



## U.S. Municipal Bond Market

# House Speaker Pelosi Wants More for State and Local Governments in Potential Fourth Phase

### Summary, as of Thursday, March 26

- There have been a total of 80,854 coronavirus cases reported in the U.S., 1,163 deaths, and 1,864 recoveries to date;<sup>1</sup>
- House Speaker Nancy Pelosi wants more funds for state and local governments in the potential fourth phase of federal government relief;
- The U.S. Senate unanimously approved of the \$2+ trillion CARES Act relief package, the U.S. House is expected to vote Friday, and the U.S. Treasury Secretary says individuals should receive their relief check within three weeks
- Market commentary: the mood in municipals is still recovering despite record; weekly initial jobless claims of 3.3 million;
- Lipper reported a fourth consecutive weeks of flows out of municipal funds, setting a new record at \$13.678 billion;
- AAA MMD yields are lower again, 50-60 basis points across the curve; and
- VRDO market seems to be settling down; SIFMA reset at a 4.71% today, compared to 5.20% last week.

### House Speaker Wants More for State and Local Government in Fourth Phase

U.S. Speaker of the House Nancy Pelosi pointed out in a press conference today that the first two phases of federal relief (1. Initial Prevention and Research Efforts Cost \$8.3 billion, 2. \$100 billion for Testing and Paid Leave) focused on taking care of the COVID-19 emergency directly.<sup>2</sup> This \$2+ trillion phase three funding focused on mitigation for families and workers, and she specified that the next round of relief would be focused on recovery. Of the items Speaker Pelosi talked about that were missing in the third phase, and what she would like to see in the fourth related to municipals is: more money for state and local governments. She also mentioned pensions in the interview, but we believe she was referring to aid for private multiemployer pensions, not public pensions.

### Senate Unanimously Approved CARES Act Relief, House Should Soon

The U.S. Senate unanimously approved of the \$2+ trillion Coronavirus Aid, Relief, and Economic Stabilization Act (or CARES Act) relief package. The U.S. House is expected to vote Friday morning, and the legislation is expected to pass. Some details still have to be worked out amongst the recently announced Federal Reserve programs and the CARES Act. Today, U.S. Treasury Secretary Steven Mnuchin said individuals should receive their relief checks within three weeks.<sup>3</sup>

Yesterday, we published a summary of the municipal elements of the CARES Act in [Agreement on the \\$2+ Trillion CARES Act; Not Nearly Enough for State and Local Governments, March 25, 2020](#).

HilltopSecurities' Scott McIntyre and Greg Warner published economic commentary today about the CARES Act as well. Please see [Help is on the Way as Massive Relief Bill Passes the Senate, March 26, 2020](#).

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### Market Commentary – Mood Still Recovering, Price Discovery Still Not Entirely Efficient

A record weekly initial jobless claims of 3.3 million were released Thursday morning. Most were expecting a number between 1 and 2 million, so this far surpassed expectations. The mood in the municipal market continued to recover despite the extremely bad economic news. Lipper reported a fourth consecutive week of flows out of municipal funds, setting a new record at \$13.678 billion.

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### MMD AAA Yields Fall Again – Thursday, March 26

A risk on tone continued as the DOW Jones Industrial Average added 1,352 points for a 6.38% gain today. This mood extended to municipals as well as the market seems to continue its recovery to normalcy. Dynamics are not backed 100% just yet, but the journey continued today as demand continued to be strong, prompting more decreases in the AAA municipal benchmark. MMD AAA yields continued lower today as they fell 50-60 bps. 2 year AAA MMD ended today's trading at 1.12%, the 10 year AAA MMD at a 1.34%, and the 30 year AAA MMD came in at a 1.92%.

### VRDO Market Settling Down

The municipal variable rate demand obligation (VRDO) market had been under pressure since the beginning of last week. We went into more details about the VRDO products and the pressure in the market in March 18 Market Activity – A Focus on the Significant Pressure in the VRDO Market. At the beginning of this week, the Fed expanded some of their short-term liquidity programs to include municipals or tax-exempts, giving the market an indication they were devoted to freeing up liquidity. We finally began to see today that the VRDO resets are beginning to normalize. The majority of today's resets we saw on the MSRB EMMA website are close to or below 2.00%, as opposed to the 4-7% we were viewing. The SIFMA Municipal Swap Index (SIFMA) priced reset at 4.71% Wednesday afternoon, March 25, 2020. Yesterday's reset was down compared to last week's 5.20%.

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### Recent HilltopSecurities COVID-19 Municipal Commentary

- [Agreement on the \\$2+ Trillion CARES Act, Not Nearly Enough for State and Local Governments](#), March 25, 2020
- [Still Waiting on Congress, Looking for State and Local Government Stimulus](#), March 24, 2020
- [Congress Working on \\$2+ Trillion of Stimulus; Fed Provides More Targeted Support for Municipals](#), March 23, 2020
- [Tax Deferrals Could Create a Cashflow Crunch; Market Needs Help With Liquidity; Federal Government Provided Some, Working on More Targeted Support](#), March 20, 2020
- [\\$12 Billion Flows Out of Municipal Funds, Recent Monetary & Fiscal Policy](#), March 19, 2020
- [March 18 Market Activity – A Focus on the Significant Pressure in the VRDO Market](#), March 18, 2020
- [March 17 Market Activity](#), March 17, 2020
- [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

- [Help is on the Way as Massive Relief Bill Passes the Senate](#), March 26, 2020
- [Staying Afloat Until the Storm Passes](#), March 23, 2020
- [Government Goes Big on Latest Rescue Plan](#), March 19, 2020
- [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

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<sup>1</sup> Please see [Worldometers.info/coronavirus](https://www.worldometers.info/coronavirus) for data updated hourly, last accessed 3/25/20 3:20pm central time.

<sup>2</sup> [Nancy Pelosi Speaks After Senate Passes Coronavirus Stimulus Package](#), Video; NBC News; March 26, 2020.

<sup>3</sup> Breuninger, Kevin; [Coronavirus stimulus checks will come within three weeks, Mnuchin says](#); CNBC; March 26, 2020.

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