

Unemployment Claims: Levels and Trends
May 14, 2020



The stock market rallied vigorously after three days of strong selling. The S&P 500 rose 33 points for the day, or 1.15% to close at 2853 and the Dow Jones Industrial Average climbed 337 points, or 1.62% to close at 23,625. However, that is only half the story. Both indexes fell sharply at the beginning of trading and orchestrated an impressive rebound. The S&P 500 rose 84 points from the intra-day low, or 3.0% and the Dow Jones Industrial Average jumped 836 points or 3.6% from its low. The Nasdaq Composite surged 81 points, or 0.91%, closing at 8944 and finally the Russell 2000 index eked out a 4-point gain or 0.35% to close at 1237.

The Labor Department released its weekly jobless claims report today with another 2.98 million Americans filing for unemployment benefits for the week ending March 9th. The grim report surpassed the estimated 2.5 million jobless claims but was 195,000 lower than the prior week's 3.18 million claims.

Our economy is a consumer driven economy and with 36 million Americans filing for unemployment claims

how do we interpret such eyepopping numbers? While the media focused on the headline number of 2.98 million Americans filing for unemployment in the week (a startling number for sure), there was less attention to the continuing unemployment claims. Weekly new claims are unambiguously high, due to the impact of the public health measures, but they are nevertheless falling week after week. At this point in the cycle, with states beginning to open their economies, the more relevant statistic is the change in continuing unemployment claims. For the week ending May 9th the Labor Department reported continuing claims increased to 22.83 million from 22.38 million the prior week – a total of 450,000 Americans. If the total new claims are 2.98 million but the continuing claims rose 450,000 then that suggests a total of 2.53 million Americans returned to work. As lockdowns ease this number should continue to rise. We are watching the continuing claims to see if the number of people returning to work will begin to outdistance those filing for new unemployment benefits.

The path forward is what is most important. The stock market looks forward and predicts the economy and not the reverse. Most economic statistics look backward and give us a gague of what we have experienced or are experiencing economically. The stock market synthesizes this data to make predictive moves of where the economy is headed. The labor market is vitally important to the stock and bond market, but these capital markets focus on what is happening at the margin. What is the level and what is the trend. With jobs, the level is horrible... the trend is what we are trying to ascertain.

Initial claims since early March top 36 million
Weekly initial unemployment insurance claims

