

## U.S. Municipal Bond Market

# Job Market Improvement Stalled, Implications for Fiscal Policy Uncertain

### Summary

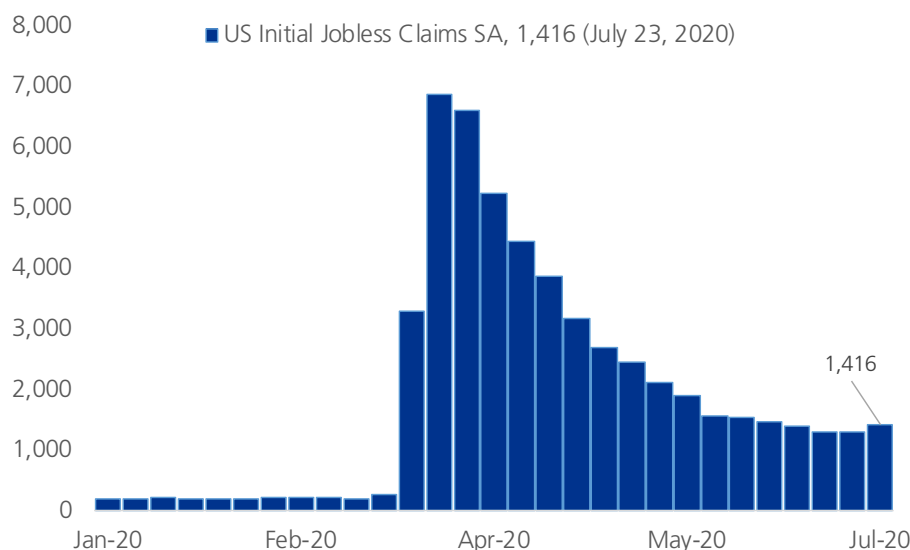
- Jobless claims rose for the first time since the beginning of the pandemic. Department of Labor data showed they rose to 1.42 million from 1.30 million last week.
- A key takeaway from today's release is that the reopening rollback is definitely impacting the economic rebound. It appears as though the improvement we observed has stalled.
- The magnitude of the weekly jobless claims data is still significant. This is the 19th consecutive week claims were above 1 million. At the worst point of the last economic downturn, claims averaged 650k in the Spring of 2009.
- As of now, we are reading that the Republicans and the White House are still in the process of prioritizing their agenda. The broader implication of this data is likely to be revisited in the coming days, potentially after the GOP releases its bill and then seeks to negotiate with the Democrats.
- Legislative Update: Some thought it was possible that separate bills may be considered; One that would extend unemployment benefits and then another that would include other elements that have been recently contemplated. Today, that possibility was more or less struck down, along with the chance of seeing a final GOP bill today. It seems like the Republicans are shooting for Monday, July 27 to release its version of a fifth phase of COVID-19 relief.
- This week's Dallas Federal Reserve national Mobility and Engagement Index (MEI) data point turned slightly positive, as of the week ending July 18. On a positive side, the MEI seems to have plateaued, although the problem remains that it is still very much in negative territory.

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### The U.S. Job Market Improvement Stalled (in thousands)



Source: U.S. Department of Labor, Bloomberg, and HilltopSecurities.

### Rising Initial Jobless Claims

The progress that the U.S. job market has made in recent weeks and months stalled, based on initial jobless claims data released this morning.

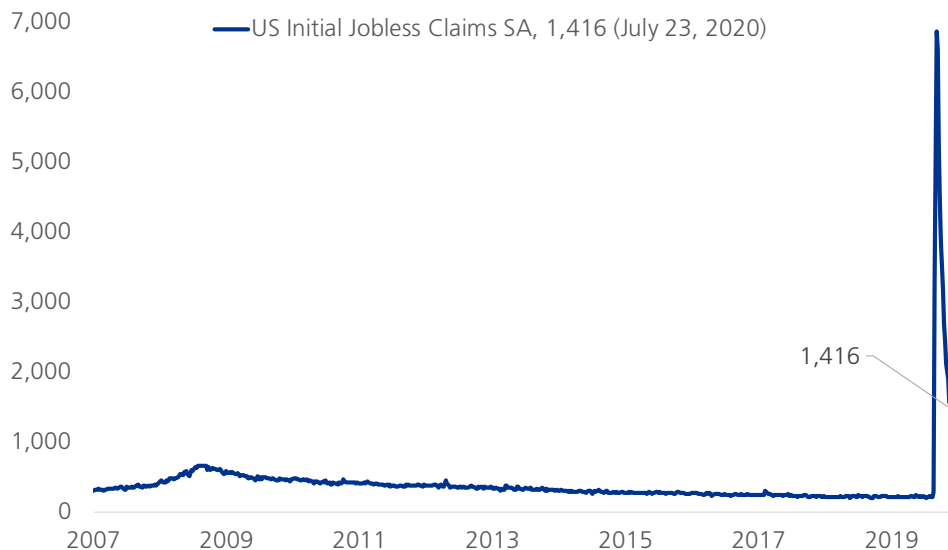
Jobless claims rose for the first time since the beginning of the pandemic. Department of Labor data showed they rose to 1.42 million from 1.30 million last week. This week's 1.42 million is higher than the consensus estimate of 1.30 million economists expected.

