



U.S. Municipal Bond Market March 17 Market Activity

Summary, as of end of trading Tuesday, March 17

- There have been a total of 6,084 coronavirus cases reported in the U.S., 101 deaths, and 74 recoveries to date.¹
- In a Tuesday morning press conference President Trump announced the following:
 - Working on details for a federal stimulus package to combat the impact of COVID-19 that could range in cost between \$850 billion and \$1 trillion. See more in Scott McIntyre's March 17, 2020 commentary Serious Support on the Horizon;
 - White House would like to see \$1,000 checks sent to households/individuals in the next two weeks;
 - Evaluating how to best get stimulus to industries such as airlines;
 - Participants at the press conference reiterated the importance of social distancing and the stay-at-home guidelines;²
- Stocks finished up with the Dow increasing 5.17% or 1,044 points today, partially boosted by President Trump's announcements;
- New York City Mayor Bill de Blasio said residents should be prepared for a "shelter-in-place order" within the next 48 hours; San Francisco took this step on Monday (March 16);
- Road and transit use is falling across the U.S. Traveler's descriptions about congestion levels range from "ghost-town" to like a "holiday."³ We lowered our outlook for toll facilities to "Cautious" from "Stable" on March 16;
- 60% of Americans are very/somewhat worried about exposure to coronavirus (COVID-19) as of March 2-13, 2020, according to a Gallup poll. This is almost twice as much as the 36% of Americans who were very/somewhat worried a month earlier;⁴
- The sudden economic stop will bring "intense credit pressure" across all industries and sectors, including municipals, and "it seems likely" to lead to a global recession this year, writes S&P Global;⁵
- Amazon suspended shipments through April 5 of products that are not medical supplies nor high-demand products that can be easily restocked.

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Municipal Market Update – Tuesday, March 17, 2020

Word that Washington, D.C. lawmakers are considering a stimulus package as extensive as \$1 trillion is a positive development. While it may be too early to call a market bottom, it can be said that federal funds like the 2009 Recovery Act (was \$831 billion) go a long way to helping stabilize economic action, but also state and local governments and other municipal bond market activity and credit quality.

Select Municipal Market Data AAA Yields

Date	1 Year	5 Year	10 Year	20 Year	25 Year	30 Year
March 13, 2020	1.11	1.20	1.61	2.13	2.27	2.32
March 16, 2020	1.21	1.26	1.61	2.13	2.27	2.32
March 17, 2020	1.36	1.41	1.69	2.18	2.32	2.37
Change from:						
Mar 16 - Mar 17, 2020	0.15	0.15	0.08	0.05	0.05	0.05

Source: Thomson Reuters and HilltopSecurities.

Please see disclosure starting on page 3.

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There was only a small handful of negotiated and competitive offerings finalized. Most of this week's \$5 billion calendar remains day-to-day. We saw a little more bidding interest for the very few competitive offerings today, meaning instead in two-ish bidders, we saw as many as seven. Bidding levels however were all over the map. All of today's negotiated and competitive issues came at wider spreads than expected. This reinforces the themes that any issues that are going to come in this market are at the mercy of the few buyers participating and those who are not under pressure, and that clearing levels of high grades were not reflective of market indicators. Issuers should not be under the impression that they are going to be able to take advantage of extremely low rates because the Fed lowered to zero; dependable market access remains a struggle.

There was much more movement today with municipal yields, but it still did not come close to matching last week's action. It is likely the movement has yet to stabilize, especially on the front end of the curve. Today we saw the front end of the municipal rise by 15 basis points (bps), through the 2026 maturity. The rest of AAA MMD rose by 5-10 bps.

Rating agencies and insurers are all open for business

Rating agencies Moody's, S&P, Fitch, and Kroll are open for business. Many of the analysts and management are working remotely or from home, but they are diligently publishing thoughtful comments about the potential impact of COVID-19. The analysts have been busy updating ratings and also taking requests for new issuance. Assured and Build American Mutual (BAM), the leading insurers of municipal debt, are ready to examine new issues as well.

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Recent HilltopSecurities COVID-19 Municipal Commentary

- [March 16 Market Activity: HilltopSecurities Lowers Credit Outlooks Due to Unprecedented Steps Taken to Contain COVID-19](#), March 16, 2020
- [Municipal Market Update: Week of March 16 Playbook](#), March 16, 2020
- [Municipal Market Update: COVID-19 Impact Worsens](#), March 12, 2020
- [Lowered Airport Sector Outlook: Recent COVID-19 Impact](#), March 11, 2020
- [Falling Confidence and No Federal Stimulus Increase to Start the Week](#), March 9, 2020
- [Uncertainty – What the Municipal Market Knows and Doesn't Know About COVID-19](#), March 4, 2020
- [Bracing for the Worst; the Coronavirus Market Effect – Status of the Coronavirus Impact on the US Municipal Bond Market \(page 2\)](#), Feb 26, 2020

Recent HilltopSecurities COVID-19 Economic Commentary

- [Serious Support on the Horizon](#), March 16, 2020
- [Waiting on Fiscal Policy as Aggressive Fed Move Falls Flat](#), March 16, 2020
- [Stocks Rebound as Central Banks Respond](#), March 13, 2020
- [On the Edge of Recession](#), March 12, 2020
- [Central Banks Rush to Mitigate Pandemic Fallout](#), March 11, 2020
- [Untying the Knot](#), March 10, 2020
- [Runaway Markets Ignore Massive Payroll Number](#), March 6, 2020
- [Bracing for Zero](#), March 5, 2020

¹ Please see [Worldometers.info/coronavirus](https://www.worldometers.info/coronavirus) for data updated hourly, last accessed 3/17/20 3:20pm central time.

² Breuninger, Kevin and Lauren Hirsch; [Trump seeks stimulus package potentially worth more than \\$1 trillion, including direct payments to Americans](#); CNBC; March 17, 2020.

³ Harrison, David; [Road and Transit Use Falls, Hinting at Declining Commercial Activity](#); Wall Street Journal; March 17th, 2020.

⁴ McCarthy, Justin; [U.S. Coronavirus Concerns Surge, Government Trust Slides](#); Gallup; March 16, 2020.

⁵ [COVID-19 Credit Update: The Sudden Economic Stop Will Bring Intense Credit Pressure](#); S&P Global; March 17, 2020.

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