

Employment

Nonfarm payrolls dropped by 140,000 in December, the first decline since nearly 21 million jobs were lost in April. The unemployment rate was unchanged at 6.7%. Average hourly earnings increased by 0.8% during December.

Our Take: The COVID-19 surge and corresponding lockdowns have clearly stalled the jobs recovery. However, the distribution of losses is illuminating. 498,000 jobs were lost in leisure and hospitality – 372,000 in food service and drinking establishments and an additional 92,000 in amusements, gambling and recreation. Clearly, the pandemic is decimating restaurants, bars and in-person entertainment. Fortunately, goods-producing industries and even service industries such as retail are actually adding jobs. Unfortunately, the overall recovery will likely progress no faster than the time it takes to contain the virus.

Oil

Saudi Arabia announced a surprise 1 million bpd production cut for February and March. Crude prices surged on the news after having dipped due to reports that OPEC+ was having trouble coming to agreement on extending production cuts implemented in response to the COVID-19 pandemic.

Our Take: While Saudi Arabia's move is supportive of crude prices in the short run, the need for the Saudis to unilaterally act to remove supply from the market indicates that OPEC+ may not be able to hold together on production quotas as the global economy emerges from the pandemic. For now, Saudi Arabia is willing to cede market share, largely to U.S. shale producers, but at some point the Saudis will not be willing to bear the full burden of supporting crude prices.

Municipals

Municipal issuance reached \$457 billion in 2020 according to Bloomberg. This marks a 12.5% increase over municipal issuance in 2019. State and local governments issued \$140 billion of taxable municipal bonds along with \$317 billion of tax-exempt municipal bonds.

Our Take: Many issuers decided to take advantage of the low interest rate environment and refinanced existing debt in 2020. In addition, certain issuers chose to issue taxable municipal bonds, which allows the issuer greater flexibility in determining how the proceeds are used.

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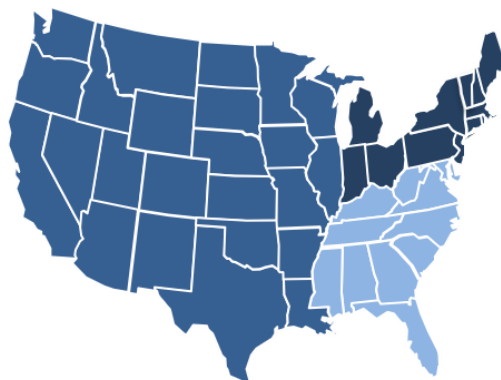
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