



# Week In Review

December 1, 2017

## ***Personal Income and Spending***

Personal income rose 0.4% in October, while spending increased 0.3%.

**Our Take:** While October results were somewhat middling, consumer confidence picked up in November. The holiday shopping season is always an important barometer. Continued strong sales could result in solid GDP growth results for the third straight quarter.

## ***Brexit***

The pound rallied earlier in the week as May's government agreed with the EU on a higher Brexit bill and the rights of EU nationals within the UK. However, the issue of the border between Ireland and Northern Ireland came to the forefront with May's DUP allies rejecting any solution that does not maintain Northern Ireland as part of the UK, and Ireland rejecting any type of border as inconsistent with EU rules. Without a breakthrough on this issue, the EU will not begin negotiations on a post-Brexit trade relationship between the UK and the EU.

**Our Take:** May's decision to call an election last June is coming back to haunt her. The reliance on the DUP as a coalition member in order to form a majority makes the Irish border issue almost intractable. Time is running very short for talks to proceed to the post-Brexit trade relationship, and if this step does not happen soon, the likelihood of a no-deal Brexit and of May's government falling increases dramatically.

## ***Oil***

Oil was up slightly following Thursday's successful OPEC-Russia meeting during which both parties agreed to extend the current production cut deal for nine months, through the end of 2018. Prior to the meeting there was some talk that Russia may not be willing to go along, but this proved not to be the case.

**Our Take:** The production cuts from OPEC and Russia have been successful in reducing inventories and moving oil prices higher. However, these higher oil prices have encouraged growth in U.S. shale production, which has slowed the rate of inventory draws relative to OPEC forecasts. It is very unclear how much production OPEC and Russia will be able to restore in the future without driving inventories higher and prices lower.

## ***Municipals***

The amount of municipal bond sales planned for December has reached over \$29 billion. This marks the largest amount since February 2005 according to Bloomberg. Many issuers are bringing deals to market before the tax plan could take effect. Under the current tax bills in the House and Senate, provisions exist that would eliminate tax-free status from certain municipal bond issuers, including advanced refunding bonds, hospitals, and sports stadiums.

**Our Take:** The supply of municipal bonds will increase as issuers potentially impacted by the new legislation scramble to bring their new issues to market before any changes to municipal bonds in the tax bill take effect. The total amount of bonds coming to market could rise even more, as some issuers could announce bond sales during December for December sale.

—There is no additional Week In Review detail for this page.—

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