

Initial Jobless Claims

Initial jobless claims for the week ending April 11 totaled 5.245 million.

Our Take: Over 22 million people have filed for unemployment insurance since the last employment survey was conducted. How many will return to work as the economy is phased back? How quickly will that happen?

U.S. Economic Statistics

A slew of March economic reports came out this week. Retail sales fell 8.7%. Industrial production fell 5.4%. Housing starts dropped 22.3%. The Leading Economic Indicator index tumbled 6.7%.

Our Take: These declines are staggering and are from March, before the worst of the economic lockdown. April results are expected to deteriorate further. Things will likely get worse before they start to improve.

China

First quarter Chinese GDP was reported at -6.8% year-over-year, the first such contraction since the Mao era in the 1970s. Other data indicate that the contraction may have been worse than the officially reported number. Industrial production began to recover in March as the COVID-19 lockdowns eased, but exports, investment, and consumption remained weak through March.

Our Take: China's first quarter data indicate the severity of the impact of the COVID-19 pandemic on economic growth. The Chinese data also indicate that growth will likely be slow to resume even after the virus containment measures are relaxed in other parts of the world.

Oil





OPEC+ reached an agreement to remove between 9-10 million barrels per-day of crude production. Crude prices initially spiked on the news but then retreated back to their previous levels and tested new lows as it became clear that these reductions will likely not be enough to prevent further inventory builds and strains on storage capacity.

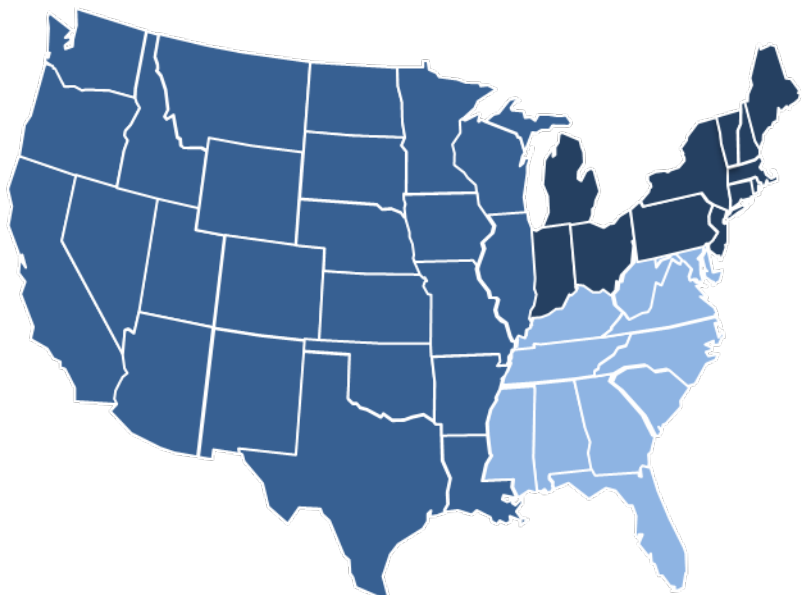
Our Take: The scale of the reduction in crude demand is greater than OPEC+ can offset with production cuts in the short run. Oil producers will need to see a swift recovery in demand following the reopening of major economies.

Municipals

California lawmakers participated in a public hearing to discuss the coronavirus pandemic. Legislative Analyst Gabriel Petek told lawmakers that unemployment claims indicate that up to 15% of workers in the state have lost their jobs. Petek also stated that estimates indicate that the state could see a budget deficit of \$35 billion in the short term and \$85 billion in the future.

Our Take: Uncertainty surrounds most state budgets. Even after taking into account California's \$17 billion in reserves, the future projected budget shortfall is significant. Lower-than-expected tax collections in California have already occurred. However, California normally receives a large percentage of its tax collections in April and this year's tax deadline extension will lead to delayed collections.

-  **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.