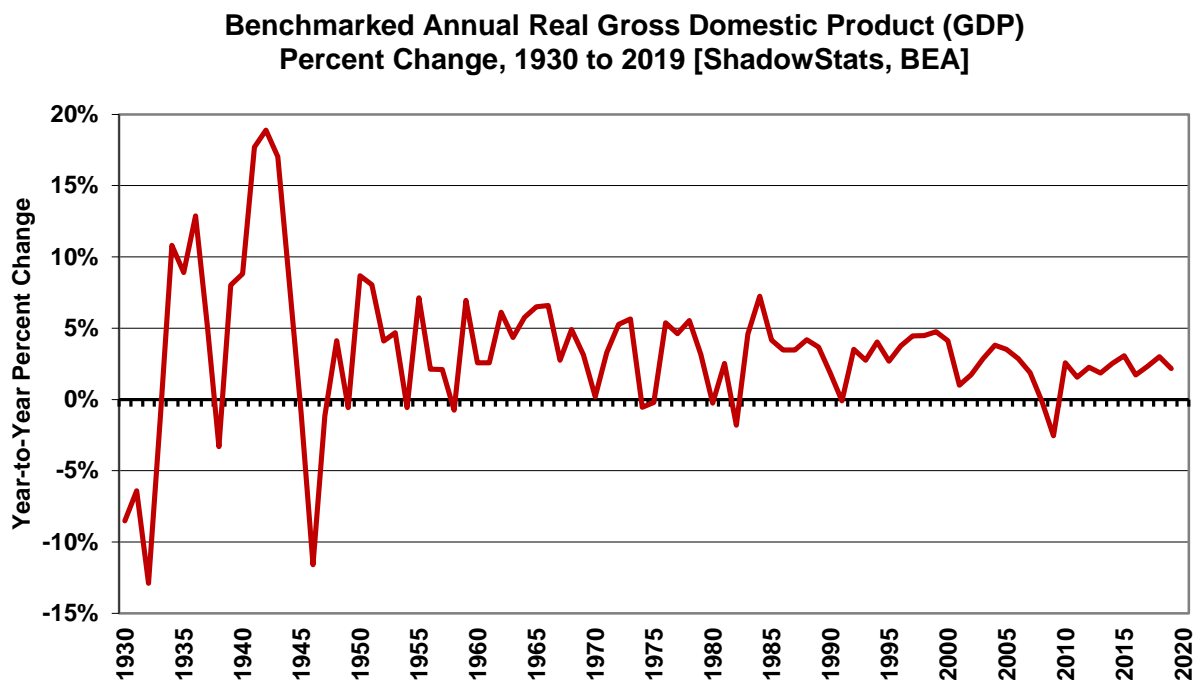
**Graph 1: Full Historical Series, Benchmarked Annual Real GDP (1929 to 2019)**



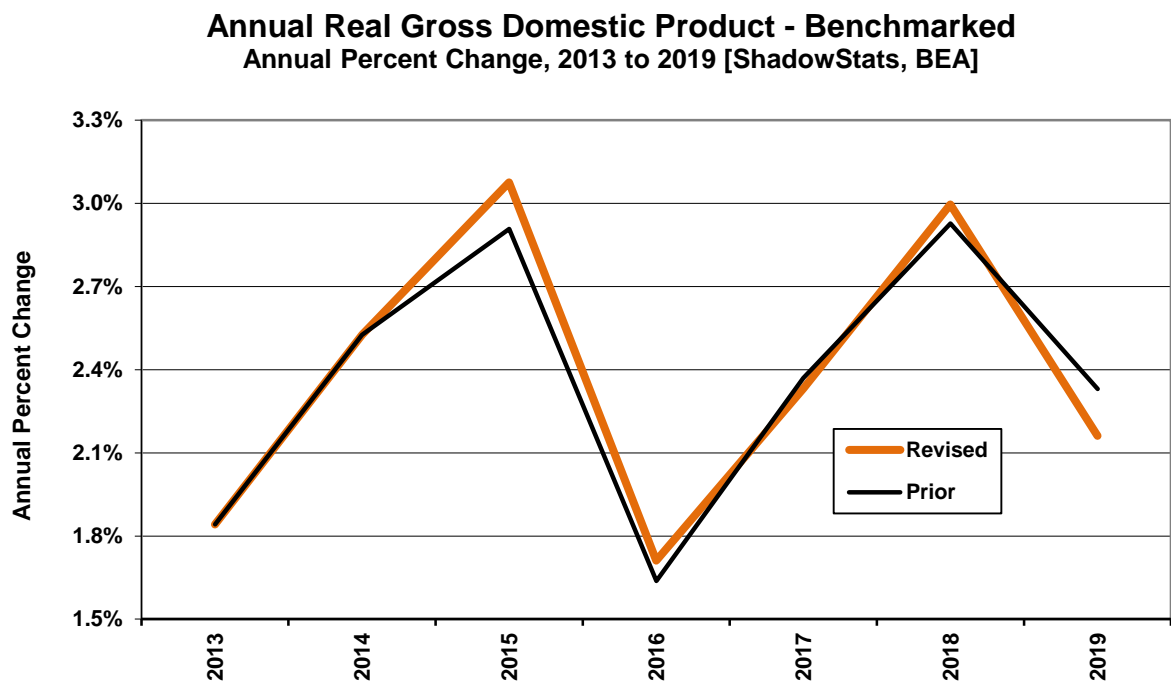
**Graph 2: Benchmark Revisions, Annual Real GDP (2013 to 2019)**



**Graph 3: Benchmarked, Full Historical Series, Annual Real GDP Percent Change (1930 to 2019)**

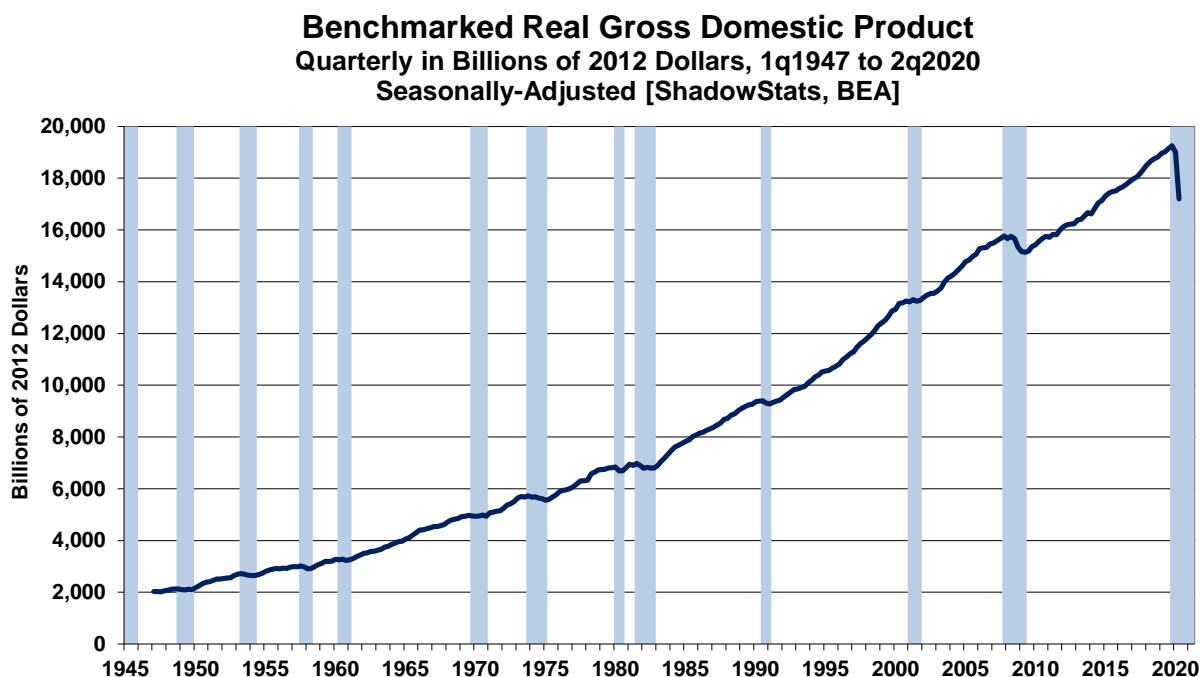


**Graph 4: Benchmark Revisions, Annual Real GDP, Percent Change (2013 to 2019)**

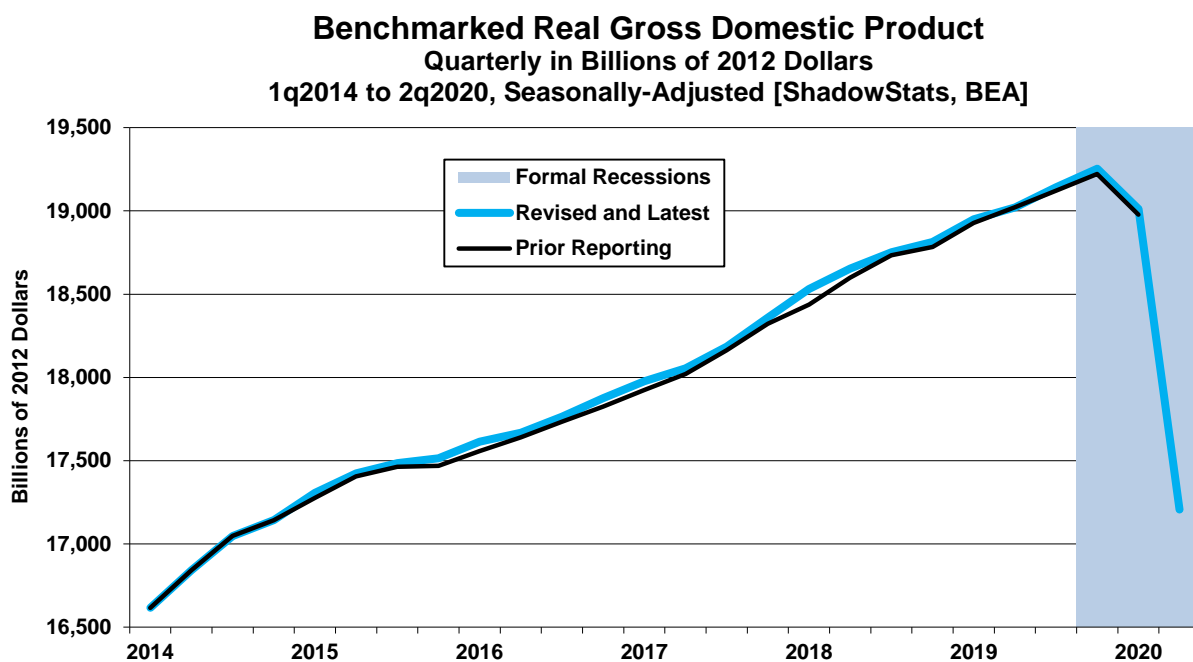


## Quarterly Real GDP (First-Quarter 1947 to Second-Quarter 2020)

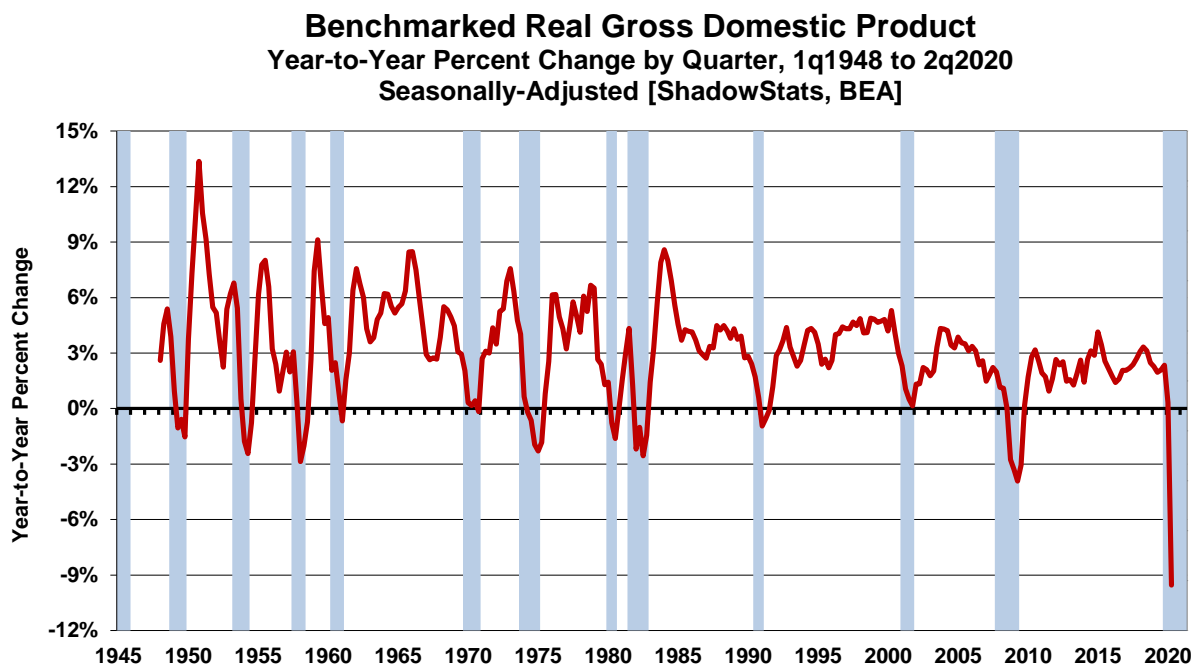
**Graph 5: Full Historical Series, Benchmarked, Quarterly Real GDP (1q1947 to 2q2020)**



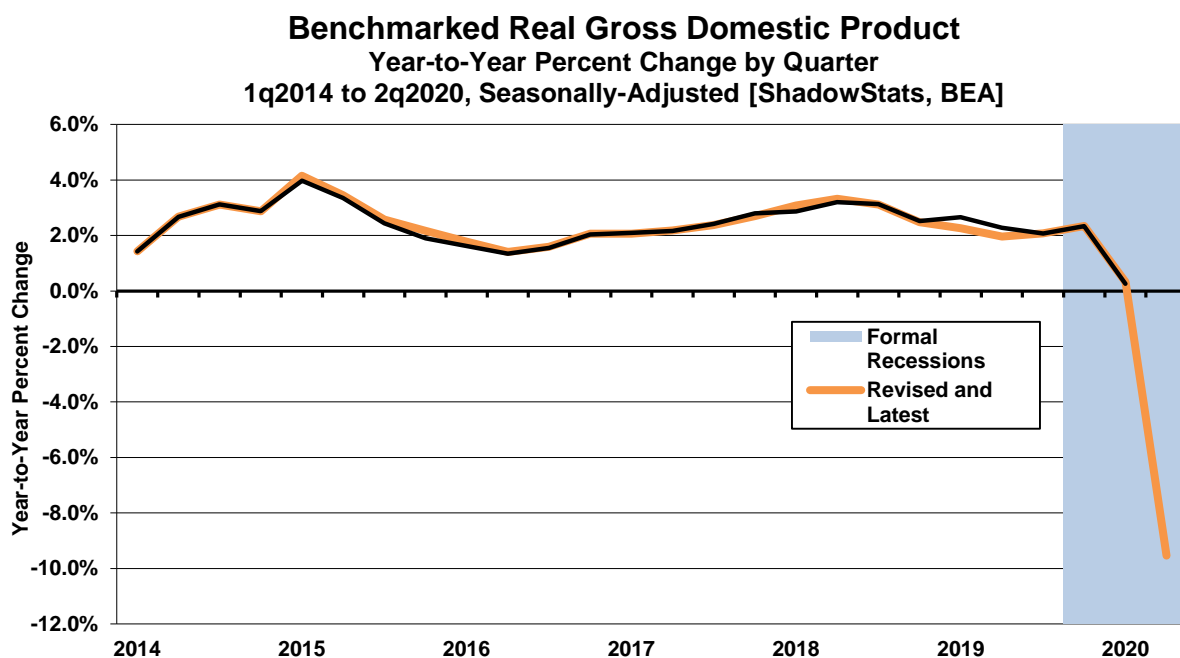
**Graph 6: Benchmarked, Quarterly Real GDP 1q2014 to 2q2020**



**Graph 7: Year-to-Year Percent Change, Quarterly Real GDP Growth 1q1948 to 2q2020**



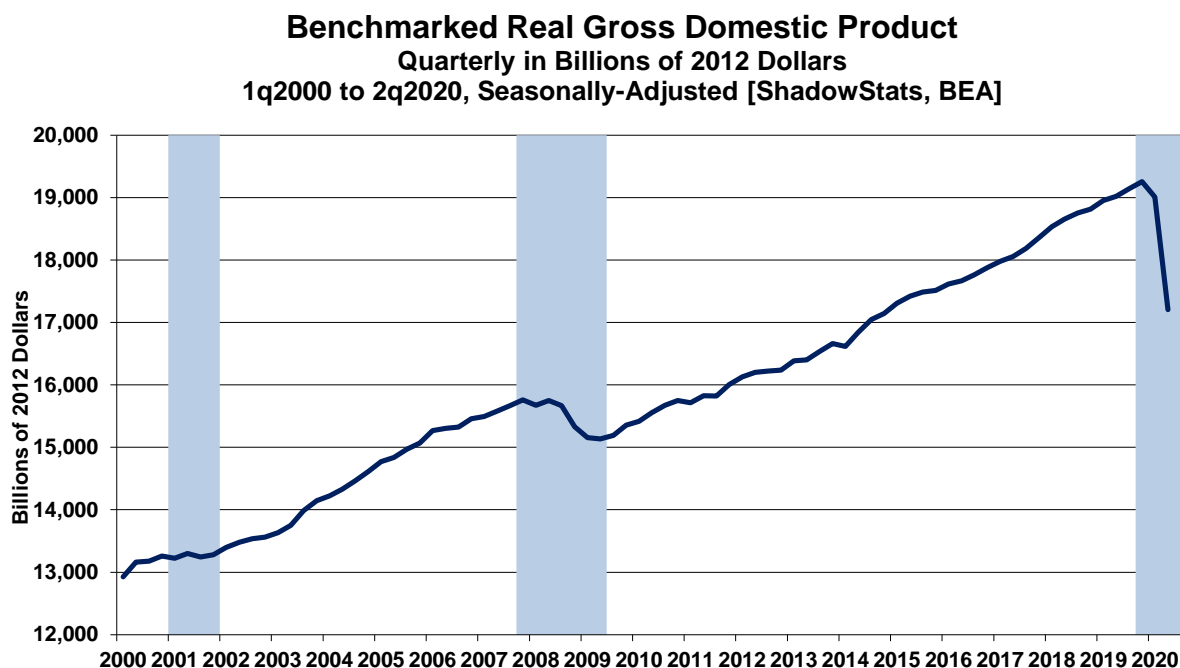
**Graph 8: Year-to-Year Percent Change, Quarterly Real GDP Growth 1q2014 to 2q2020**



