

Employment

January nonfarm payrolls rose by 225,000 jobs. The unemployment rate rose from 3.5% to 3.6%, as the labor force participation rate rose from 63.2% to 63.4%. Average hourly earnings rose 0.2%.

Our Take: In general, this is a solid employment report, as the 225k increase in jobs far exceeded the 165k estimate. The unemployment rate did tick higher, but only because more people joined the workforce. The tepid increase in average hourly earnings is a bit concerning, as weaker-than-expected earnings growth offsets some of the luster of better-than-expected jobs gains. All things considered, this report indicates a robust employment picture, which should support a continued strong consumer sector.

ISM Indexes

The January Institute for Supply Management manufacturing index rose from 47.8 to 50.9, while the non-manufacturing index increased from 54.9 to 55.5.

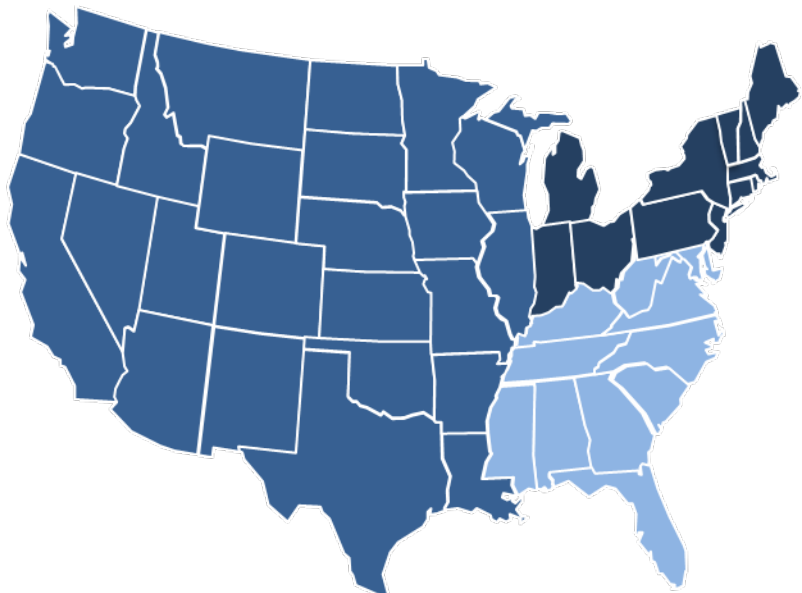
Our Take: The manufacturing index jump to expansionary (above 50) after five months in contractionary territory was a big surprise. Movements toward resolution of trade tensions, including the signing of the USMCA and the Phase 1 deal with China, probably played a large part in the increase. Keep in mind, however, that these readings likely reflect pre-Coronavirus conditions, so a reversal next month is possible.

Municipals

Municipal securities dealers' net positions have declined to \$12.1 billion, according to Bloomberg, nearing the lowest amount since 2014.

Our Take: Even though state and local governments have taken advantage of low interest rates and have issued or refinanced debt, municipal supply remains low as investor demand continues to be strong.

- Christopher Hodges**
Northeast
443-326-1875
chodges@reinhart-partnersinc.com
- Christopher Rhyne, CIMA®**
Southeast + PR
336-817-8206
crhyne@reinhart-partnersinc.com
- Joel Dykman**
West + AK, HI
608-609-4141
jdykman@reinhart-partnersinc.com
- Internal Support**
262-241-7065



All expressions of opinions are subject to change without notice in reaction to shifting market conditions. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice.