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## WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

August 5, 2022

### EMPLOYMENT

Nonfarm payrolls grew in July by 528,000 jobs, more than doubling economist estimates. The unemployment rate fell from 3.6% to 3.5%, while the labor force participation rate declined from 62.2% to 62.1%. Average hourly earnings increased 0.5% in July and have risen 5.2% year-over-year.

**Our Take:** The strong jobs market is currently the best evidence that the U.S. is not in a recession despite two straight quarters of negative GDP growth. It really matters little if the economy is in recession now or not. The Fed has no intention of pausing rate hikes, as they continue to view inflation as a bigger threat than a slowing economy.

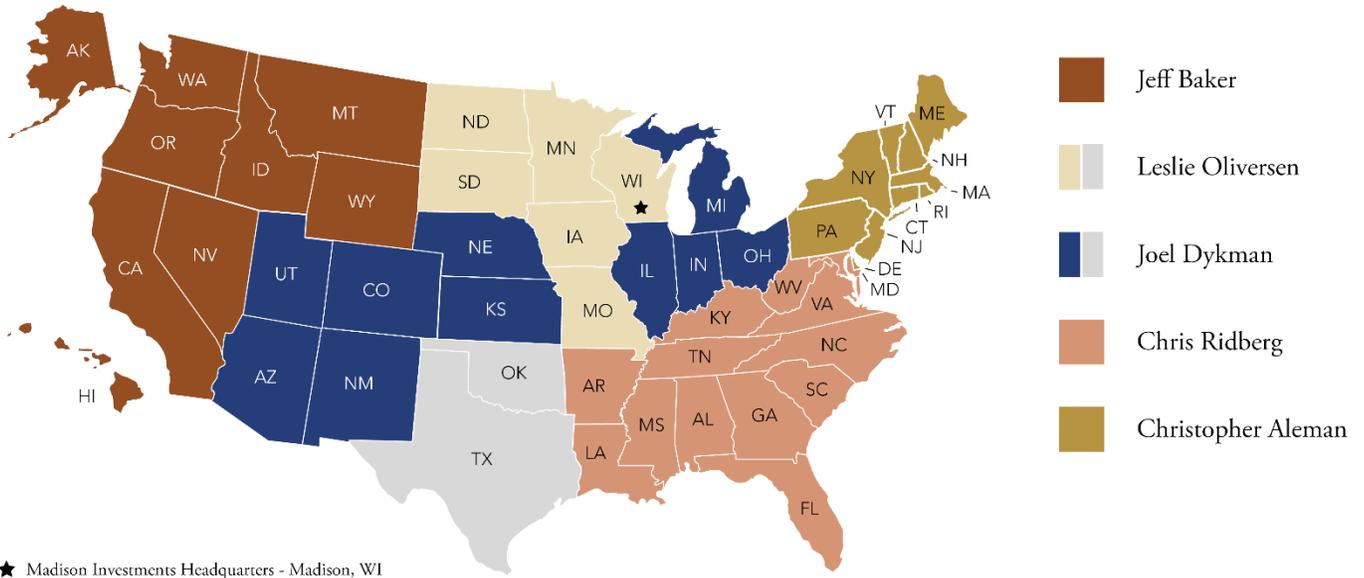
### MUNICIPALS

California officials warned that revenue collections may lag estimates. In a report released this week, Deputy Legislative Analyst Brian Uhler indicated that personal income, corporation, and sales taxes could be \$5.5 billion lower than projected for the current fiscal year. In addition, California's Department of Finance released June tax revenue numbers, which showed that collections were \$2.4 billion lower than expected, mostly due to personal income tax collections.

**Our Take:** After a surge in revenue and tax collections last year, California has started to experience an economic slowdown. Lower-than-expected tax collections should not come as a surprise, as rates have risen and the stock market has experienced declines in recent months. However, California has taken steps to prepare for an economic downturn by increasing its reserves and boosting the state's rainy-day fund.



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