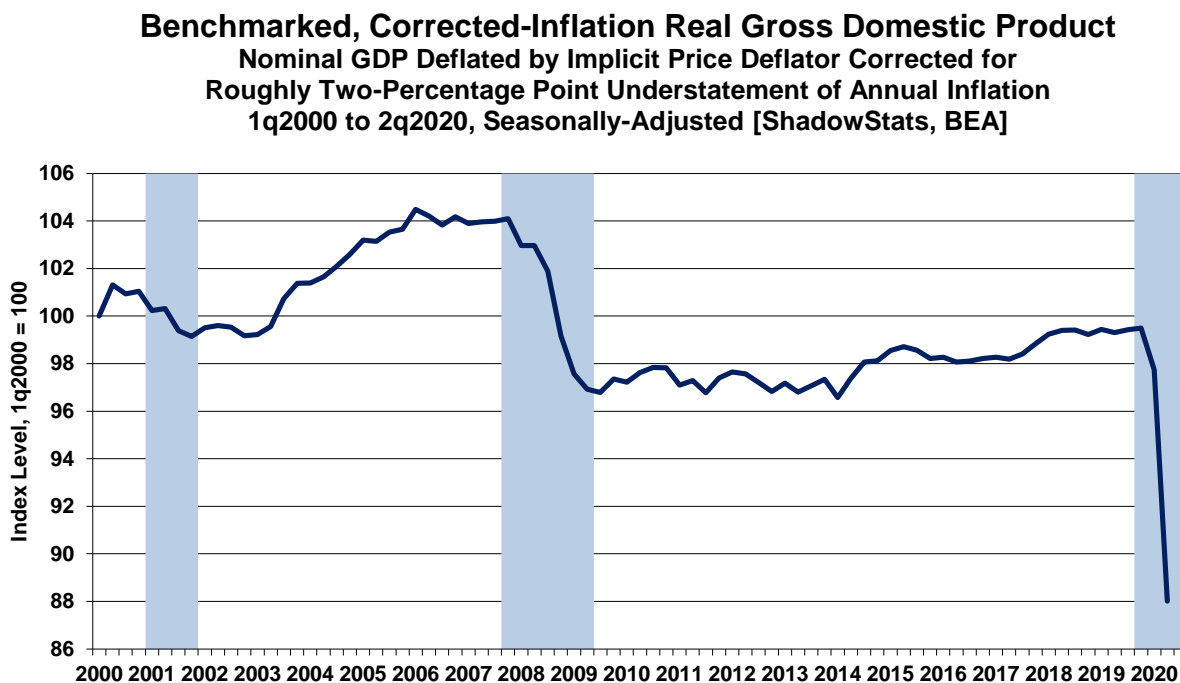


## Revised Quarterly GDP, ShadowStats Alternate, GDI and GNP

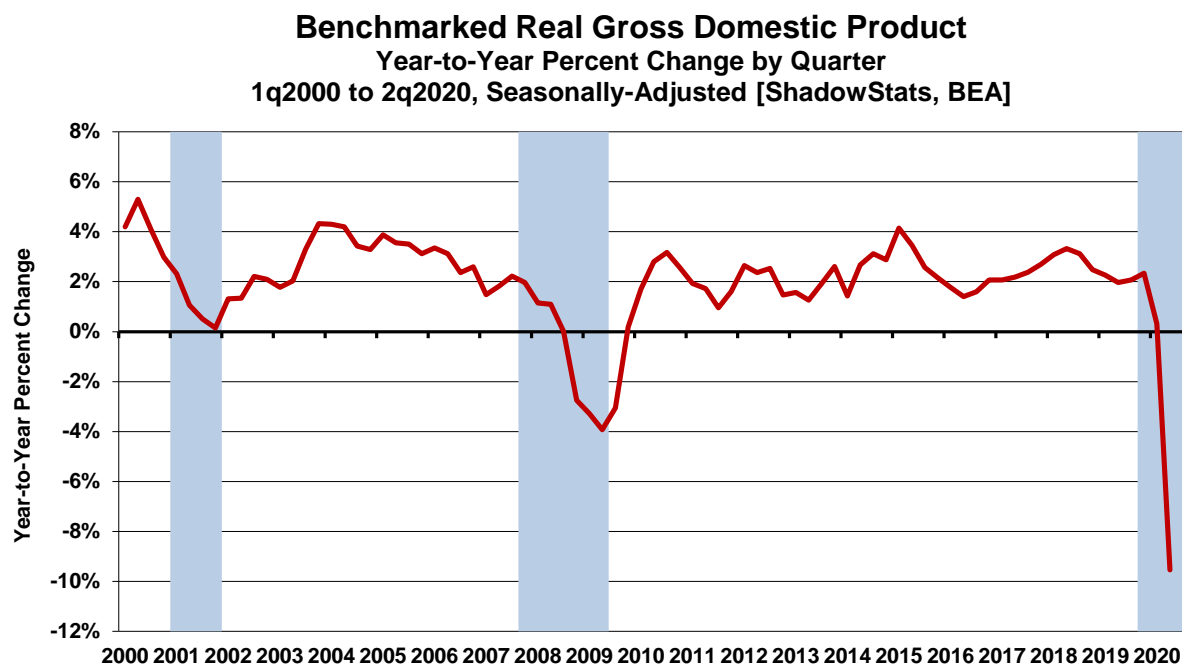
**Graph 9: Benchmarked, Quarterly Real GDP 1q2000 to 2q2020**



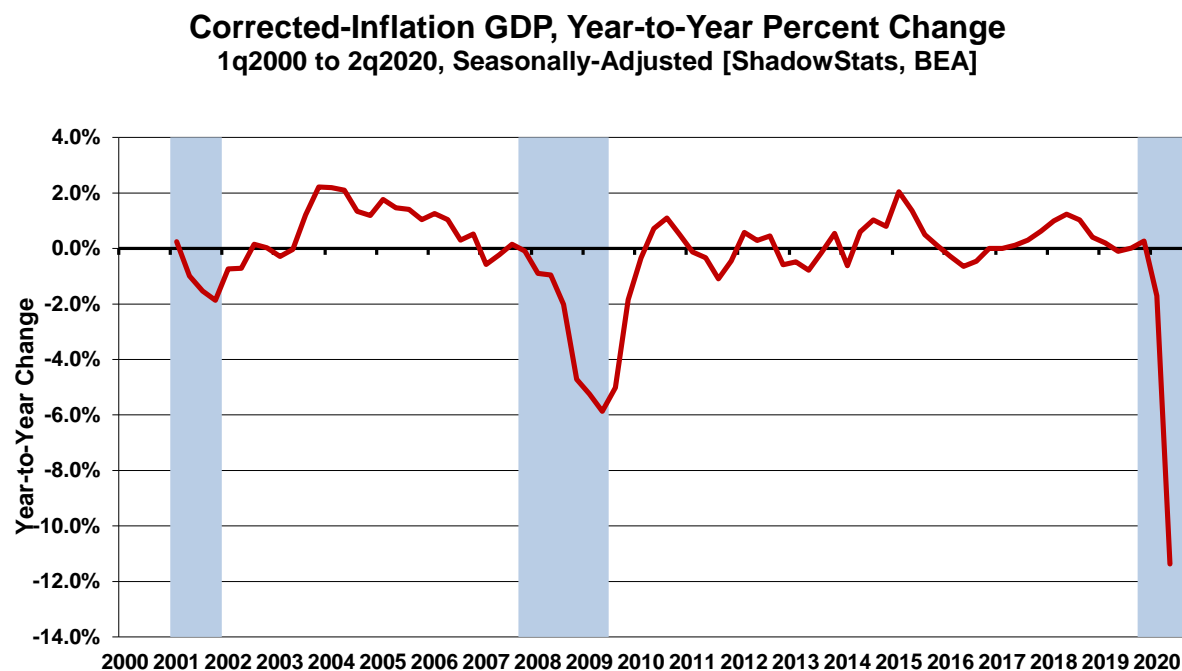
**Graph 10: Benchmarked, Quarterly ShadowStats-Alternate Real GDP 1q2000 to 2q2020**



**Graph 11: Benchmarked, Quarterly Real GDP, Year-to-Year Change, 1q2000 to 2q2020**

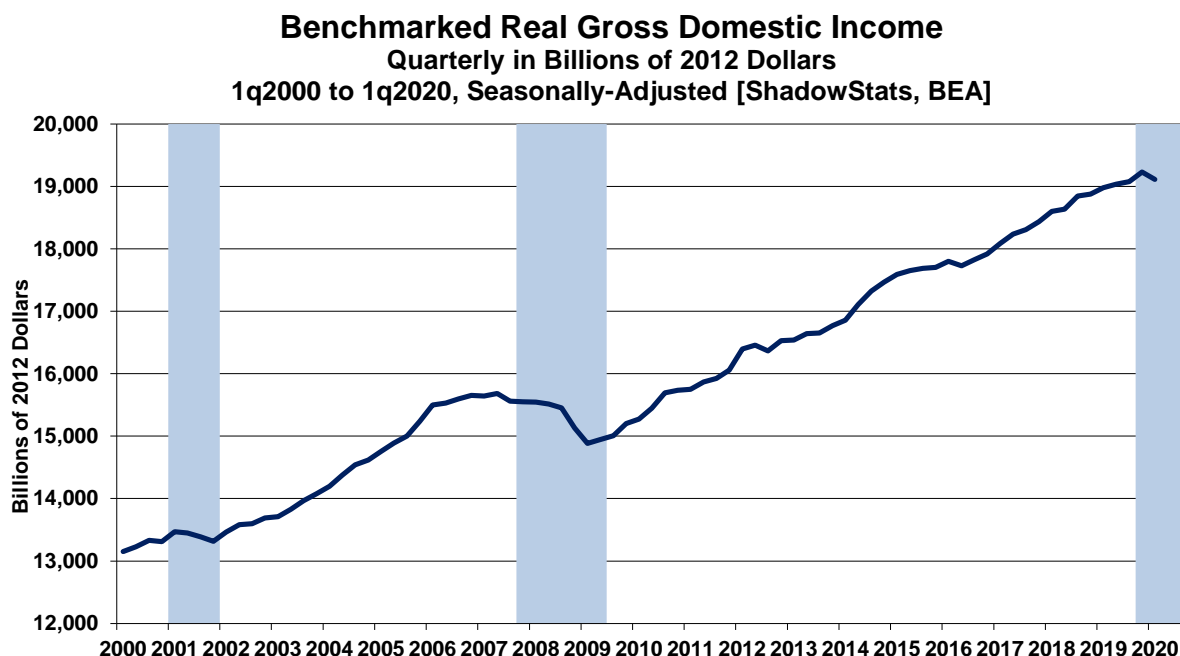


**Graph 12: Benchmarked, Quarterly ShadowStats Alternate Real GDP, Year-to-Year Change, 1q2000 to 2q2020**

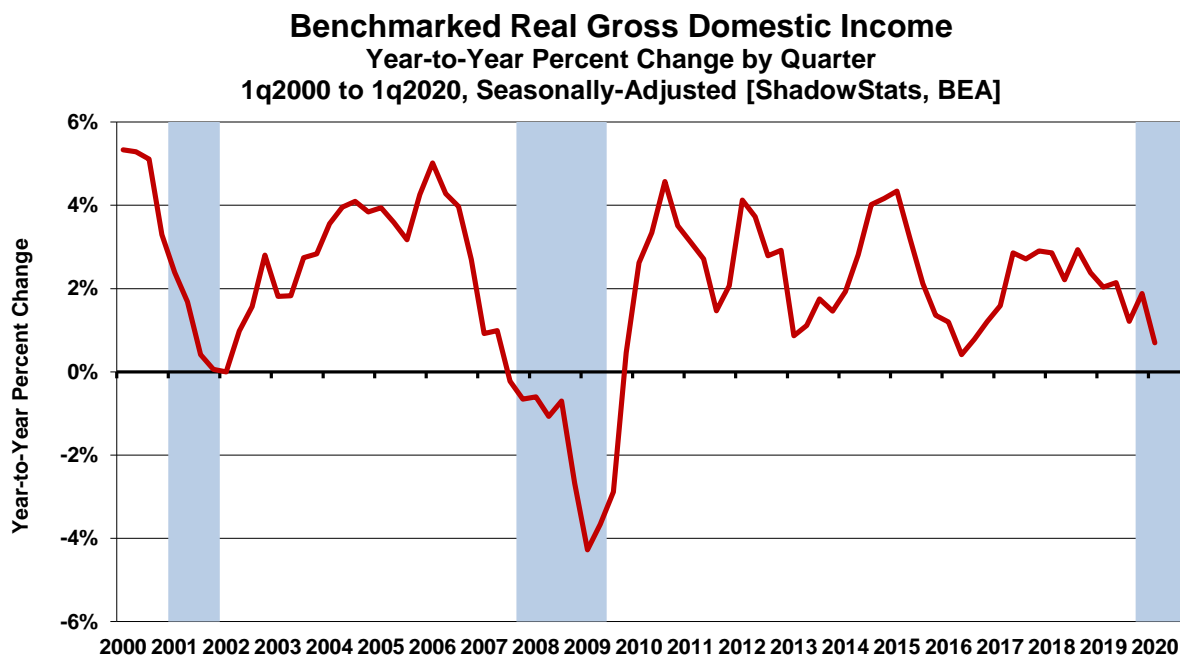


## GDI and GNP Were Revised Through 1q2020, Headline 2q2020 Data Await August 27th

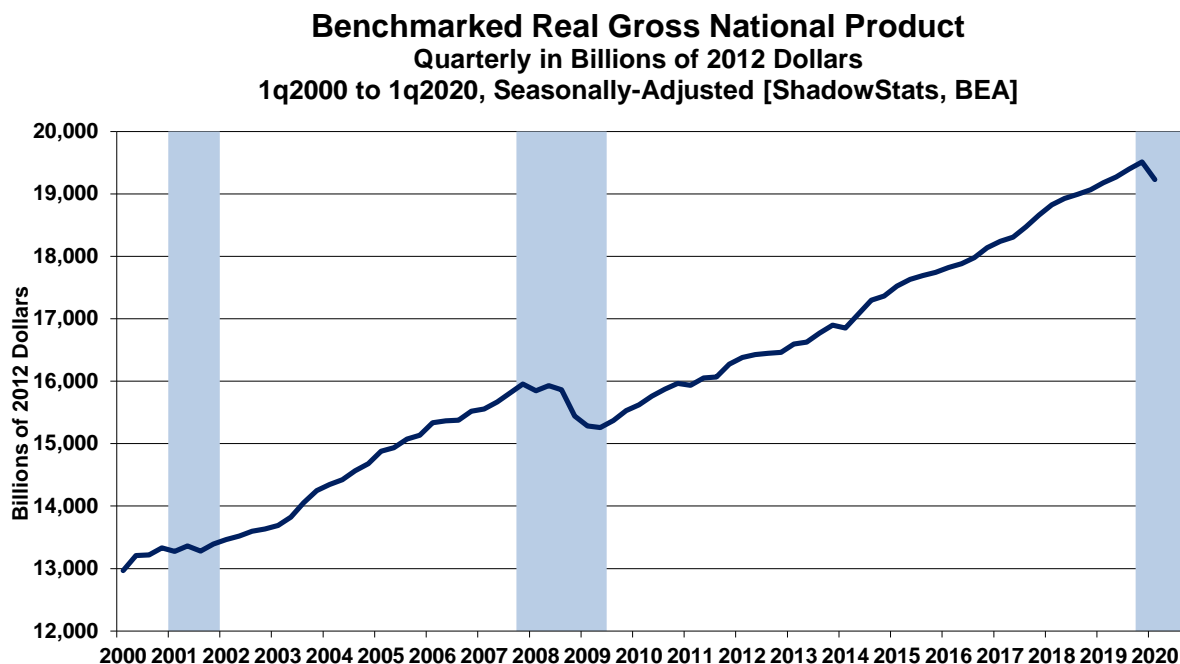
**Graph 13: Benchmarked, Quarterly Real GDI 1q2000 to 1q2020**



