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

November 5, 2021

### EMPLOYMENT

The U.S. economy added a greater-than-expected 531,000 jobs in October, and the previous two months' gains were revised upward by 235,000. The unemployment rate fell to 4.6%, while participation was steady at 61.6%. Wages rose 0.4% from September and 4.9% from October of 2020.

**Our Take:** The October report indicates that the U.S. economy continues to add jobs and that the August and September slowdowns in hiring were not as severe as initially feared. The continued strong rises in wages and depressed participation rate, when considered with historically high job openings relative to unemployment, indicate that labor supply is still the constraint on jobs growth rather than employer demand. The longer that this dynamic persists, the less likely that the current inflation pressures prove to be transitory.

### THE FED

As expected, the Federal Reserve Open Market Committee left its federal funds rate unchanged at the current range of 0.0%-0.25%. Also as expected, the FOMC announced the start of its tapering process. The Fed will reduce the pace of its monthly asset purchases by \$10 billion for Treasury securities and \$5 billion for mortgages beginning later this month. At this pace, the Fed's asset purchase program will end in June of next year.

**Our Take:** Although the pace of the taper could vary as economic conditions warrant, this is a good and necessary first step in normalizing the Fed's monetary policies from the extraordinary measures implemented during the pandemic.

### OIL

OPEC+ refused to make any additional increases to crude production even after pressure from the Biden administration to take action to lower prices paid at the pump in the U.S. Crude recovered some of the gains it had lost over the past week in response to the Biden administration's communications to OPEC+. The administration indicated that it might consider a release of crude from the U.S. Strategic Petroleum Reserve (SPR).

**Our Take:** The OPEC+ refusal to offer even a token gesture puts the Biden administration in the position of having to take some action or appear powerless to influence OPEC+. A release from the SPR or a ban on exports of U.S. crude would be unlikely to have a meaningful or lasting impact on retail gasoline prices. Crude prices are at levels that historically have driven significant drilling activity by U.S. shale producers, and a significant increase in shale production would put downward pressure on crude prices.



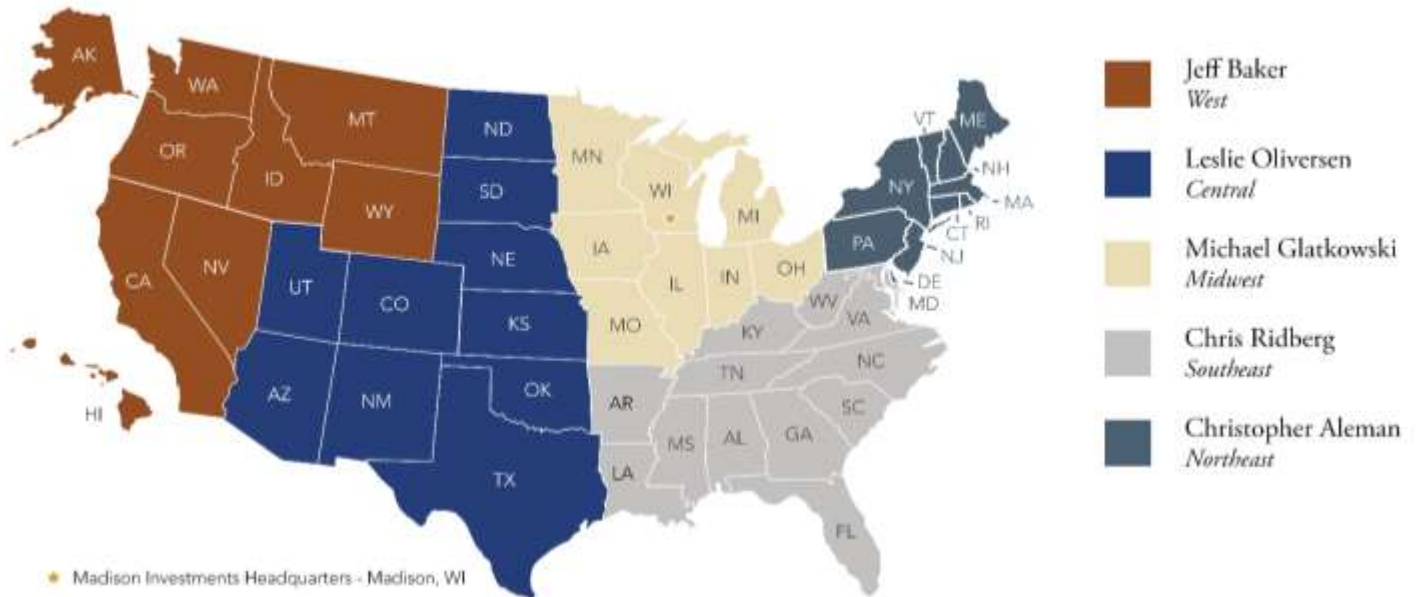
## MUNICIPALS

Municipal bond measures totaling nearly \$27 billion were on ballots across the country this week. This marks the lowest amount since 2017 according to Bloomberg. After the voting, \$7.8 billion of municipal bond measures were approved, while at least \$3.5 billion failed. Some measures were too close to call on election night and continue to wait for final results.


**Our Take:** The lower-than-usual amount of bond measures indicates that municipalities may not be ready to borrow and fund projects. Some state and local governments, rebounding from the effects of the pandemic, may prefer to wait before starting new endeavors. Reasons for voter opposition of measures varied. Some voters voiced concern that borrowing from bond sales could lead to higher taxes.

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