It appeared as though the labor market data was leveling off over the past two weeks. A key takeaway from today's release is that the reopening rollback is definitely impacting the economic rebound. It appears as though the improvement we observed has stalled.

We should also note that the magnitude of the weekly jobless claims is still significant. This is the 19th consecutive week claims were above 1 million. At the worst point of the last economic downturn, claims averaged 650k in the Spring of 2009. From a historical perspective, there is a long way to go in order for the labor market to heal.

*Department of Labor data showed they rose to 1.42 million from 1.30 million last week. This week's 1.42 million is higher than the consensus estimate economists expected (1.30 million).*

### U.S. Labor Market Still Has a Long Way to Recovery (in thousands)



*This is the 19th consecutive week claims were above 1 million. At the worst point of the last economic downturn, claims averaged 650k in the Spring of 2009.*

Source: U.S. Department of Labor, Bloomberg, and HilltopSecurities.

### Implications for Fiscal Policy Negotiations

Lawmakers in the nation's capital have been negotiating a fifth round of COVID-19 relief for much of this week. This labor market figure is important news that is likely to be digested by Washington, D.C. policymakers in quick order. It seems like it is the type of economic data point that could reinforce the fact that the labor market recovery is stalling and could threaten the country's broader economic upturn.

As of now, we are reading that the Republicans and the White House are still in the process of prioritizing their agenda.

The broader implication of this data is likely to be revisited in the coming days, potentially after the GOP releases its bill and then seeks to negotiate with the Democrats.

### Legislative Update – Status of GOP Bill

Some thought it was possible that separate bills may be considered; One that would extend unemployment benefits and then another that would include other elements that have been recently contemplated. Today, that possibility was more or less struck down, along with the chance of seeing a final GOP bill today. It seems like the Republicans are shooting for Monday, July 27 to release its version of a fifth phase of COVID-19 relief.<sup>1</sup>

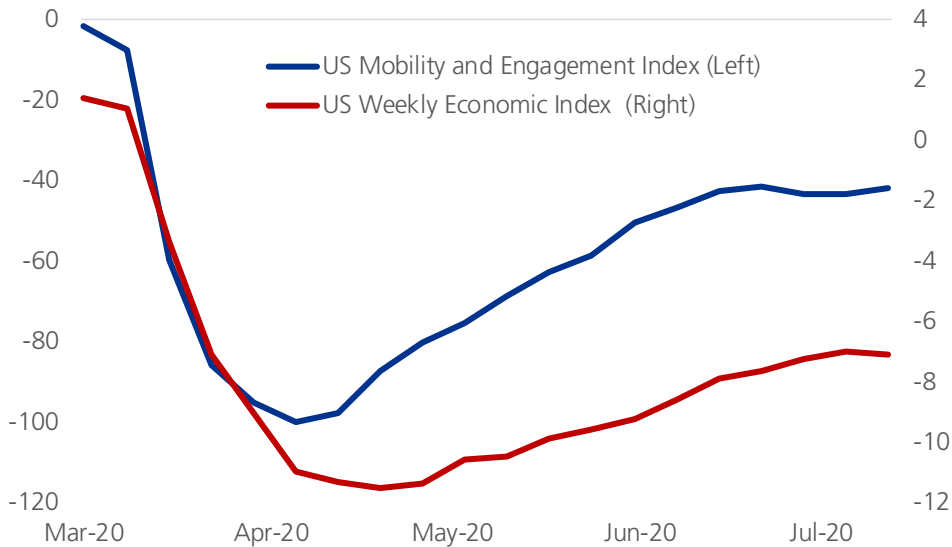
*The labor market figure is the type of economic data point that could reinforce the fact that the labor market recovery is stalling and could threaten the country's broader economic upturn.*

### Dallas Federal Reserve's Mobility and Engagement Index has Improved

A potentially constructive piece of data came out this week. We have been closely watching weekly statistics published by the Dallas Federal Reserve in the form of their Mobility and Engagement Index (MEI). This week's national MEI data point from the Dallas Fed turned slightly positive, as of the week ending July 18. On a positive side, the MEI seems to have plateaued, although the problem remains that it is still very much in negative territory.

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### The Dallas Fed's National Mobility and Engagement Index was Slightly Better



Source: SafeGraph, Homebase, Federal Reserve Bank of Dallas, Federal Reserve Bank of New York, Lewis, Daniel J., Mertens, Karel, and Stock, James H. and HilltopSecurities.

<sup>1</sup> Werner, Erica; Seung Min Kim and Jeff Stein; White House, GOP kill payroll tax cut but flounder over broader coronavirus bill; Washington Post; July 23, 2020.

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