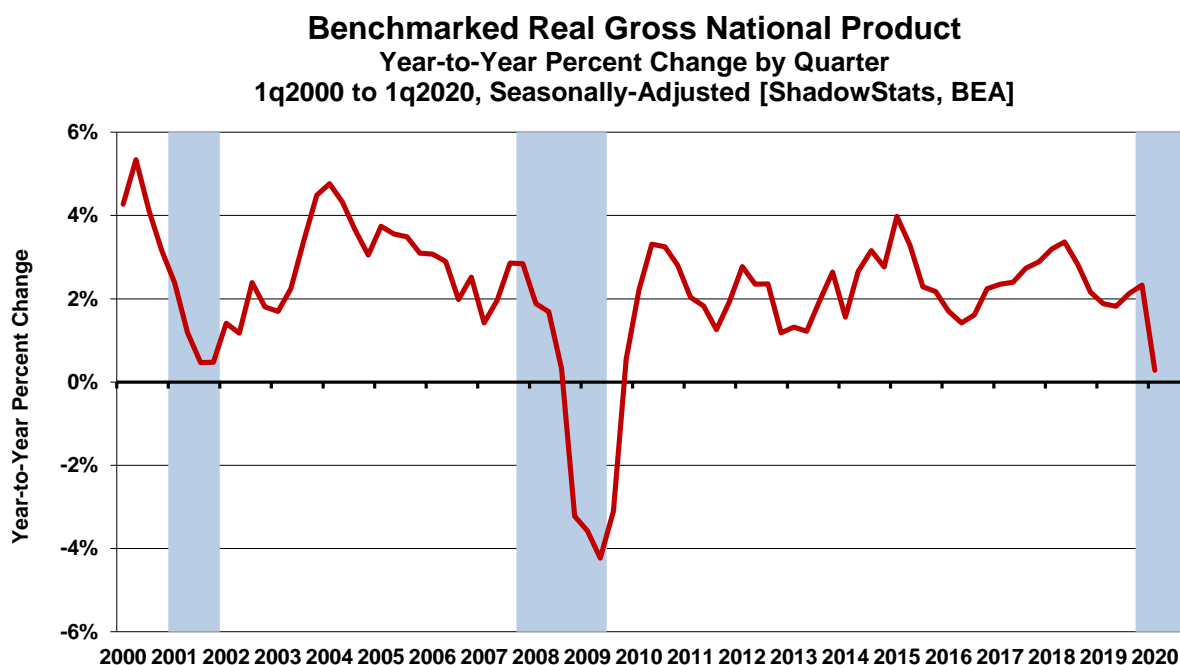
**Graph 14: Benchmarked, Quarterly Real GDI, Year-to-Year Change, 1q2000 to 1q2020**



**Graph 15: Benchmarked, Quarterly Real GNP 1q2000 to 1q2020**

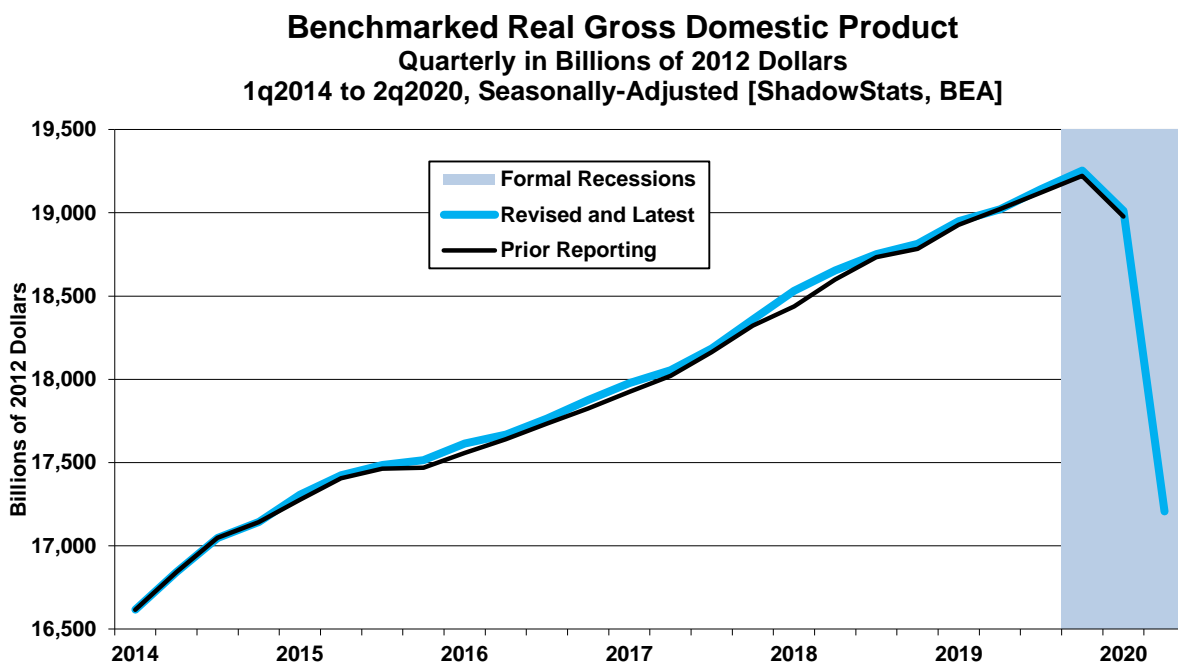


**Graph 16: Benchmarked, Quarterly Real GNP, Year-to-Year Change, 1q2000 to 1q2020**

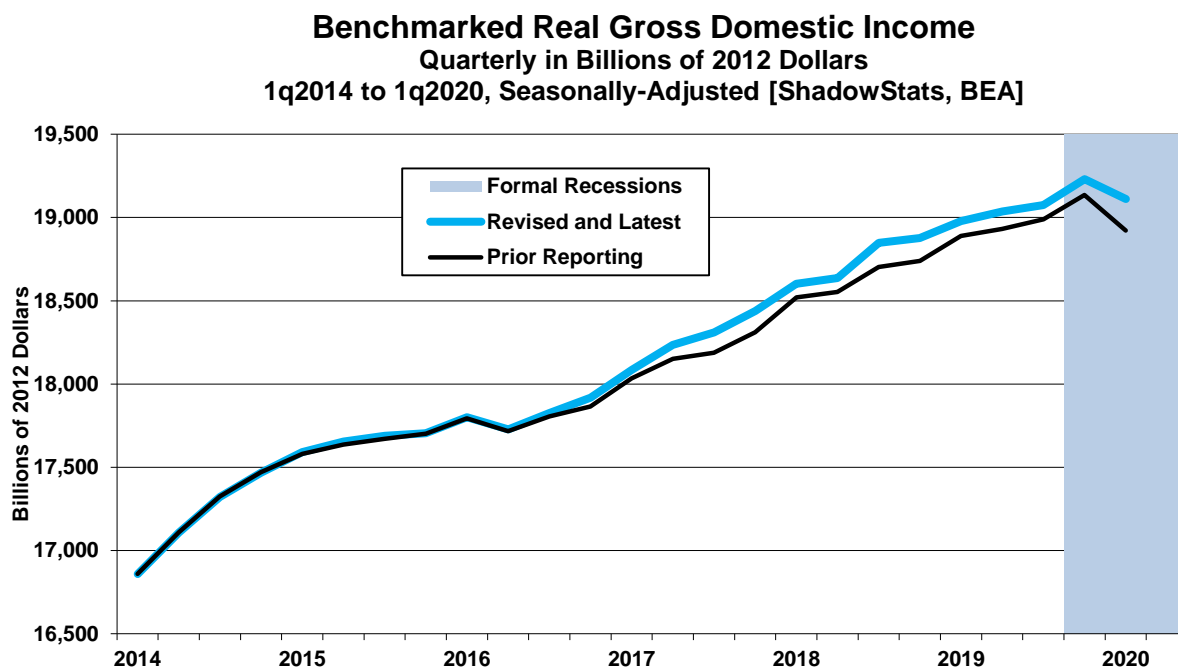


## Relative Revisions by Series in the 2014 to 2020 Detail

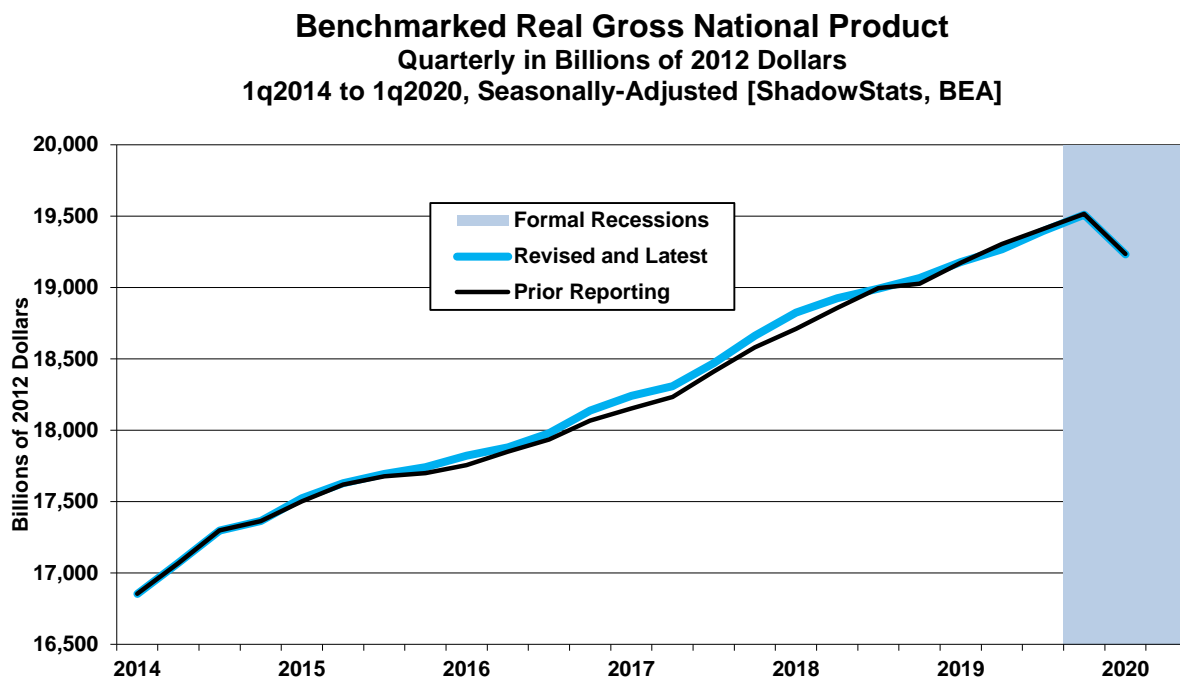
**Graph 17: Benchmarked, Quarterly Real GDP, 1q2014 to 2q2020 (Repeat of Graph 6)**



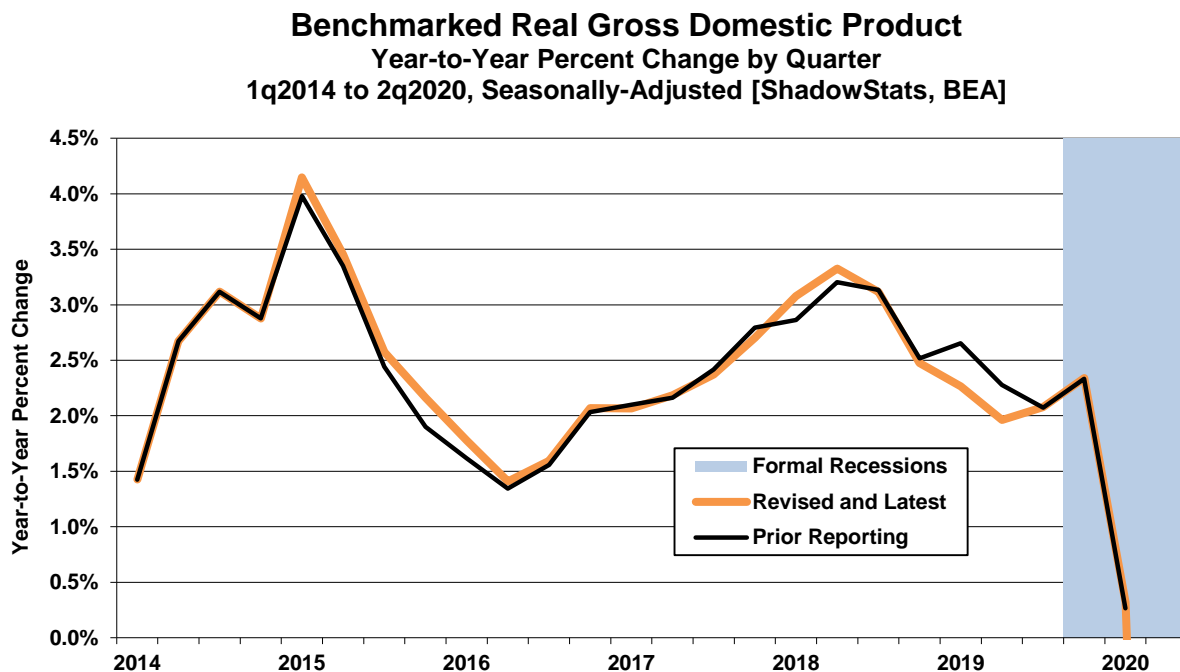
**Graph 18: Benchmarked, Quarterly Real GDI, 1q2014 to 1q2020**



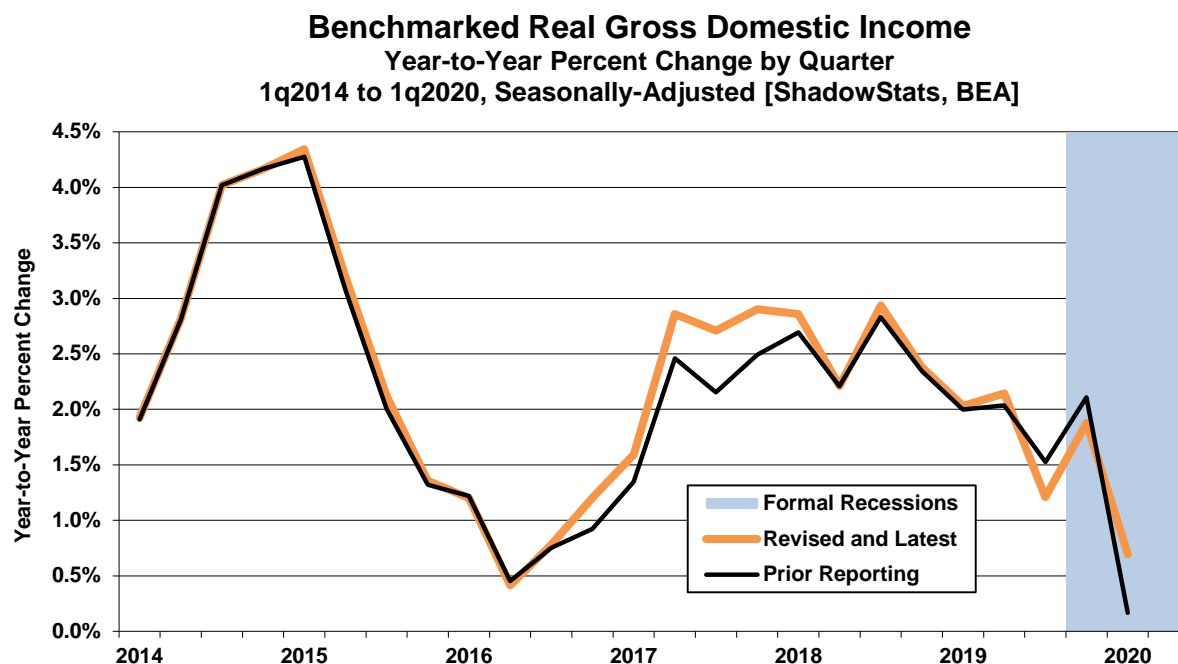
**Graph 19: Benchmarked, Quarterly Real GNP, 1q2014 to 1q2020**



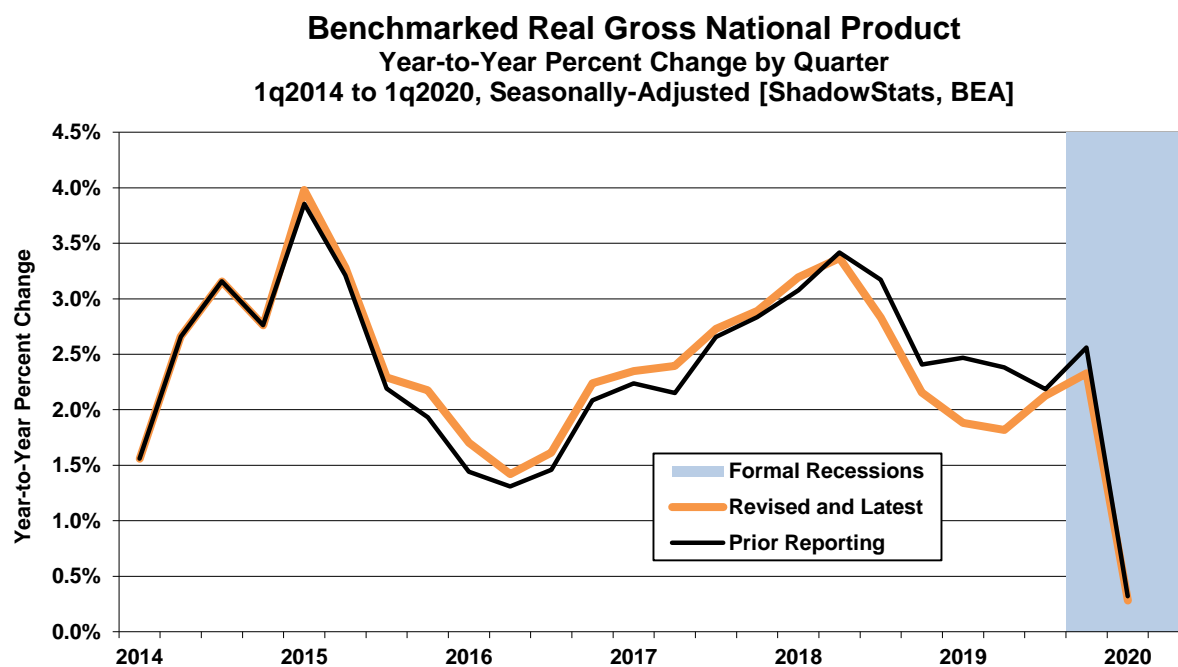
**Graph 20: Yr-to-Yr Percent Change, Quarterly Real GDP, 1q2014 to 2q2020 (see Graph 8) Consistent Scale**



**Graph 21: Yr-to-Yr Percent Change, Quarterly Real GDI, 1q2014 to 1q2020**



**Graph 22: Yr-to-Yr Percent Change, Quarterly Real GNP, 1q2014 to 1q2020**





## **Redefined and Revamped Net Export Account Helped to Boost Headline GDP Revisions**

**Much of Some Minimal Upside Benchmark Revisions to the GDP Reflected a Shift in Trade Data Methodology.** Beginning with the April 2020 headline U.S. trade reporting, the Census Bureau and the BEA introduced the new concept of transactions for “Implicitly Charged Financial Services,” which increased the level of U.S. Services Exports, helping to narrow the headline U.S. trade deficit and to boost headline U.S. GDP with a revised net improvement in the “Net Exports” accounting, guessed at back in time. The gimmicked, theoretical improvement in Net Exports is not a hard number from trade records, but rather BEA modeling imputes it mathematically. The net effect was to boost U.S. Net Exports and the related recent headline GDP reporting in revisions, as reflected in *Graphs 24 to 27*.

