
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

December 8, 2023

EMPLOYMENT

Nonfarm payrolls rose by 199,000 jobs in November. The unemployment rate fell from 3.9% to 3.7% while labor force participation increased from 62.7% to 62.8%. Average hourly earnings grew by 0.4% and are up 4.0% year-over-year.

Our Take: The November employment report surprised to the upside as payroll growth increased more than expected and the unemployment rate fell despite expectations for no change. The strong report reverses some of the weakness in October and supports the Fed's current "higher for longer" rate stance.

CHINA

The Chinese Politburo pledged to strengthen fiscal support of the economy and emphasize growth while also signaling that the 2024 growth target will likely be maintained at 5%. Earlier in the week Moody's put China's sovereign debt on negative watch, citing the increased debt levels resulting from support of the property sector and local governments and their financing vehicles. China's state-owned banks sold dollars to support the yuan, which remained unchanged.

Our Take: The Chinese government is determined to maintain high growth levels, but its capacity to support these growth levels is diminished due to high levels of indebtedness. Barring a sudden surge in domestic consumption or export sales, China may no longer be able to maintain mid-single digit growth.

MUNICIPALS

City of Milwaukee residents will no longer be able to place Christmas trees at the curb for Department of Public Works (DPW) pickup after the holiday. The Wisconsin DNR has stated that holiday trees are yard waste, not decoration, which means that the trees cannot end up in state landfills. Milwaukee officials have stated that residents can bring trees to recycle locations in the city after the holiday for composting.

Our Take: Local talk radio and media outlets have been critical of the plan to have a city with 569,000 residents drop trees at two city recycle centers. Many believe that discarded trees will end up at the curb, in vacant lots, or in parking lots. The DPW has called a meeting for next week to discuss other collection options and hopefully can resolve the issue soon, as the holiday is quickly approaching.



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