

## GDP

Fourth quarter GDP rose at a 4.0% annualized rate. Consumption rose 2.5%, primarily on services. Business investment was up 13.8%, while government spending fell 1.2%.

**Our Take:** GDP fell 3.5% in 2020, marking the first annual decline since 2009. Results would have been markedly different without government stimulus, more of which is expected in 2021. It appears that while the first quarter of 2021 could be challenging, a light has appeared at the end of the pandemic tunnel. A sustained recovery likely hinges on the speed and efficacy of vaccination.

## 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, albeit at a moderated pace, with weakness concentrated in the sectors most negatively impacted by the pandemic. Going forward, the path of the economy remains dependent on the course of the virus and the progress of vaccinations.

**Our Take:** The Fed remains committed to its support of the U.S. economy until the recovery is complete. Given the current economic weakness and inflation well below target levels, the Fed will likely maintain its accommodative stance for the foreseeable future.

## Personal Income and Spending

Personal income rose 0.6% in December, while spending fell 0.2%. November spending was revised lower, from -0.4% to -0.7%. The savings rate increased in December from 12.9% to 13.7%.

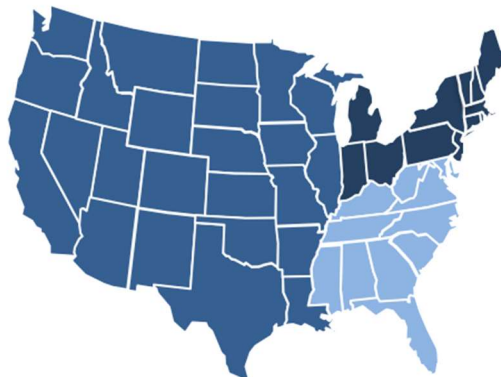
**Our Take:** The December rise in incomes was due entirely to government transfer payments. Excluding these, income fell 0.2%. Increased lockdowns negatively affected spending in December, a trend likely to continue until the country is better able to contain COVID-19.

## Municipals

Home prices rose 9.5% for the year ending in November 2020 according to the S&P CoreLogic Case-Shiller National Home Price Index, marking the highest annual increase since 2014. Phoenix and Seattle reported the highest home price growth at 13.8% and 12.7% respectively.

**Our Take:** Low mortgage rates, limited supply and increased demand have driven home prices higher. Many expect the 2021 housing market to be strong as buyers who postponed purchases due to the pandemic continue to reenter the market.

- **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



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