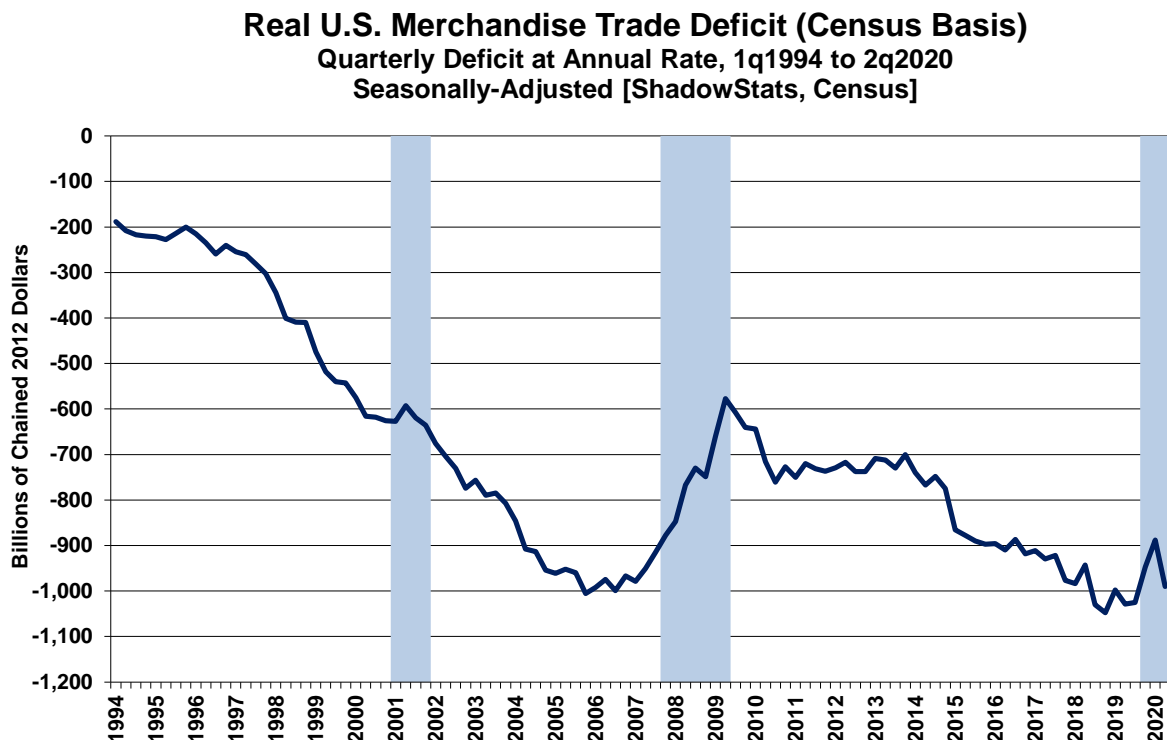
## **June Trade Deficit Narrowed Amidst Pandemic-Gyrations to Import and Export Activity**

**In Post-Headline GDP Reporting, the June 2020 Trade Deficit Narrowed Sharply in the Context of Recovering Pandemic Gyration, with Exports Recovering Faster than Imports.** As reported August 5th by the Census Bureau and Bureau of Economic Analysis, the U.S. Trade Deficit narrowed by \$4.1 billion in June, to \$50.7 billion, from a 17-month high \$54.8 billion in May. The Pandemic-shutdown of the U.S. and global economies hit domestic Exports by 24.8%, harder than the 17.2% hit to Imports. The monthly narrowing of the June deficit reflected a stronger rebound in June Exports of 9.3%, than the 4.7% gain in Imports (see *Graph 23*).

**[Graphs 23 and 27 begin on the next page.]**

## Quarterly Real Merchandise Trade Deficit and Net Exports

**Graph 23: Real U.S. Merchandise Trade Deficit, Quarterly, 1q1994 to 2q2020**

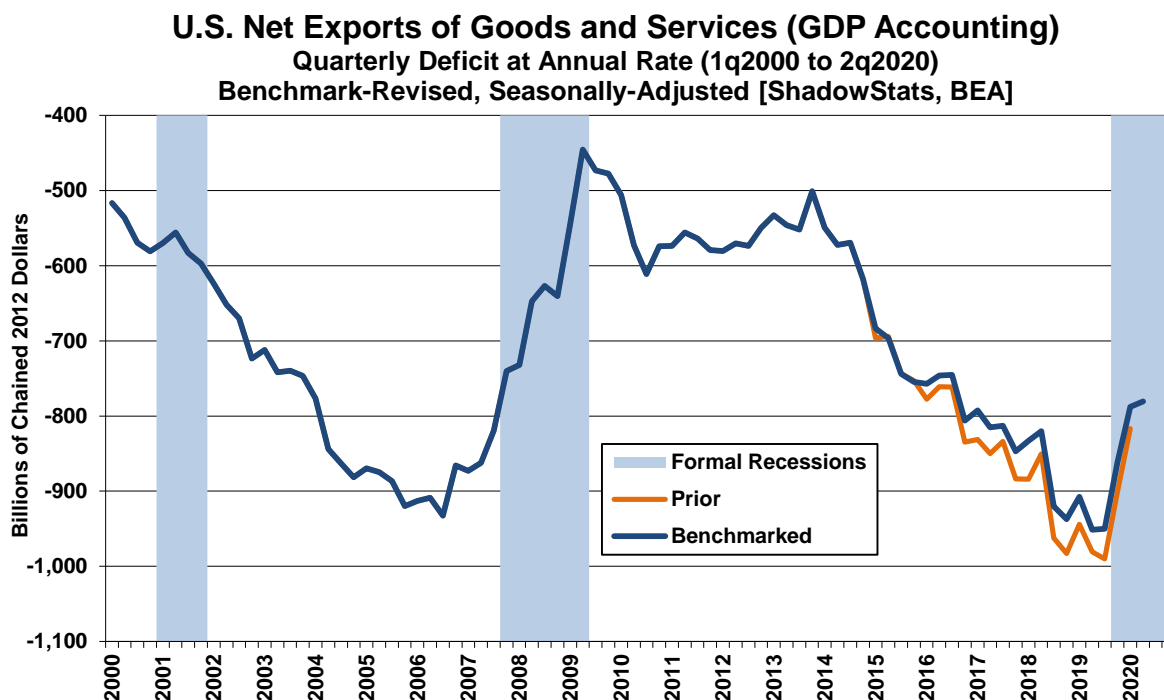


**Graph 24: Real U.S. Net Exports, Goods and Services (GDP Accounting), Quarterly, 1q1994 to 2q2020**

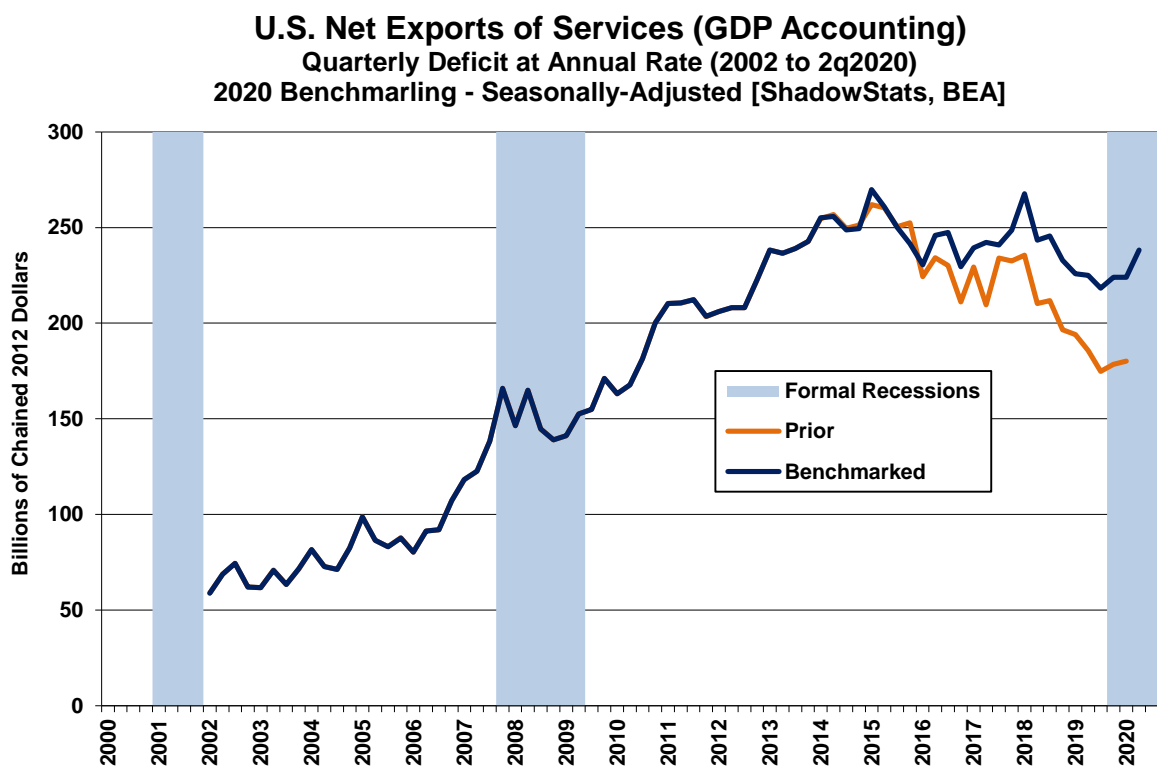


## Gimmicked Quarterly Revisions to Net Export Accounts

**Graph 25: Benchmarked, Real Net Exports of Goods and Services, 1q1994 to 2q2020**



**Graph 26: Benchmarked, Real Net Exports of Services, 1q1994 to 2q2020**



**Graph 27: Benchmarked, Real Net Exports of Goods, 1q1994 to 2q2020**



**[Section 2 – Other Indications of Mixed-to-Slowing Economic Rebound begins on the next page.]**

## Section 2 – Other Indications of a Mixed-to-Slowing Economic Rebound

### Signs of Intensifying Labor-Market Stress

#### The Pace of Decline in New Claims for Unemployment Insurance Has Faltered

#### Fed Data Showed Renewed Consumer Slowing per Chairman Powell

#### Unfolding, Protracted “L”-Shaped Great Depression Recovery

**New Claims and Some Anecdotal Evidence from the Fed Chairman.** Federal Reserve Chairman Jerome Powell began his July 29th FOMC Press Conference with an anecdotal cautionary comment of how the Fed had seen some early indications of a renewed consumer pullback in late July.

Separately, reflected in *Graphs 28* and *29*, the latest pattern of filings for New Claims for Unemployment Insurance show that what had been a steady decline in the New Claims since early April, began to falter in mid-June and has been gyrating in recent weeks around levels that never have been seen before, outside of the current Pandemic-Driven Great Depression. Where the “Recession”-defining National Bureau of Economic Research has defined this Pandemic-driven economic collapse as a “[\*Recession\*](#),” one certainly can refer to it as a “Great Depression,” where most of the economic metrics of the current collapse rival or have exceeded anything seen in the Great Depression of 1929 to 1933.

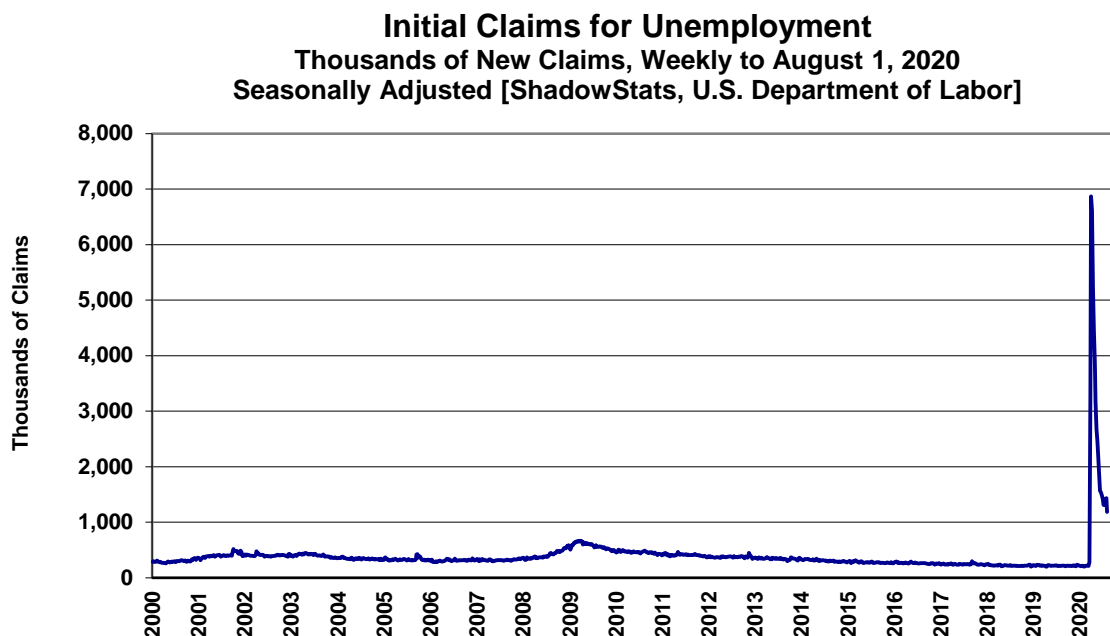
Discussed earlier in “*L*”-*Shaped Recovery Begins to Unfold* (page 6), the July 2020 headline Payroll and Unemployment reporting showed the early stages of an “L”-shaped recovery from the Pandemic-driven collapse. Again that unfolding pattern of stalling economic activity likely will tend to repeat and intensify not only in ongoing labor numbers of the months ahead, but also in key economic series, including elements of the pending July 2020 Manufacturing and Retail Sales numbers.

#### Second-Quarter Real Construction Spending Declined an Annualized 20.7% (-20.7%)

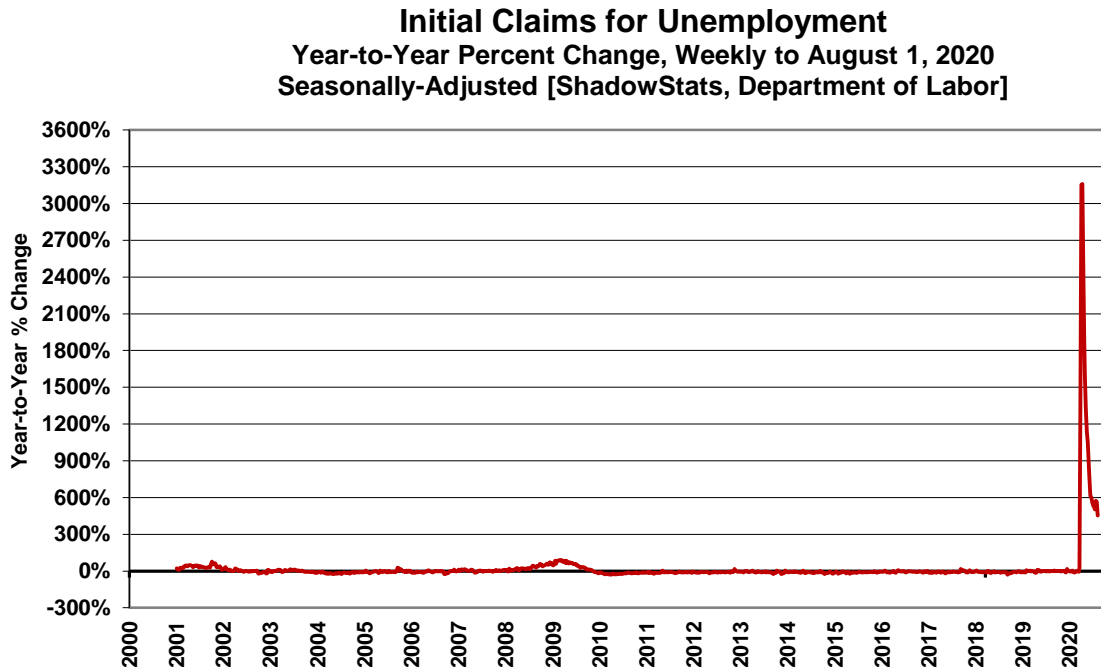
**Nominal June 2020 Private Residential Construction Spending Declined in the Month by 4.0% (-4.0%) Due Solely to an Upside Revision to May Activity, Otherwise Gaining 0.7% Year-to-Year.** Nonetheless, as reported August 3rd by the Census Bureau, net of inflation, real Second-Quarter 2020 Private Residential Construction activity contracted at a Pandemic-disrupted, annualized 29.1% (-29.1%), unchanged year-to-year, with total Private and Public Construction down at an annualized 20.7% (-20.7%), down 1.2% (-1.2%) for the year (see *Graphs 30* and *31*).

