Week In Review

June 7, 2019

Employment

Nonfarm payrolls rose by just 75,000 jobs in May, far less than the expected rise of 175,000. In addition, revisions lowered the previous two months' reports by a combined 75,000. The unemployment rate and labor force participation rate both remained unchanged, at 3.6% and 62.8%, respectively. Average hourly earnings rose 0.2% and are up 3.1% over the trailing twelve months.

Our Take: Trade conflicts are likely part of the reason for the weak employment report, though how much is related to trade and how much is due to other factors affecting the economy is difficult to ascertain. The report of fewer jobs and declining wage pressures should push the Fed closer to a rate cut. Whether it pushes them all the way there remains to be seen.

Mexico

Trump administration officials are still meeting with Mexican officials to try to resolve the conflict over migrants that has the administration planning to impose tariffs on imports from Mexico starting Monday. While both sides have called the talks constructive, President Trump has stated that Mexico has not offered enough to avoid implementation of the tariffs on Monday.

Our Take: The proposed tariffs would likely be far more disruptive than the current tariffs on imports from China due to their impact on North American manufacturing supply chains. Hopefully the two sides will be able to find a resolution over the weekend.

Italy

The EU has begun a disciplinary process against Italy due to Italian government debt continuing to rise as a percentage of GDP in contravention of EU fiscal rules. This is a lengthy and multi-step process that could ultimately result in fines for Italy if the government will not conform to the EU rules.

Our Take: The deal reached last year was always a way to delay a confrontation until after this spring's European Parliament elections. Italy's fiscal trajectory has not improved, and Salvini seems even less likely to change this than he was last year. Another confrontation between Italy and the EU seems likely.

Municipals

Municipal issuance is expected to reach $14 billion in June according to Bloomberg. This would mark the most issuance since last October.

Our Take: State and local governments may be taking advantage of lower interest rates. In addition, some municipalities look to issue before the end of the fiscal year. This increase of issuance in June may be offset by a slowdown in July, a historically slow month for debt sales.

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

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