

Retail Sales

November retail sales fell 1.1%, while October sales were revised lower from +0.3% to -0.1%.

Our Take: Reduced government aid and re-imposed lockdowns appear to be affecting retail sales. It is important to keep in mind, however, that retail sales had fully recovered from lows earlier in the year. Sales remain above the long-term trendline, even after November's large decline.

The Fed

As expected, the Federal Reserve Open Market Committee (FOMC) left its federal funds rate unchanged at the current range of 0.0%-0.25%. Economic activity and employment continued to recover according to the Fed statement. However, both measures remain well below their levels at the beginning of the year. The Fed offered updated guidance for its current securities purchase program, stating it would continue to buy at least \$120 billion of bonds each month until "substantial" progress has been made toward its employment and price stability goals.

Our Take: The Fed remains committed to its support of the U.S. economy until the recovery is complete, and perhaps even beyond.

Employment

Initial jobless claims rose this week from 862,000 to 885,000. The total of those receiving unemployment aid increased as well, to over 20 million.

Our Take: The end is hopefully near, but the pandemic rages on for now. Future employment gains will be difficult absent declining virus case numbers.

Municipals

Wisconsin's spending is expected to exceed revenue collected by \$373 million next year according to a report released by the Wisconsin Policy Forum. This shortfall number does not include Medicaid expenses or any increase in spending for prisons and schools. The total deficit could balloon to more than \$2 billion once all spending is taken into account.

Our Take: Wisconsin's Democratic governor and Republican-led legislature must work together on the upcoming budget. Wisconsin has not faced a deficit of this size since 2011. The state has a healthy reserve fund, but some lawmakers are hesitant to draw on reserves to close the gap. Uncertainty due to the pandemic is making it difficult to project revenue and spending needs.

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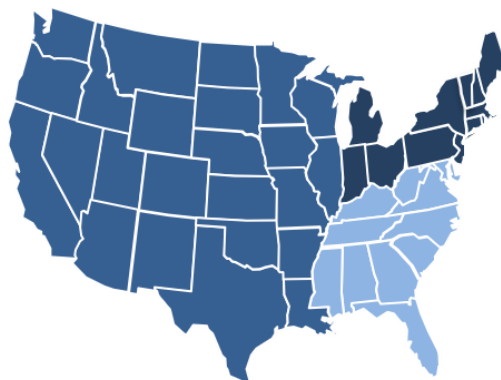
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