[**Graphs 28 and 31 begin on the next page.**]

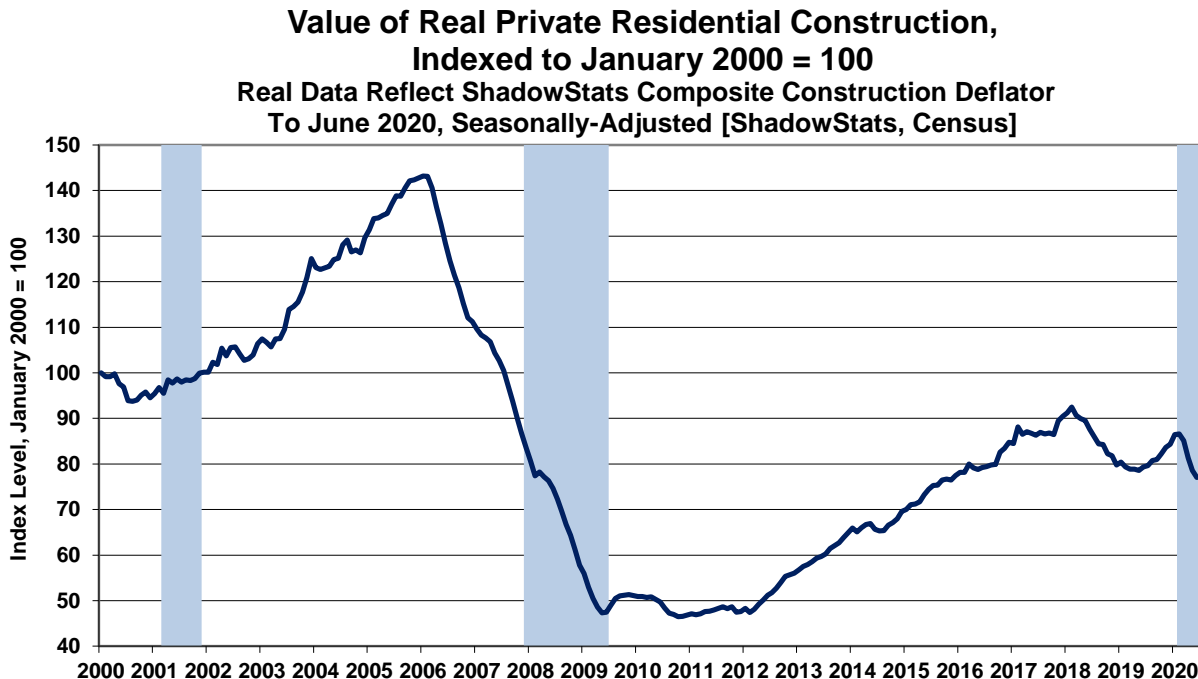
**Graph 28: Weekly New Claims for Unemployment Insurance to August 1, 2020**



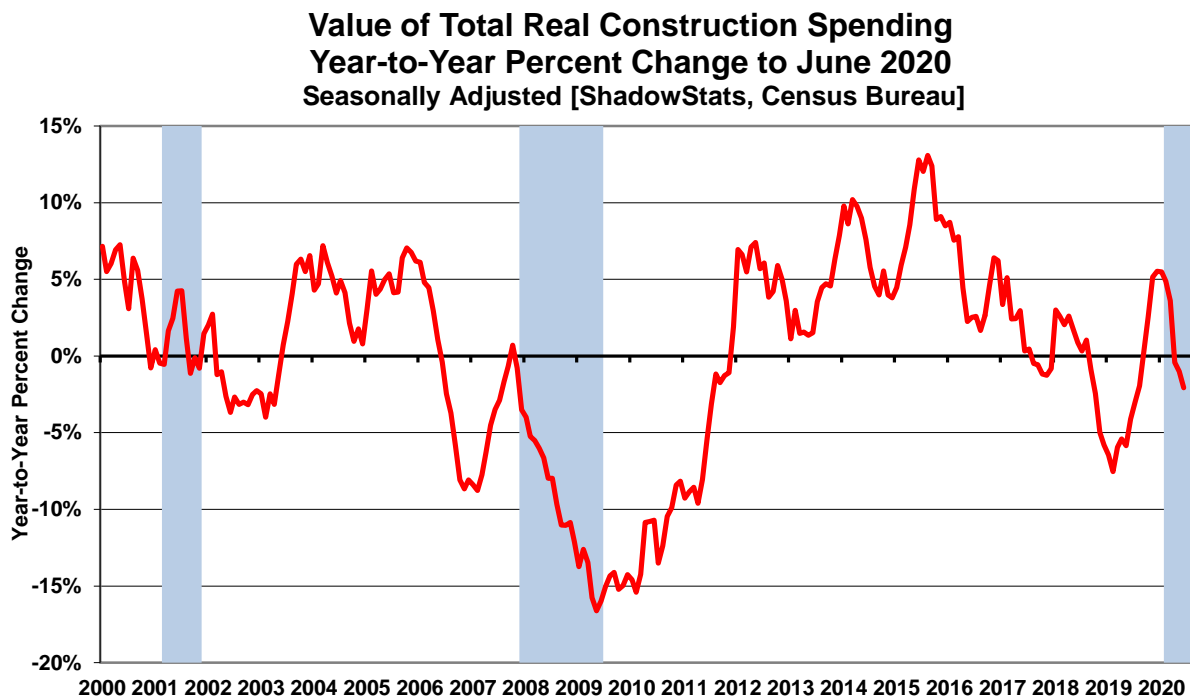
**Graph 29: Year-to-Year Change in New Claims for Unemployment Insurance to August 1, 2020**



**Graph 30: Real Construction Spending, January 2000 to June 2020**



**Graph 31: Real Construction Spending, Year-to-Year Change, January 2000 to June 2020**



**[Section 3 – Monetary Conditions and the Developing Inflation Concerns begins on the next page.]**



## **Section 3 – Monetary Conditions and the Developing Inflation Concerns**

### **Federal Reserve Benchmark Revisions Showed Headline Money Growth a Little Softer**

#### **Early-July 2020 M1 Continued Soaring**

#### **Monthly M2 and M3 Continued Growing in July at Flattening Annual Growth**

#### **Record-High Annual Money Supply Growth Remained in Place**

#### **Unlimited Money Growth and Budget Deficit Spending Promise Surging Inflation**

**Annual Growth in Nominal Money Supply M1 Hit a Record High of 37.6% in July 2020 and Continues to Surge.** In its June 2020 quarterly money supply benchmark revisions, the Federal Reserve flattened its estimates of recent annual growth in M1 Money Supply creation to a benchmarked, still-record year-to-year gain of 35.9%, previously 37.0%. Its new-basis July 2020 initial estimate jumped to 37.5%, which revised to 37.6% in its August 6th rendition. A final estimate will on Thursday, April 13th. Money Supply M2 and the ShadowStats Ongoing M3 Estimate also have continued to grow month-to-month, and are at record levels, although year-to-year growth has begun to flatten out or to slow, all as reflected in *Graphs 30 to 39*.

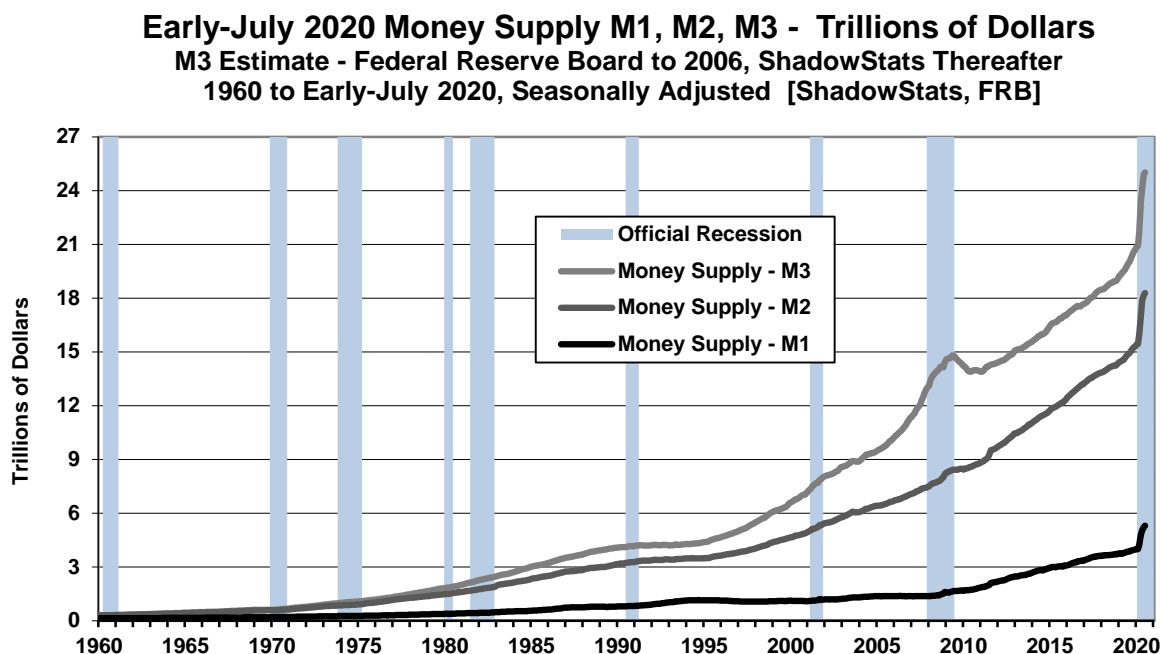
For the most-liquid measure, Money Supply M1, year-to-year nominal growth hit successive record highs of 35.9% and 37.6% in June and July 2020, up from a pre-Pandemic 6.3% in January 2020. Money Supply M2, year-to-year nominal growth hit successive record highs of 22.9% and 23.0% in June and July 2020, up from a pre-Pandemic 6.7% in January 2020. Although still gaining month-to-month and at a record high nominal level, the ShadowStats Ongoing M3, year-to-year nominal growth hit a record high of 26.1% in June 2020, easing back to 25.5% in July 2020, up from a pre-Pandemic 8.4% in January 2020. See the [Alternate Data Tab](#) on the [ShadowStats](#) home page for a downloadable version of the full historical series back to 1959.

These record high growth rates are suggestive of surging money creation consistent with an inflation pick up. The concern and effects here should mount along with developing product shortages, such as meat and lumber, where the Second-Quarter GDP and related economic series suggest rising demand and consumption against weaker production, with inventories shrinking as a result.

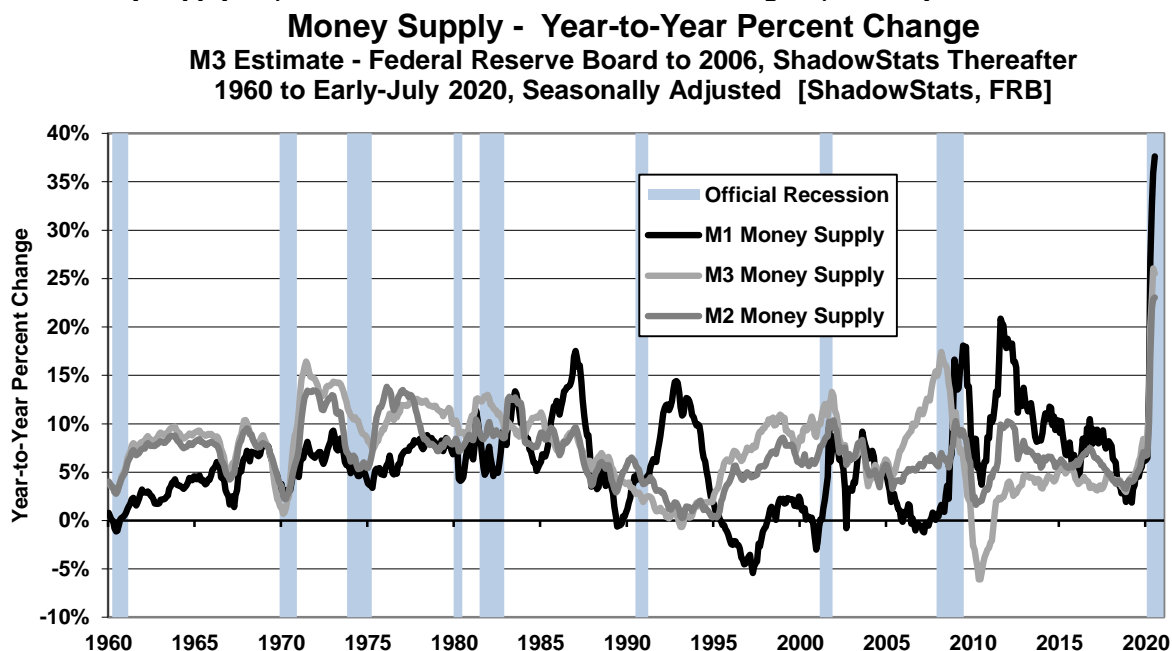
Final July money supply estimates and an inflation update with the headline July PPI and CPI will follow in the next *Commentary*.

**[Graphs 32 to 43 follow on the next page.]**

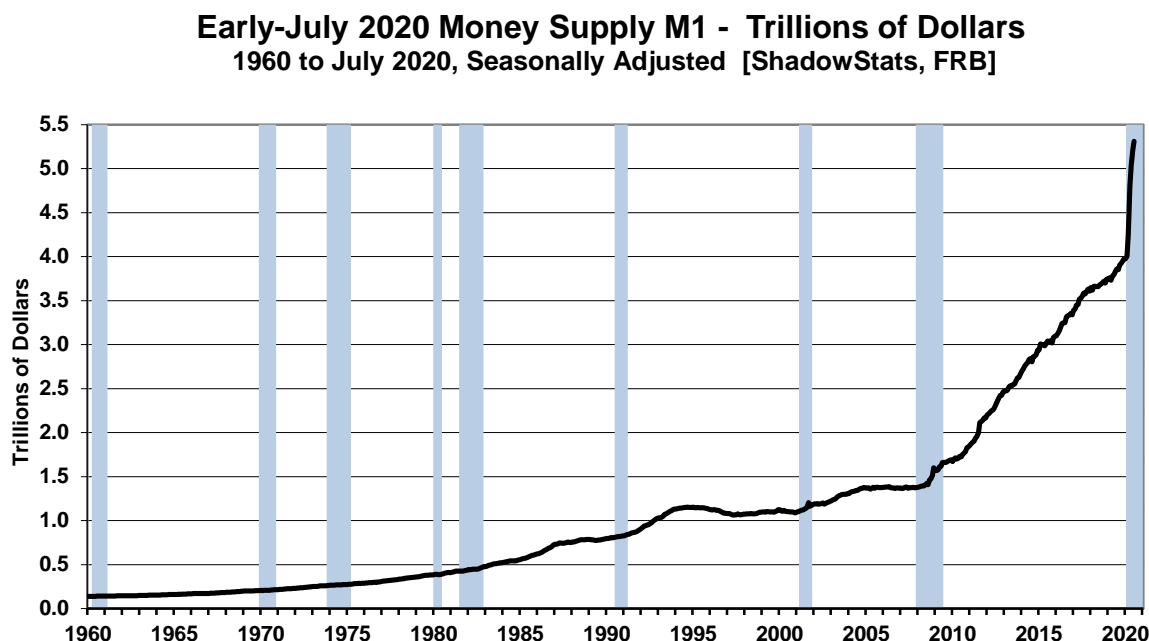
**Graph 32: Money Supply M1, M2 and M3 and ShadowStats Continuing M3, Trillions of Dollars, Early-July 2020**



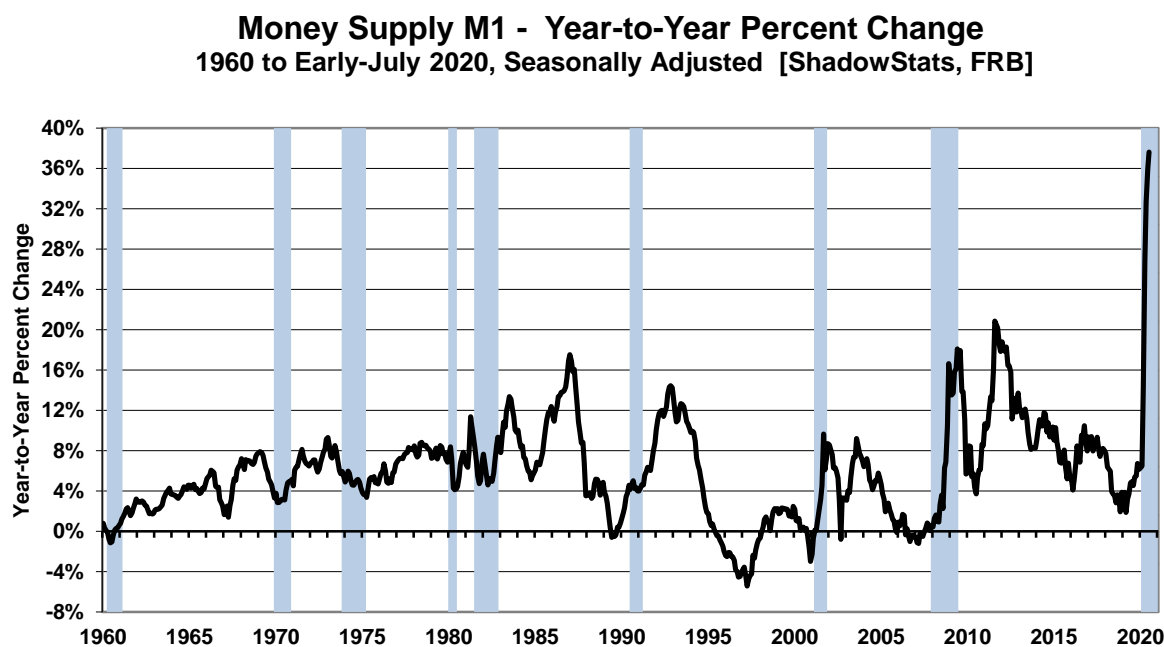
**Graph 33: Money Supply M1, M2 and M3 and ShadowStats Continuing M3, Monthly Yr-to-Yr Growth to July 2020**



