

## U.S. Municipal Bond Market

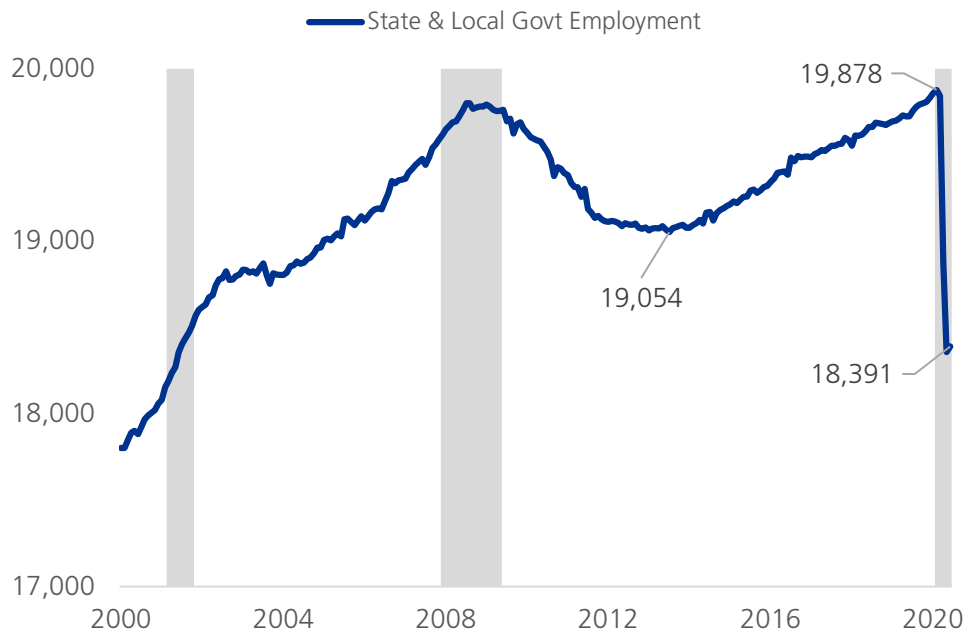
# Jobs Up Again, Too Much Uncertainty from Reopening Rollback, Spread of the Virus Still What Matters

**Higher than Expected – U.S. Added Jobs in June, Unemployment Lower as Well**  
Labor market statistics released this morning show that nonfarm payrolls rose by a much higher number than expected at 4.8 million, compared to the 2.9 million consensus forecast. The unemployment level fell to 11.1% from 12.4%.

In a related jobs market release, we saw that initial weekly jobless claims dropped for the thirteenth week in a row and were 1.427 million for the week ending June 27, higher than the 1.38 million consensus forecast. Continuing claims were 19.290 million for the week ending June 20.

Today's release also notes government jobs changed little in June and government employment is still 1.5 million below its February level. In the chart below, we show the number of jobs shed by state and local governments matched those lost in the wake of the Great Recession in April and continued to drop further.

### State and Local Government Jobs May Have Bottomed Out



Source: Bureau of Labor Statistics, NBER data via FRED, Bloomberg, and HilltopSecurities. # in thousands.

The higher than expected June nonfarm payroll number and the lower unemployment rate does give us an idea of how quickly the U.S. job market picture is set to potentially improve once the health-care crisis comes under some semblance of control, or at least becomes manageable.

Still, there are too many questions to believe for certain that the positive economic numbers we saw in May and June could continue in July. If the increase in infections

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continues into July as it has in the last week, it is possible that the reopening rollback gains momentum. Daily confirmed cases of COVID-19 continued to come in at over 40,000, so the infection wave is continuing per CDC data.<sup>1</sup> In fact, data released this morning showed the daily number of new COVID-19 cases topped 50,000 (at 52,789) for the first time yesterday, July 1.<sup>2</sup> The question is how policymakers choose to manage the infection increase. So far this week state leaders have been rolling back or pausing reopenings, and those policies are likely to slow economic activity.

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### Uncertainty of Virus Spread, Economic Activity Clouds Jobs Picture for Month of July

More states could continue to pause or even reverse the process of reopening state economies as COVID-19 spreads. It is currently unclear as to whether statewide shelter-in-place orders will be necessary again, or if mitigation strategies such as wearing masks and social distancing will be sufficient. Renewed statewide shelter-in-place orders would be a significant headwind to economic activity.

#### "We are Not Even Beginning to be Over This," said CDC Dr. Schuchat

At some point there will be an economic rebound; it is likely just a little further away than the June jobs market numbers suggest. The virus will need to be contained before we can expect a sustained economic recovery, much less better assess the economic recovery picture. That type of stability, at least where the health crisis exists, remains in question. At the beginning of this week, Centers for Disease Control and Prevention (CDC) Principal Deputy Director Dr. Anne Schuchat told Howard Bauchner of the Journal of American Medical Association she expects, "this virus to circulate."<sup>3</sup> Dr. Schuchat also said there was "a lot of wishful thinking around the country" that the pandemic would be over by the summer. "We are not even beginning to be over this," Schuchat said. "There are a lot of worrisome factors about the last week or so."<sup>4</sup>

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Spread of the virus is what matters, still—if the numbers continue to rise, then policymakers may be put into a position where they need to clamp down on economic activity. Just as Dr. Anthony Fauci, the director of the National Institute of Allergy and Infectious Diseases, warned back in March:

"You've got to be realistic, and you've got to understand that you don't make the timeline, the virus makes the timeline ... So you've got to respond to what you see happen, and if you keep seeing this acceleration, it doesn't matter what you say, one week, two weeks, three weeks, you've got to go with what the situation on the ground is...you need the data."<sup>5</sup>

Analyzing economics is typically all about the data, but now the "X" factor is related to the potential spread of the coronavirus, and how policymakers and individuals respond. Those inputs then again impact the spread of the coronavirus and cause a resultant rise or fall of economic activity from reopenings or reopening rollbacks. Analyzing economic data in the summer of 2020 will continue to be different than ever before.

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<sup>1</sup> [New Cases by Day; Centers for Disease Control and Prevention](#); Data as of June 30th updated July 1st.

<sup>2</sup> Farzan, Antonia Noori; Rick Noack; Lateshia Beachum; Kim Bellware; Siobhán O'Grady; Hamza Shaban and Hannah Knowles; Live updates: Daily number of new coronavirus cases in U.S. tops 50,000 for first time; the Washington Post; July 2, 2020.

<sup>3</sup> Interview of CDC principal deputy director Anne Schuchat by Howard Bauchner, Editor in Chief of the American Medical Association; June 29, 2020.

<sup>4</sup> Falconer, Rebecca; [CDC expert warns U.S. has "way to much virus" to contain outbreak](#); Axios; June 30, 2020.

<sup>5</sup> Burdryk, Zack; [Fauci: 'You don't make the timeline. The virus makes the timeline.'](#) The Hill; March 26, 2020;

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