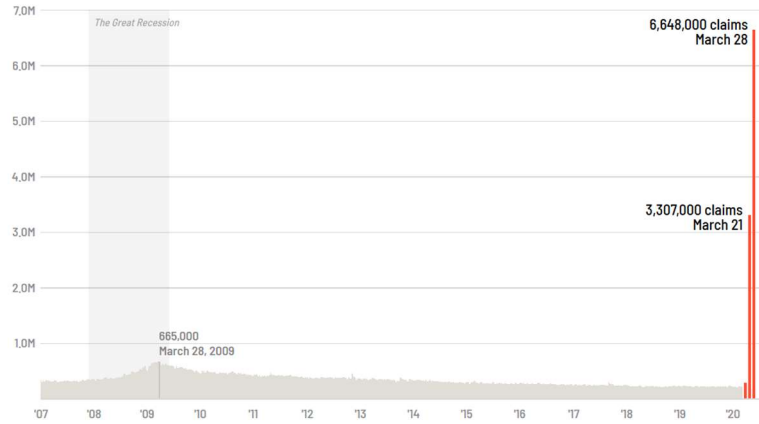


An Unemployment Claim Avalanche
April 2, 2020



Stocks rose Thursday amid a cross current of economic events that sent diverging economic messages. The Dow Jones Industrial Average rose 469 points or 2.2% while the S&P 500 rose 2.2% and the Nasdaq Composite lagged the other two indexes by rising only 1.7%.

The capital markets were buffeted by significant economic reports. The weekly unemployment claims came in at an eye-popping 6.6 million people filing in the prior week. Taken together with the prior week's report a total of over 10 million people have filed for unemployment in the last two weeks.



Note: Seasonally adjusted claims
Source: US Department of Labor
Graphic: Annalyn Kurtz and Tal Yellin, CNN



Source: Dow Jones Market Data

Conversely, oil prices jumped 25% Thursday in their biggest one-day rally on record, lifted by investors' hopes that the Saudi / Russian price war will abate. While the Kremlin denied entering into talks, the Saudi's on the other hand, confirmed that the Kingdom would consider substantial output cuts as long as others in the G-20 group of nations were willing to join the effort. What's notable, is that they are calling for production cuts beyond OPEC.

On the coronavirus front, the number of people infected in the coronavirus across the world surpassed 1,000,000, with the United States representing nearly 25% of the worldwide cases. Gratefully there are 210,000 who have recovered. In Italy, the European coronavirus hotspot, the Italian Civil Protection Agency reported a decline in the number of new cases being reported.

Friday we will get the Labor Department's report of the job market in March. While the report has been highly anticipated, it is, nevertheless uncertain how useful the number will be. The Department of Labor's Bureau of Labor Statistics (BLS) uses a methodology that has been consistent since 1940. The BLS surveys 147,000 businesses to estimate the changes from the prior month in payrolls. The surveying happens mid-month and as we know, the last two weeks were disastrous with respect to unemployment claims. Therefore, the jobs report may not fully include the full impact of the last two weeks of March.