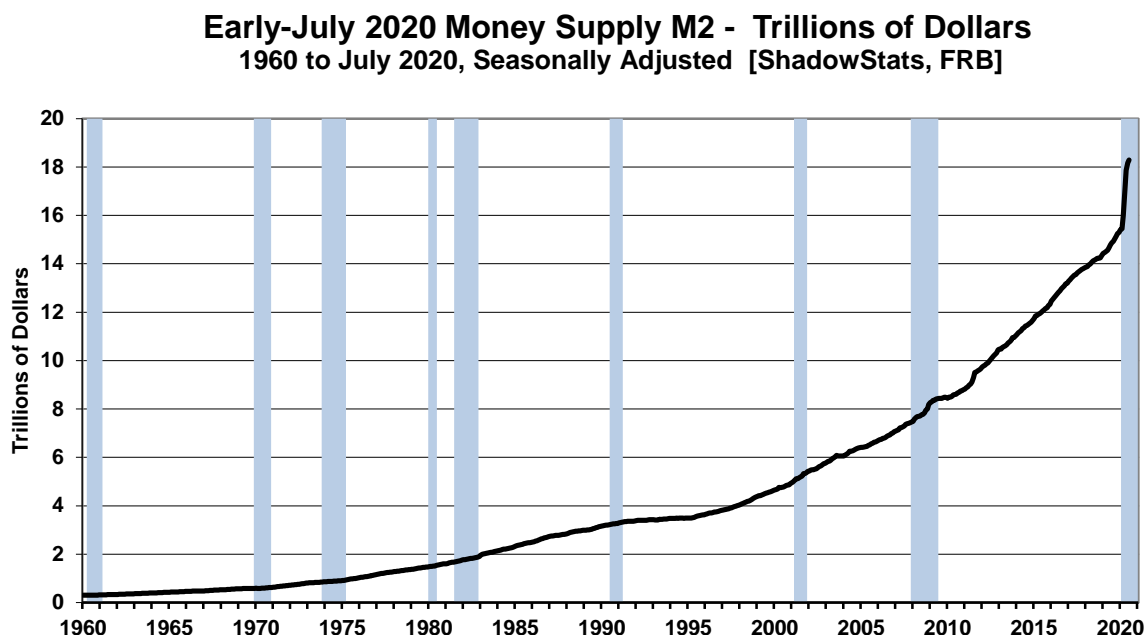
**Graph 34: Money Supply M1, 1960 to Date**



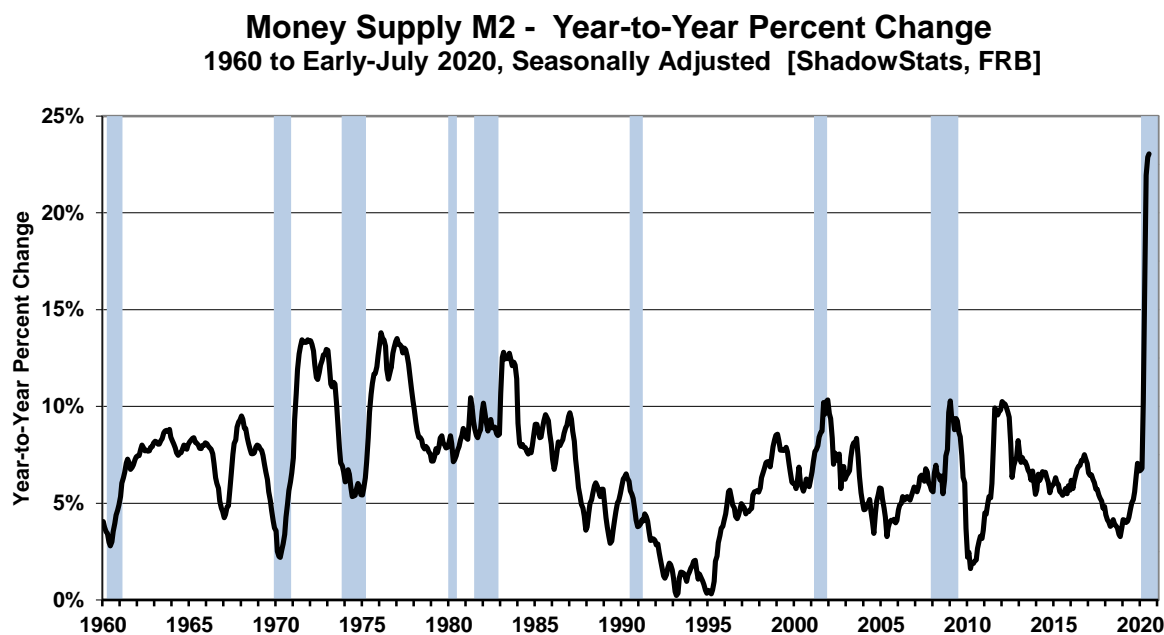
**Graph 35: Money Supply M1, 1960 to Date, Year-to-Year Change**



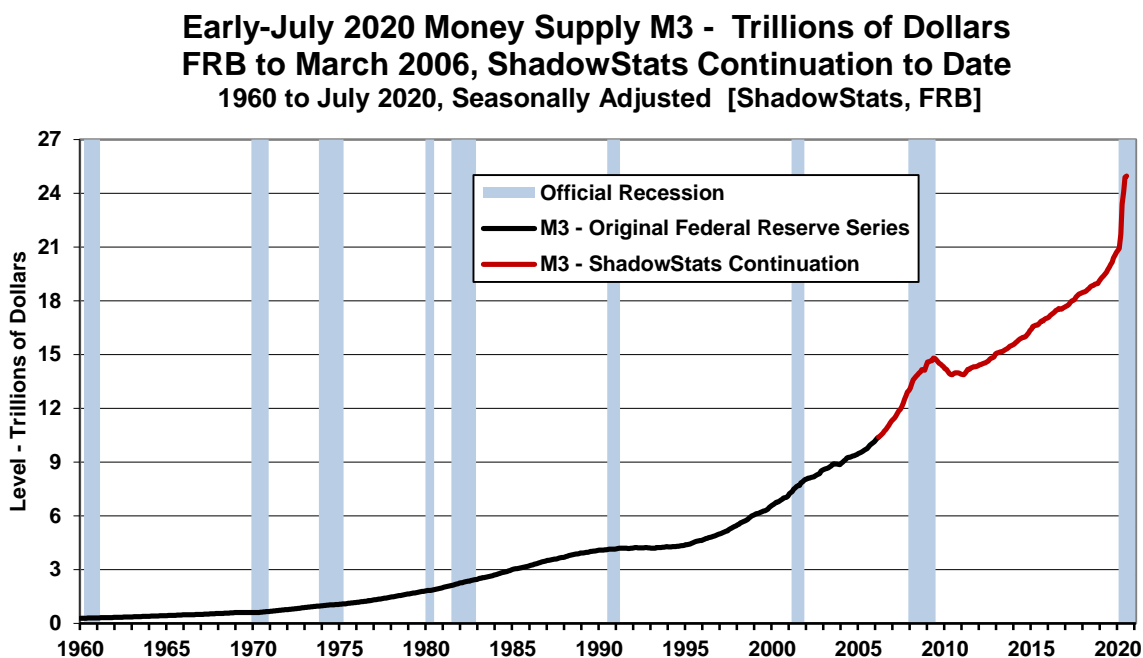
**Graph 36: Money Supply M2, 1960 to Date**



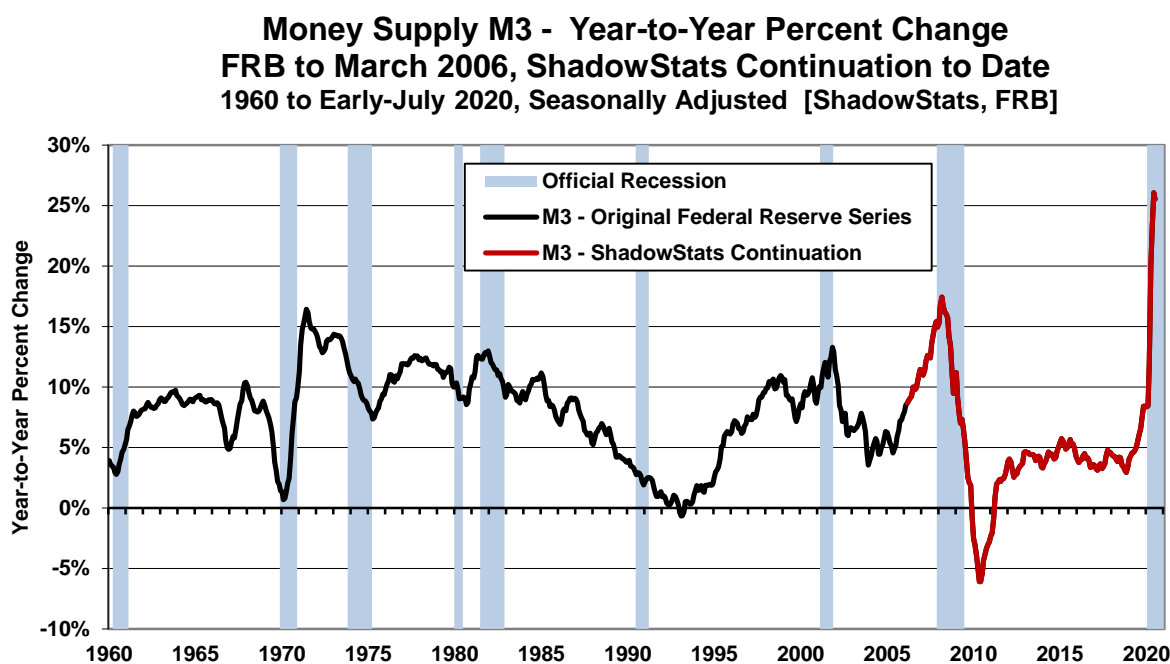
**Graph 37: Money Supply M2, 1960 to Date, Year-to-Year Change**



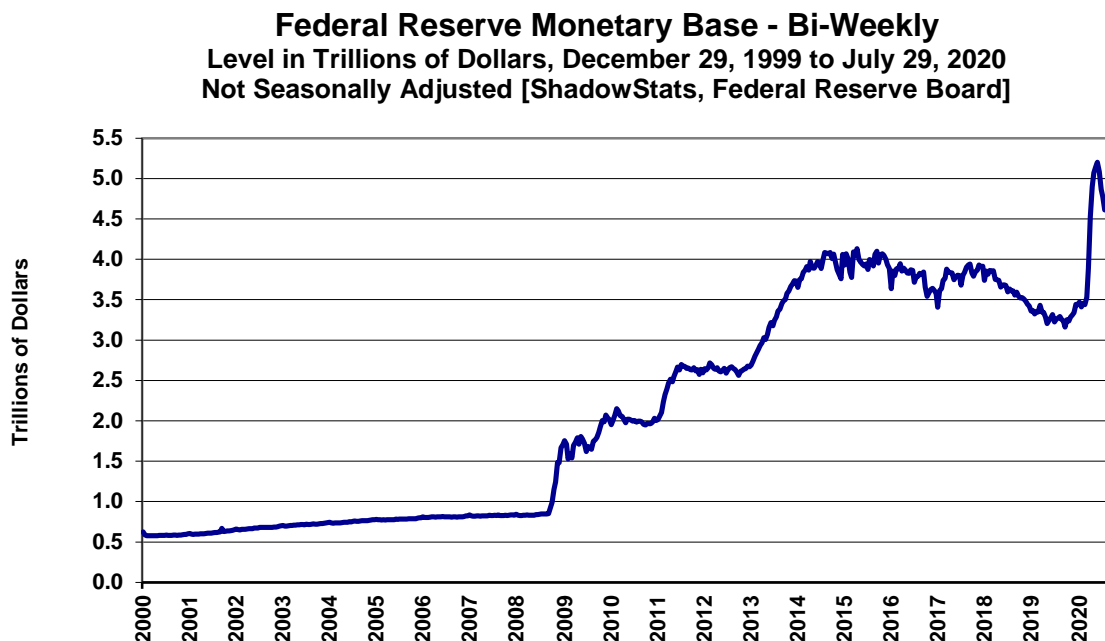
**Graph 38: Money Supply M3, 1960 to 2006, With ShadowStats Continuation to Date**



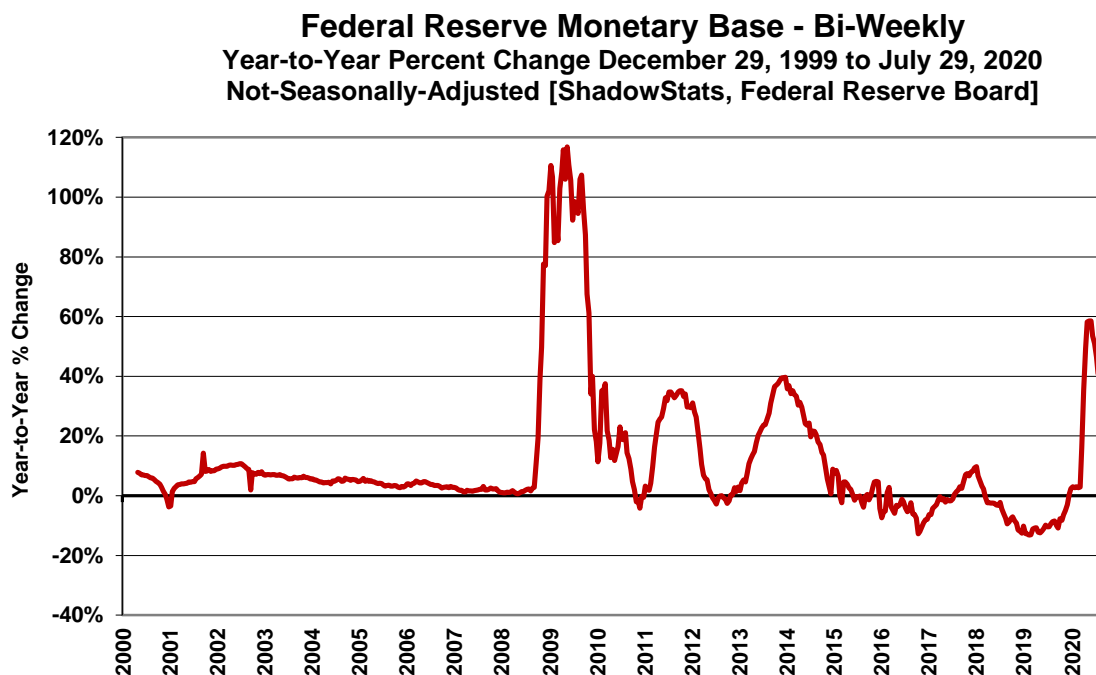
**Graph 39: Money Supply M3, 1960 to 2006, With ShadowStats Continuation to Date, Year-to-Year Change**



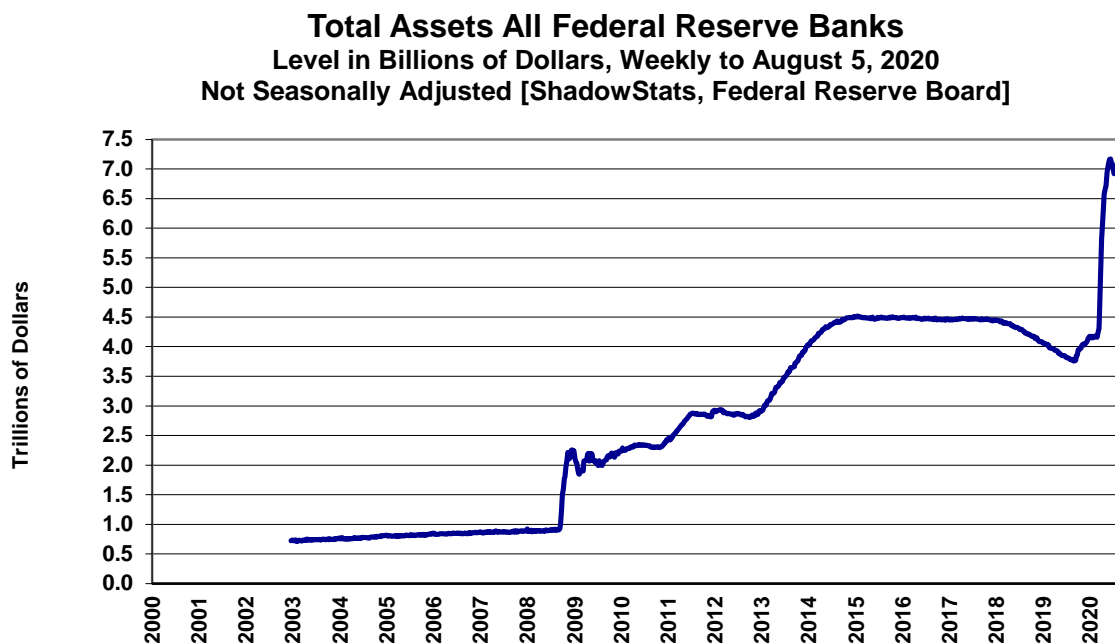
**Graph 40: Federal Reserve Monetary Base, 2000 to Date**



