

The Fed

This week the Fed released the minutes from its April FOMC meeting. The minutes show the Fed's concern both for the current state of the economy and what lies ahead, noting the "extraordinary amount of uncertainty and considerable risks to economic activity in the medium term." The committee discussed modified forward guidance as well as more explicit QE targets as possible policy tweaks in the near term. In the end, the Fed maintained its forward guidance of not raising rates until the pandemic is over and the economy is on track toward full employment and 2% inflation.

Our Take: Given its concerns over the economy, the Fed stands ready to do what it can and is looking for ways to provide additional accommodation, if needed.

China

China began the annual National People's Congress. The Communist Party leadership stated that China will not have a numerical goal for GDP growth this year. Also, the leadership announced intentions for legislation to bring Hong Kong under the mainland's national security laws. This action prompted immediate protests in Hong Kong. In the U.S., the Senate began moving legislation to de-list Chinese companies that do not grant U.S. regulators sufficient access to audit data from U.S. exchanges.

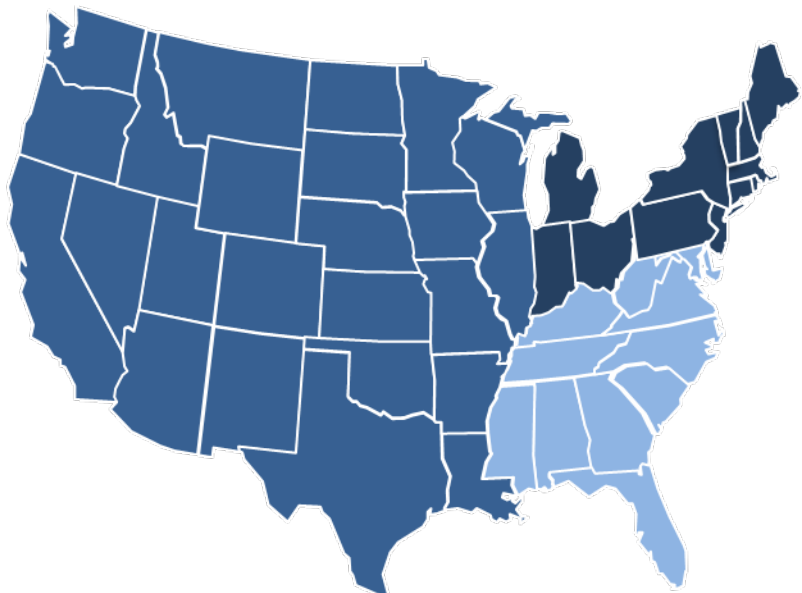
Our Take: U.S.-China tensions are increasing again, and this time the issues go beyond trade and trade deficit numbers. Any attempts to reduce the links between the world's two largest economies will be a headwind to the global recovery from the COVID-19 driven slowdown.

Municipals

Tax revenue in the state of New York fell 68.4% in April compared to last year according to Bloomberg. It was reported that the state collected \$3.7 billion in April, a drop of \$7.9 billion compared to April 2019.

Our Take: In addition to the coronavirus shutdown, the tax filing extension move to July has led to lower tax collections this spring compared to last year. Many states will experience lower-than-expected tax collections in 2020, but a more accurate year-over-year comparison cannot occur until after the July 15 deadline.

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