

Retail Sales

Retail sales increased by 0.3% in December, matching expectations. The retail sales control group, used to calculate GDP, rose 0.5%, yet was revised lower to no change in October and -0.1% in November.

Our Take: Control group revisions have led to falling estimates for GDP. The Atlanta Fed now predicts GDP to have increased at just a 1.8% rate in the fourth quarter, down from a 2.3% estimate before the retail sales report. This hammers home the realization that consumers are driving growth and that any slowdown in consumer spending will be reflected directly in GDP growth.

China

President Trump and Chinese Vice Premier Liu signed the Phase 1 trade agreement between the U.S. and China. The agreement sets out targets for Chinese purchases of certain goods from the U.S. and includes statements about the importance of protecting intellectual property. There is no stated enforcement mechanism in the agreement, and the Trump administration stated that there will be no further tariff reductions until later Phases are signed.

Our Take: The lack of specifics on intellectual property and forced technology transfer as well as the lack of a dispute resolution and enforcement mechanism limit the likely impact of this part of the agreement. The rest of the agreement sets amounts of different goods for China to purchase from the U.S. rather than seeking to reduce or eliminate barriers to the free flow of goods and services between the two nations.

Inflation





December consumer prices rose 0.2%, while producer prices rose 0.1%. In 2019, consumer prices rose 2.3% and producer prices increased 1.3%.

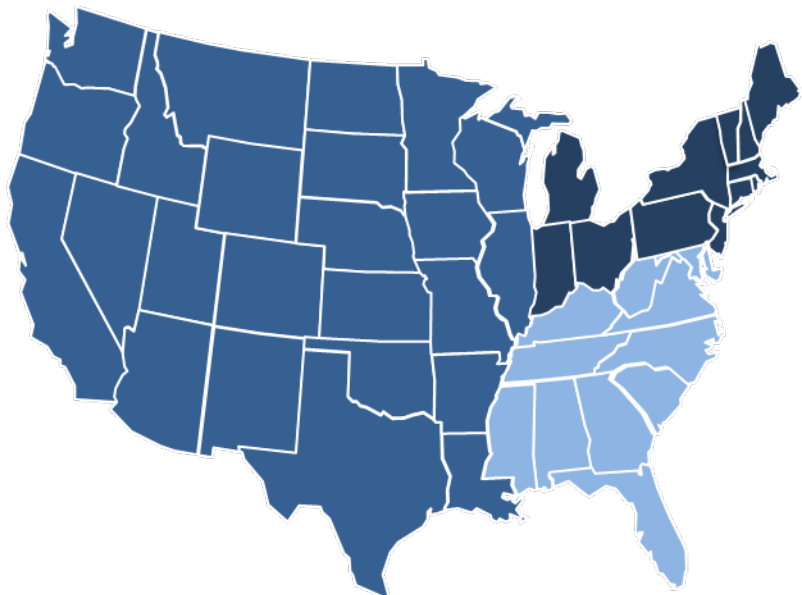
Our Take: Inflation continues to be tame and remarkably stable. While it remains below the 2% Fed target by most measures, inflation is currently not a major economic concern.

Municipals

Chicago increased the size of its general obligation bond sale this week. Chicago issued \$466 million, an increase of \$100 million according to Bloomberg. This week's debt sale was the city's first general obligation new issue since March 2019. Proceeds from the bond sale will help cover part of the city's budget shortfall.

Our Take: By increasing the size of the new issuance, Chicago is taking advantage of low interest rates and high investor demand. Chicago continues to look for ways to cut costs and increase revenue. However, issuing debt to cover a budget shortfall is a short-term solution.

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