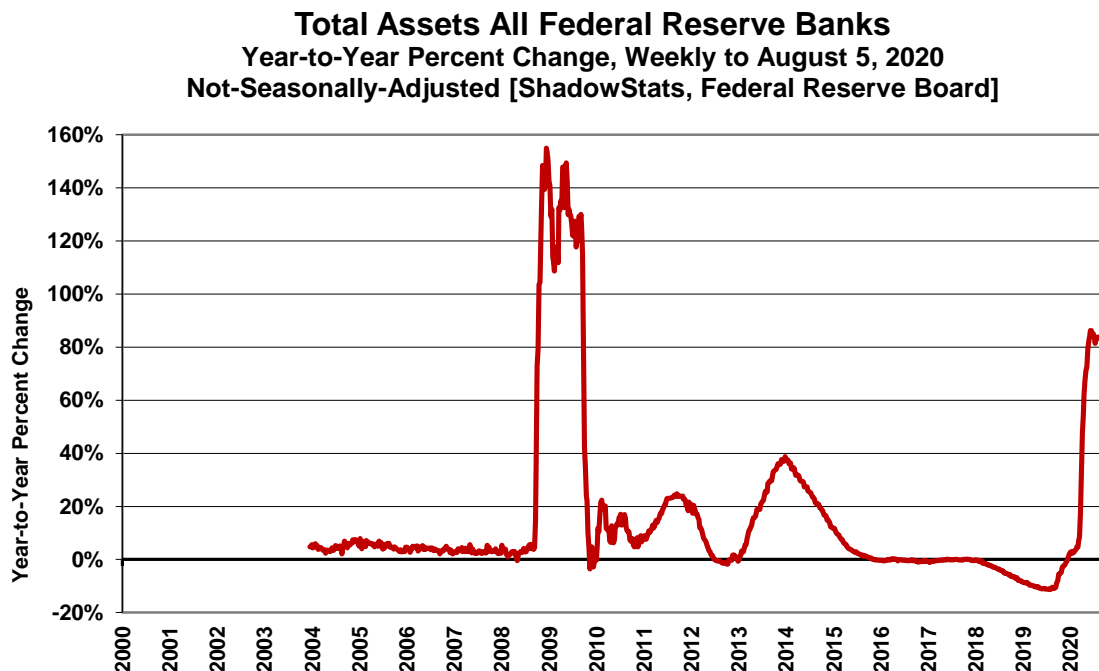
**Graph 41: Federal Reserve Monetary Base, 2000 to Date, Year-to-Year Change**



**Graph 42: Total Assets All Federal Reserve Banks, 2000 to Date**



**Graph 43: Total Assets All Federal Reserve Banks, 2000 to Date, Year-to-Year Change**



**[Section 4 – Fiscal Conditions Raise Sovereign Solvency Concerns begins on the next page.]**

## Section 4 – Fiscal Conditions Raise Sovereign Solvency Concerns

**A Downgraded Outlook on U.S. Sovereign Solvency.** On July 31, 2020, [Fitch Ratings](#) downgraded its Sovereign Credit Outlook for the United States Government from “Stable” to “Negative,” noting, “... the Outlook has been revised to Negative to reflect the ongoing deterioration in the U.S. public finances and the absence of a credible fiscal consolidation plan ...”

Such a move with a commercial credit rating usually would precede an actual credit rating downgrade, where the current U.S. sovereign credit rating with Fitch remains the top “AAA.”

The Fitch Ratings action was in the context of rapidly deteriorating financial circumstances for the United States Government, which have been exacerbated in the extreme by the ongoing impact of Pandemic Shutdown. The U.S. Congress and White House currently are negotiating a further/continuing domestic economic stimulus package.

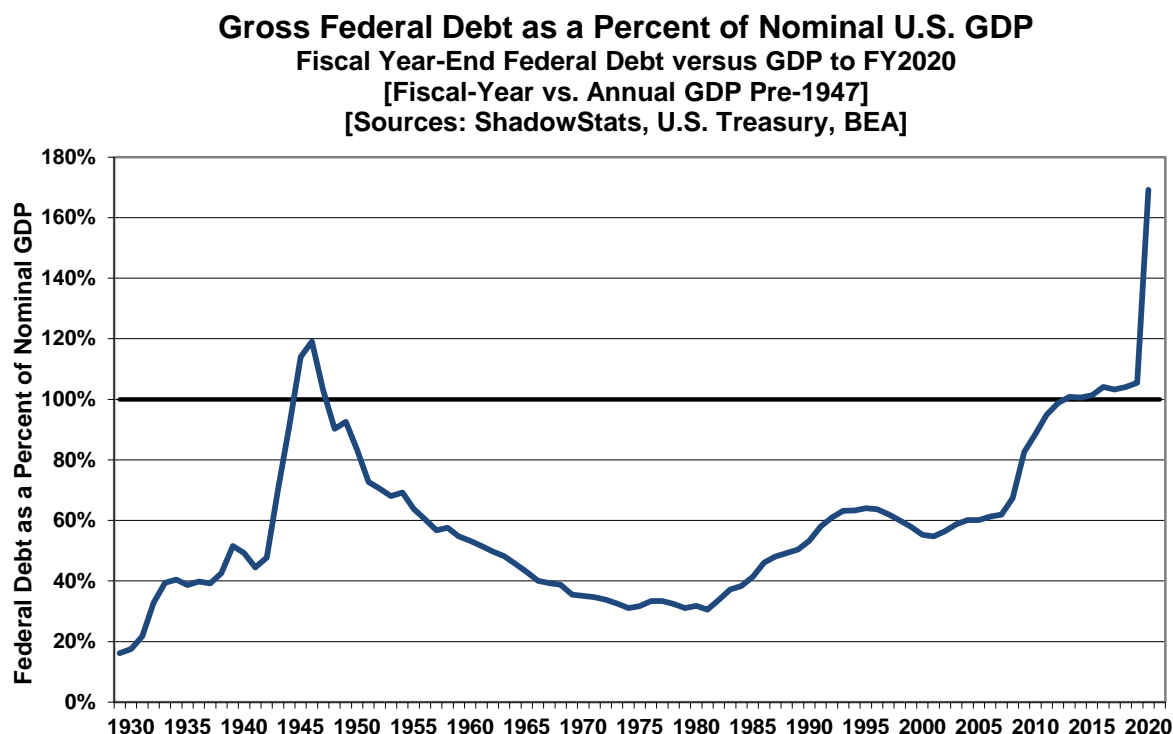
The impact of that on U.S. government finances and relative solvency, however, would exacerbate (surging government outlays versus declining tax revenues) an already devastating, extremely negative deficit circumstance from the ongoing Pandemic crisis. Current projections show the ability of the U.S. economy (the Gross Domestic Product), to cover United State sovereign debt at already unprecedented negative extremes, significantly worse than the United States encountered when funding World War II. See *Graphs 44* and *45*, which have updated for the latest GDP and debt estimates through the end of the current fiscal year.

[Standard & Poor’s Rating Agency](#) had downgraded the United States from “AAA” to “AA+” back in August 2011, having turned to a “Negative” outlook back April 2011.

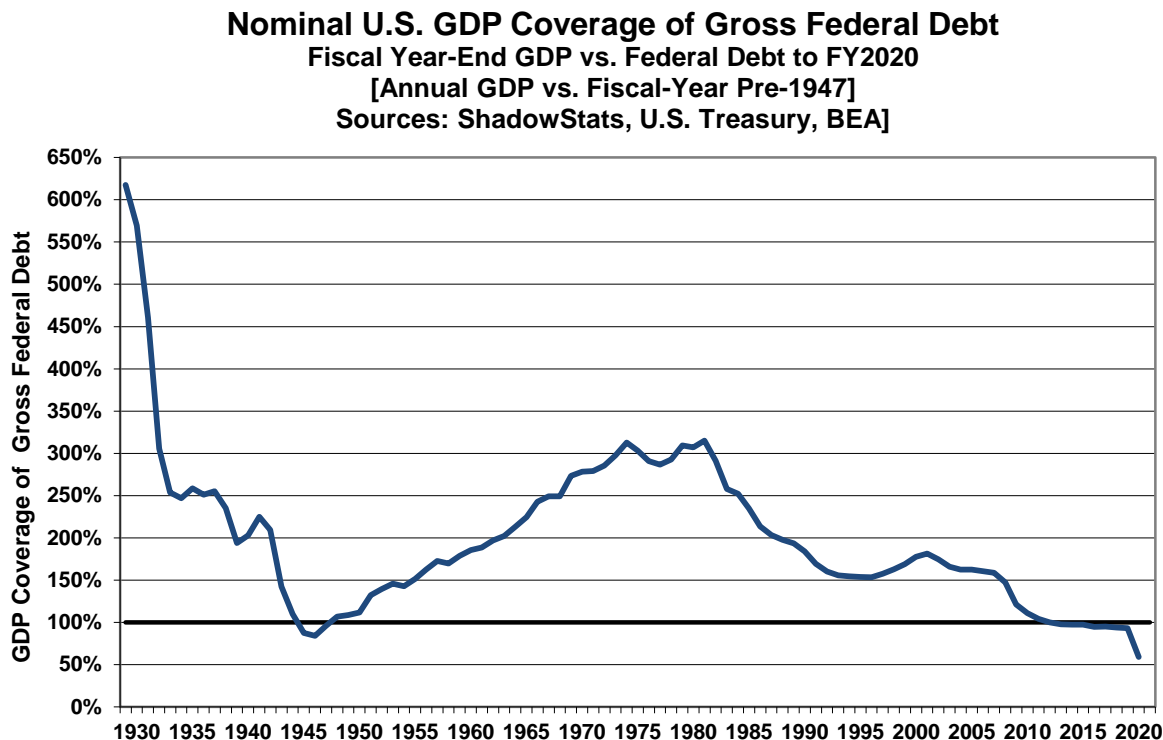
**[Graphs 44 and 45 follow on the next page.]**



**Graph 44: Gross Federal Debt as Percent of Nominal U.S. GDP**



**Graph 45: Nominal U.S. GDP Coverage of Gross Federal Debt**



**[Section 5 – Financial Markets and Related Graphs begins on the next page.]**

## **Section 5 – Financial Markets and Graphs**

### **Expansive Money Supply and Deficit Spending Policies Continue**

### **Surge to Record Gold and in Multi-Year-High Silver Prices Forewarned of Mounting Inflation Risks and of Potential Systemic Instabilities**

### **U.S. Trade- and Financial-Weighted Dollars Has Turned Increasingly Negative**

### **That Said, Profit Taking and/or Federal Reserve/Treasury Interventions Likely Upended Today's (August 11) Gold and Silver Markets**

**Coming Into Today's (August 11) Tumultuous Trading, Gold and Silver Prices Were Near All-Time or Multi-Year Highs, With the Dollar Turning Increasingly Negative Year-to-Year.** As we go to press, both Gold and Silver sold off sharply today (August 11th), down respectively by 5.8% (-5.8%) to \$1,911 per troy ounce, and by 15.0% (-15.0%) to \$24.86 per troy at the New York close, per [www.Kitco.com](http://www.kitco.com). Where the gold price used in the following graphs usually is the London afternoon fix, which was \$1,940, I used the New York close here to reflect the full hit in today's markets. The graphs will be revised and shifted back to the London afternoon fix, as the markets stabilize, going forward.

Today's selling likely reflected profit taking, perhaps exacerbated by Central Bank and/or Treasury interventions. It also could have reflected market reaction to this morning's announcement by Russian President Vladimir Putin of the development of a purportedly effective, ready-for-use Coronavirus Vaccine. If the vaccine news were the driving factor, I would have expected some rally also in the U.S. dollar and stocks, which did not happen. Mr. Putin's announcement was received with major skepticism by the U.S. markets. In the event of today's sell-off reflecting normal market gyrations and official interventions, the ShadowStats broad outlook has not changed a bit. The underlying fundamentals tied to extraordinary inflation problems and systemic instabilities remain in play and should continue to push gold and silver prices to historic new highs. Those prices tend to hold constant the purchasing power of the U.S. dollar, and the ongoing, significant dollar debasement underway should get much worse in the months ahead, again, with new nominal high prices looming for both gold and silver.

***Surging Gold and Silver Prices, and the Tumbling U.S. Dollar Have Reflected Mounting Fears of Inflation and Systemic Instability.*** 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.

***What Happens When an Effective Vaccine Becomes Available?*** Nonetheless, if the Russian vaccine is as advertised, or when a viable vaccine comes on the market, it would be an eventual game changer. An effective vaccine would accelerate the pace at which the global and U.S. economies could attempt to resume normal functioning, although Federal Reserve and Federal Government policies still would be slow to reverse their highly inflationary actions.

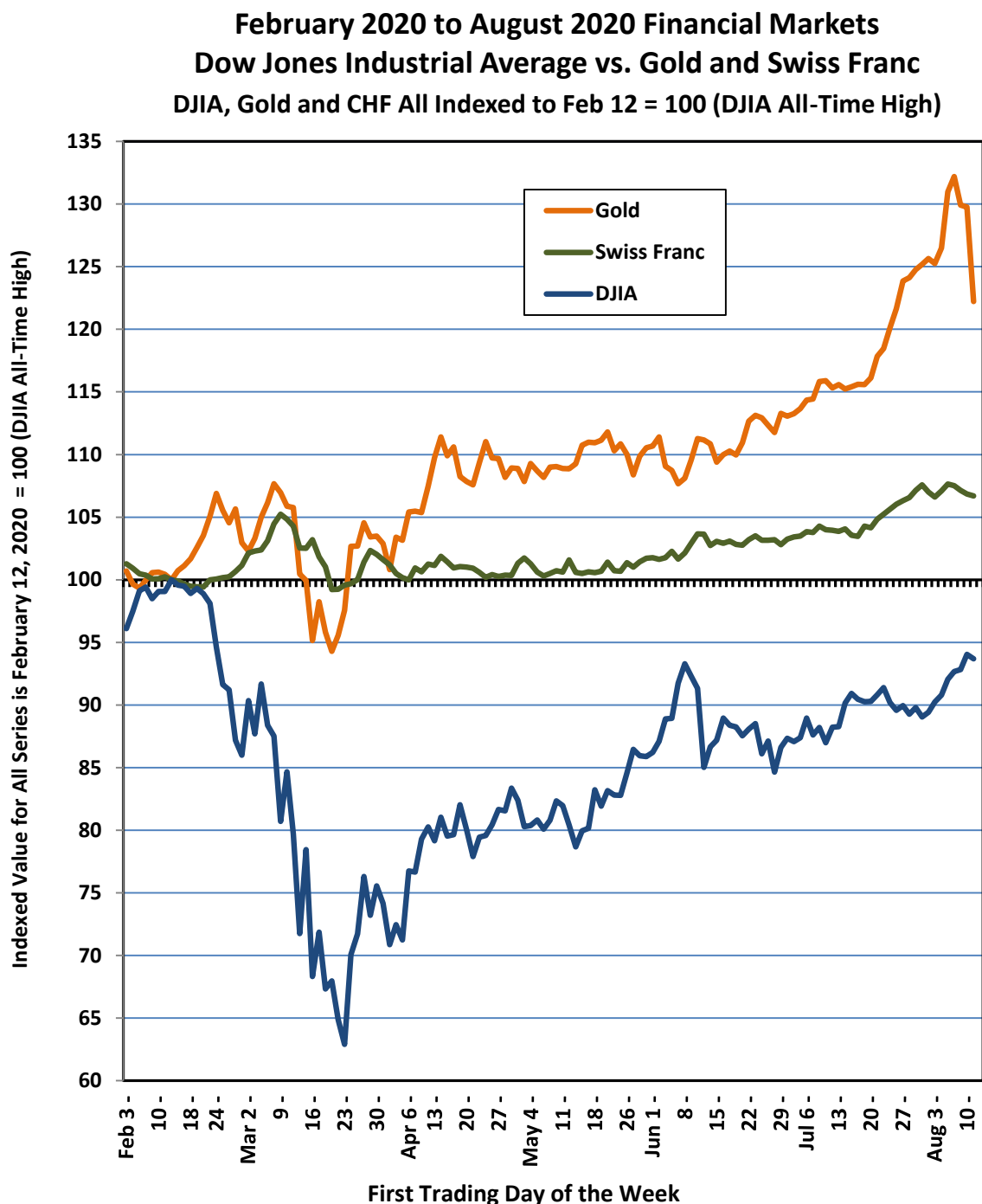
In the United States, the Pandemic shutdown has done serious damage to the psyche of the American people, and to the structure and functioning of, and outlook for the U.S. economy. Consider the large number of businesses, particularly small businesses, which have been destroyed and the large number of people whose lives have been adversely altered. Recovery will come, one would hope much sooner than later, but the recovered economy and society will not be quite same as before Pandemic-driven collapse.

