



Week In Review

July 5, 2019

Employment

Nonfarm payrolls rose by 224,000 in June, far surpassing expectations of 160,000. The unemployment rate rose from 3.6% to 3.7% as labor force participation increased from 62.8% to 62.9%. Average hourly earnings rose 0.2% in June and 3.1% year-over-year.

Our Take: The solid jobs report left market participants questioning whether the Fed is still likely to cut rates at their meeting in late July. As the growth side of the Fed's dual mandate seems more important than the inflation side, the Fed may indeed choose to hold rates steady. However, there are numerous economic releases scheduled before the Fed meets which could trigger more rate cut talk.

China

U.S. President Trump and Chinese President Xi agreed to a truce in the current trade war at a bilateral meeting held while the leaders were attending the G-20 summit in Osaka, Japan. Both countries agreed to restart trade talks. In addition, the U.S. agreed not to immediately impose new tariffs and loosened restrictions on American companies selling to the Chinese telecom company Huawei. China agreed to additional purchases of U.S. agricultural products.

Our Take: Restarting trade negotiations between the world's two largest economies is a step in the right direction. Talks are set to resume next week, but the issues which were sticking points in the previous talks are still far from being solved. Trade negotiations, and their inevitable accompanying challenges, are likely to continue to dominate headlines for the foreseeable future.

Municipals

Neither Massachusetts, New Hampshire, North Carolina, Ohio, Oregon, nor Rhode Island had a budget in place on July 1. Oregon, Rhode Island, and Ohio have approved budgets and are waiting on action from their governors. Massachusetts has a temporary budget which lawmakers can take another month to finalize. North Carolina Governor Roy Cooper vetoed the budget presented by lawmakers. The governor of New Hampshire vetoed a portion of the state's budget containing business taxes.

Our Take: Late budgets and disagreements between lawmakers and governors are not favorable. These states must place high priority on finishing the budget process and implement their budget plans soon. The number of late and unsigned budgets this year is much higher than last year, when almost all states met their deadlines.

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

To reach a representative for your region, please contact:

U.S. West Region (AK, AR, AZ, CA, CO, HI, IA, ID, IL, KS, LA, MI(UP), MN, MO, MT, ND, NE, NM, NV, OK, OR, SD, TX, UT, WA, WI, WY):

Joel Dykman (608) 609-4141 jdikman@reinhard-partnersinc.com

U.S. Southeast Region (AL, DC, FL, GA, KY, MD, MS, NC, PR, SC, TN, VA, WV):

Christopher Rhyne (336) 817-8206 crhyne@reinhard-partnersinc.com

U.S. Northeast Region (CT, DE, IL, IN, MA, ME, MI, NH, NJ, NY, OH, PA, RI, VT)

Christopher Hodges (443) 326-1875 chodges@reinhard-partnersinc.com

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