Brexit

There were no breakthroughs on fishing waters access or level playing field provisions following a dinner with Johnson and von der Leyen this week. Johnson stated that a no-deal exit from the common market was now "very, very likely." Johnson has also appealed to Merkel and Macron to intervene with the EU, but thus far the German and French leaders have declined to get involved in the negotiations.

Our Take: Another week has passed with no progress on a trade deal between the EU and the UK. It seems very unlikely that any kind of deal will happen without the EU getting pressure from Merkel or Macron to change their positions on the key issues. It would be very disruptive to both sides if the UK leaves the common market without a trade agreement at the end of this month.

Employment

Initial jobless claims rose from 716,000 to 853,000 this week. Continuing claims also increased, rising from 5.52 million to 5.757 million.

Our Take: Employment gains have ground to a stop as coronavirus cases continue to rise nationwide, leading to more shutdowns and reduced economic activity. The country's hopes, for employment as well as a return to normalcy, rest on the effectiveness of vaccines.

Inflation

Consumer prices rose 0.2% in November, while producer prices increased 0.1%. Year-over-year, consumer prices are up 1.2% and producer prices have risen 0.8%.

Our Take: While inflation expectations have risen since the start of the pandemic, realized inflation remains benign. It is unlikely to pick up in the near term as the recent COVID-19 surge has put a damper on economic activity.

Municipals

Fitch Ratings downgraded New York City general obligation bonds from AA to AA- on Tuesday. The downgrade affects $38 billion of debt. Fitch released a statement indicating that "the impact of the coronavirus and related containment measures will have a longer-lasting impact on New York's economic growth than most other parts of the country." In addition to the downgrade, Fitch maintained a negative outlook on the credit. The Fitch downgrade follows the S&P Global Ratings outlook change from stable to negative.

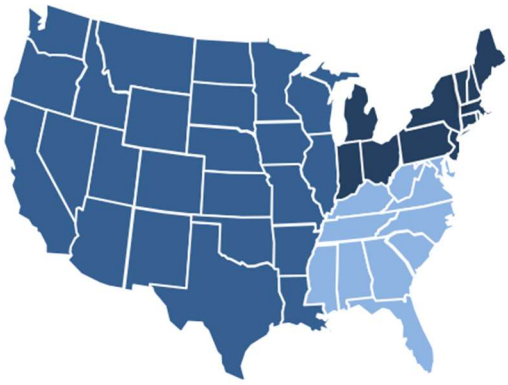
Our Take: Since the beginning of the pandemic, New York City has faced a drop in tourism, transit use, and commuting workers. Lower-than-expected revenue collections and a slowdown in economic growth have affected the city's finances.

Christopher Hodges
Northeast
443-326-1875
chodges@reinhart-partnersinc.com

Christopher Rhyne, CIMA®
Southeast + PR
336-817-8206
crhyne@reinhart-partnersinc.com

Joel Dykman
West + AK, HI
608-609-4141
jdykman@reinhart-partnersinc.com

Internal Support
262-241-7065



All expressions of opinions are subject to change without notice in reaction to shifting market conditions. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities and should not be relied on as financial advice.