**[Financial Market Graphs 46 to 53 begin on the next page.]**

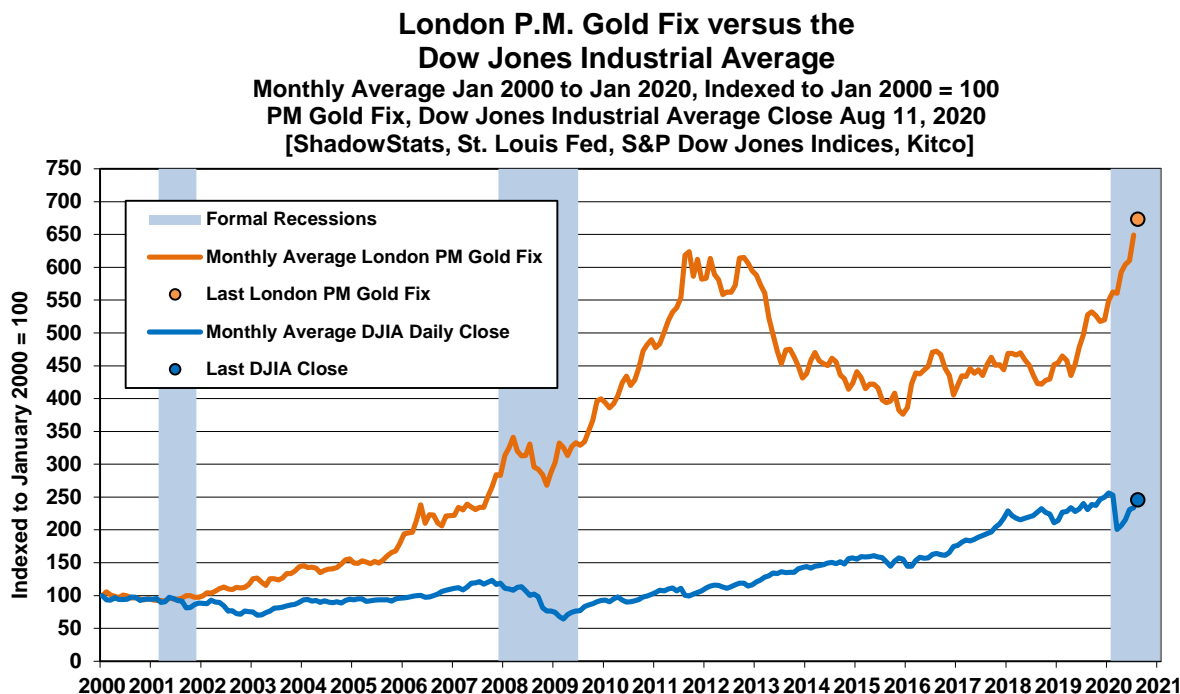
## Financial Market Graphs Updated to August 11, 2020

**Physical Gold and Swiss Franc Increasingly Protect U.S. Dollar Purchasing Power**  
**Inflation Risks Mount as Gold and Silver Prices Jump, U.S. Dollar Sinks**

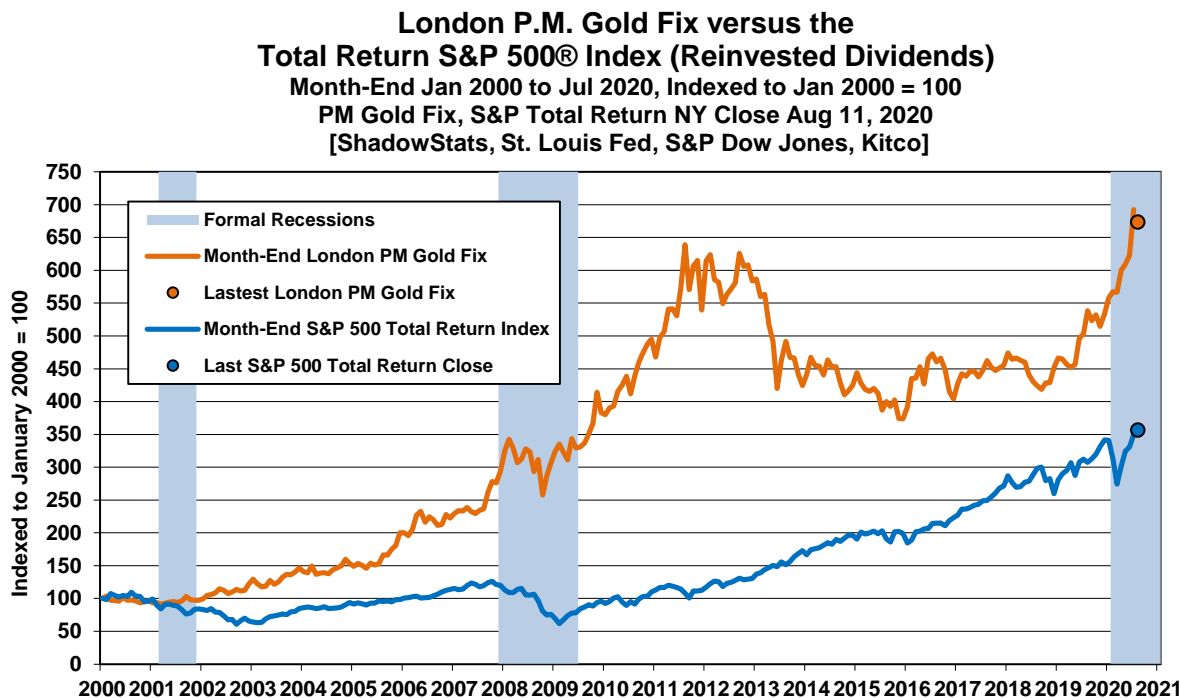
*Graph 46: February 3 to August 11, 2020 Financial Markets*



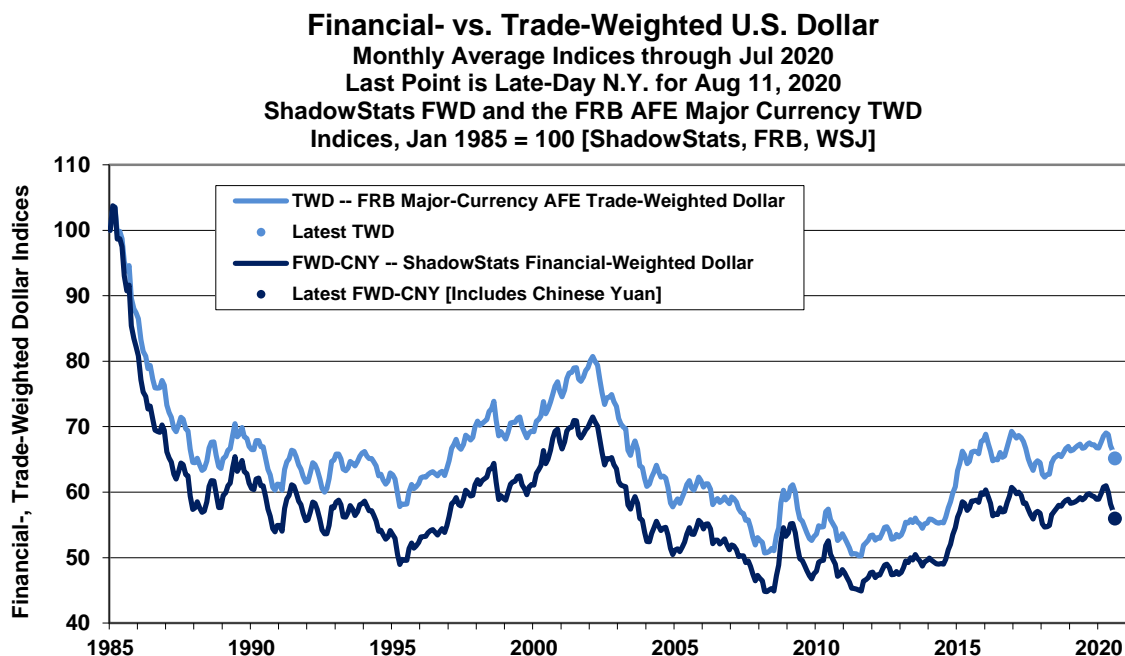
**Graph 47: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)**



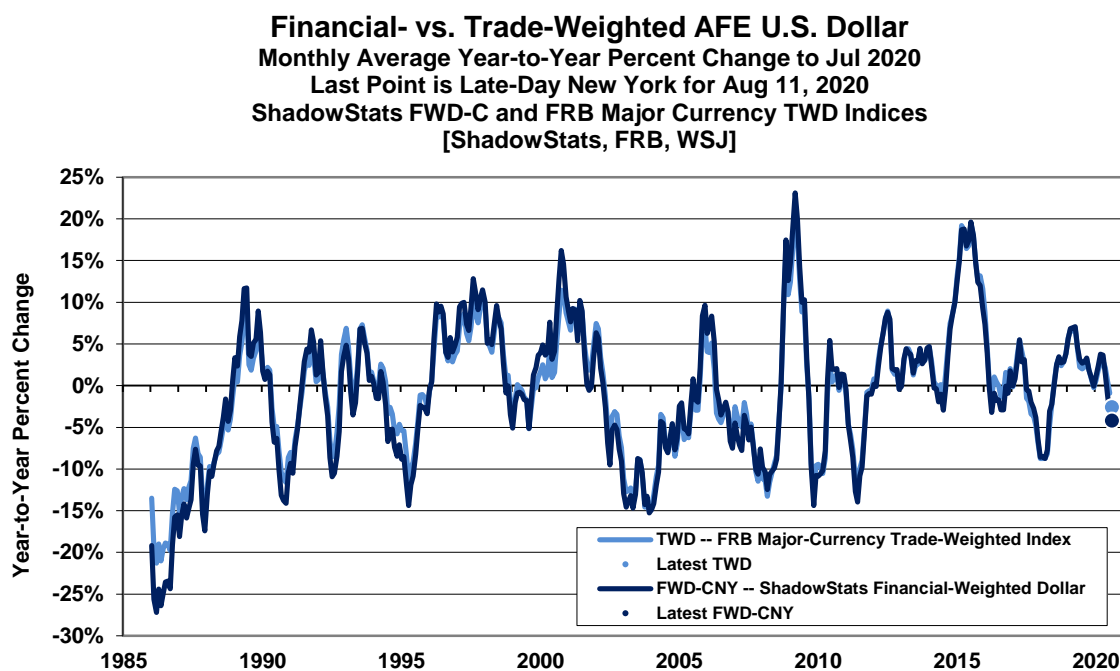
**Graph 48: Total Return S&P 500® versus Gold (Month End and Latest)**



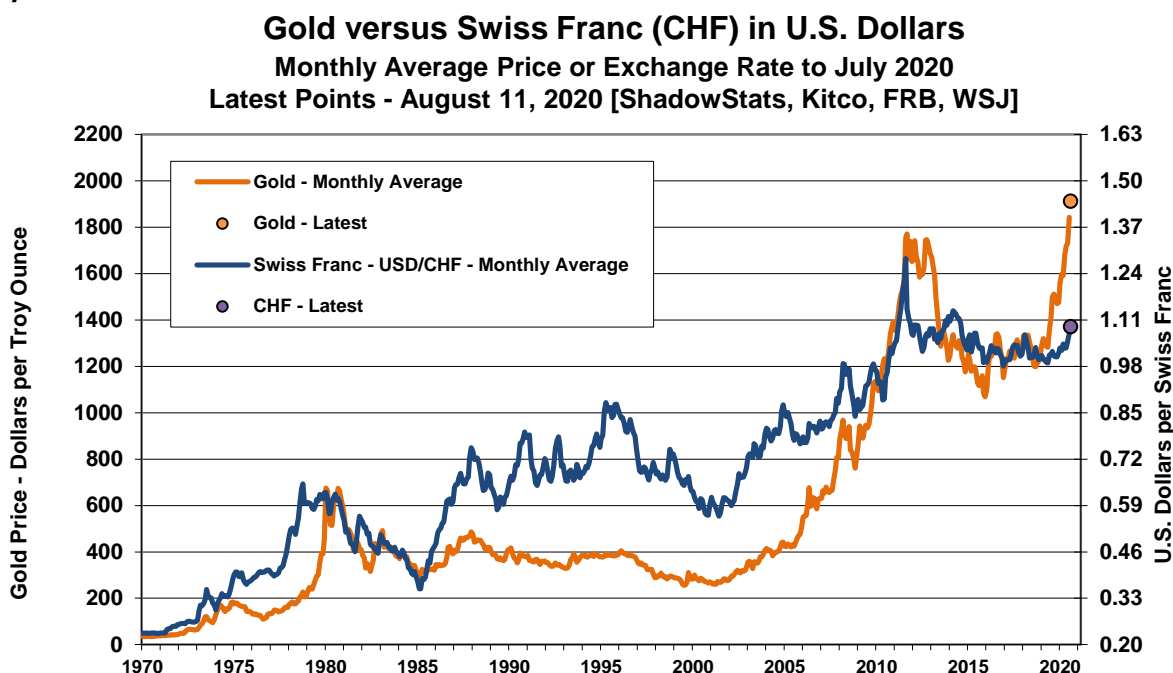
**Graph 49: U.S. Financial- vs. Trade-Weighted U.S. Dollar**



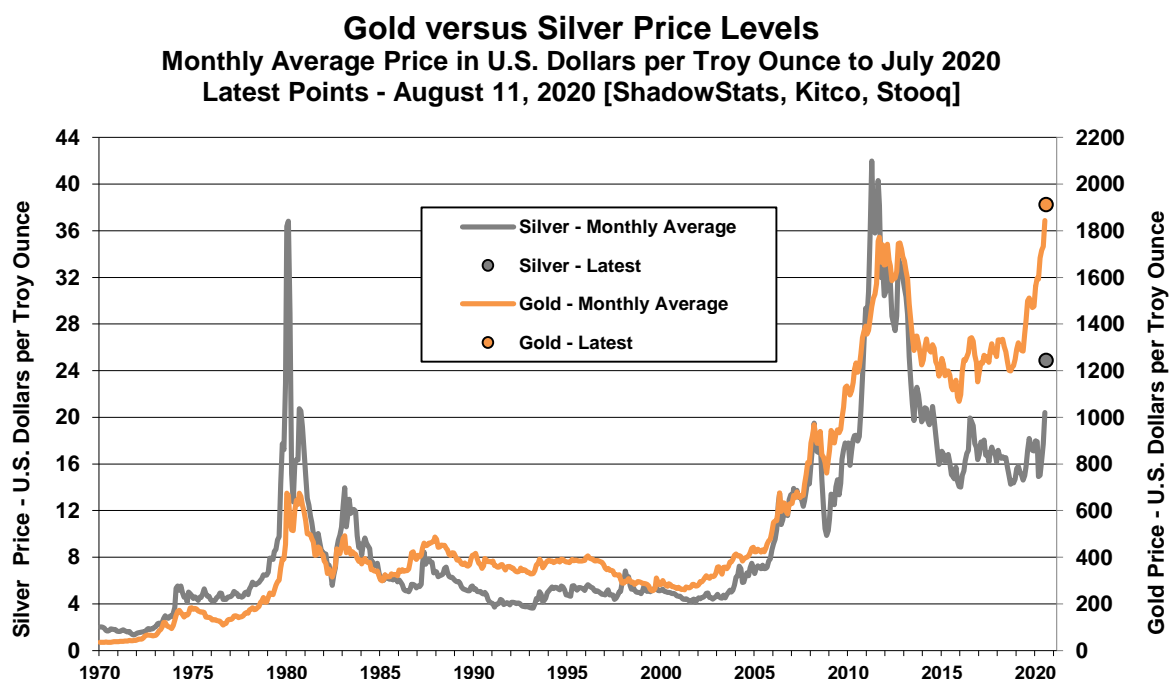
**Graph 50: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change**



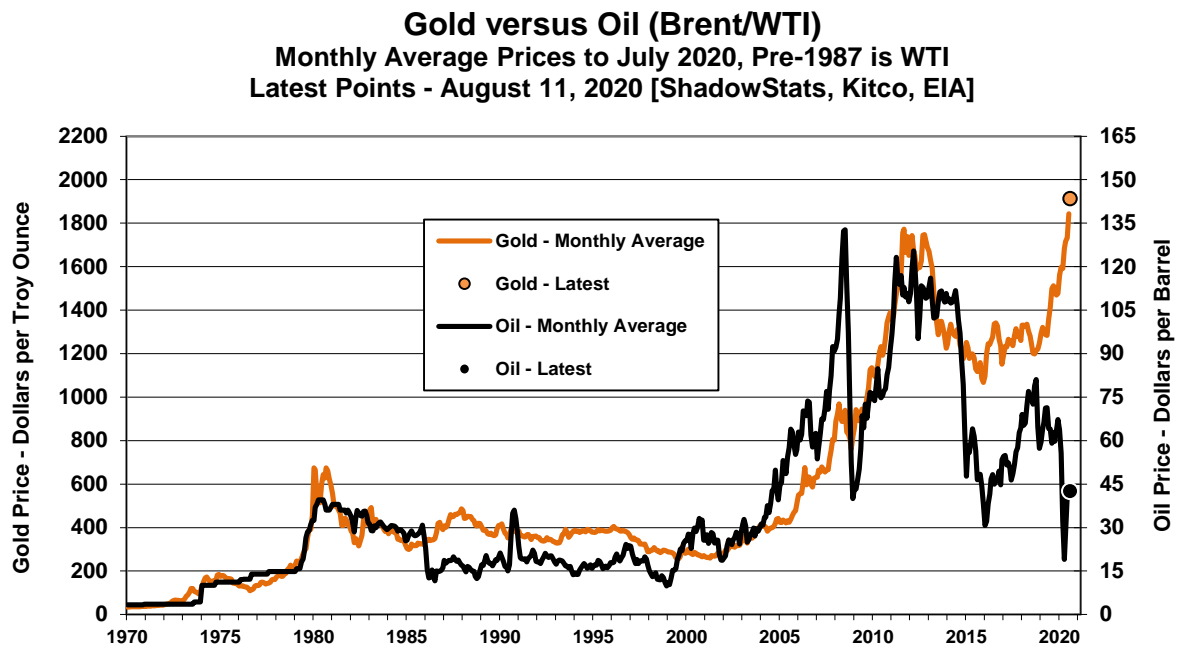
**Graph 51: Gold versus Swiss Franc**



**Graph 52: Gold versus Silver**



**Graph 53: Gold versus Oil**



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