

U.S. Municipal Bond Market

Mobility Index Falling in Select States, Warns Recent Improvements Could be at Risk

Summary

- There is a potential for the reopening rollback to become more widespread across the U.S. as and/or if infections continue to rise.
- It should come as no surprise that pandemics can produce waves of infection. In the past 100 years the deadliest pandemics including the 1) 1918 H1N1 (Spanish flu), 2) the 1957 H2N2 flu and 3) and the 1968 H3N2 flu all experienced multiple waves.
- The Dallas Fed's Mobility and Engagement Index (MEI) is generally leveling out. The MEI data in Texas and Illinois is falling.
- Going forward we may expect to see economic movement that improves for a number of weeks as it has since the end of April – but then drops off if policymakers need to tighten restrictions for health purposes.

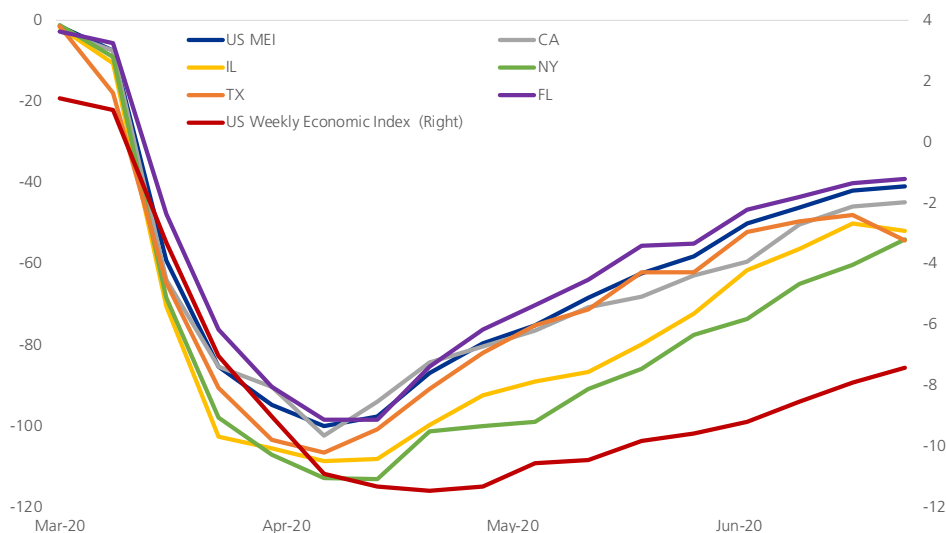
Confirmed Cases Increased, Localized Rollbacks

Daily confirmed COVID-19 cases have increased since the end of June.¹ These increases prompted some states such as Texas, California, and Florida to roll back the reopening processes that started as early as the end of April. Other states, such as New Jersey and New York, which successfully flattened the curve of the first wave of infection are potentially at risk of another round of infections as individuals become more mobile. Leaders in those and other states facing potential increases are selectively slowing reopening measures and could remain at risk for increases in infection. There is a potential for the reopening rollback to become more widespread across the U.S. as and/or if infections continue to rise.

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Some State Mobility and Engagement Index Data is Dropping



Source: SafeGraph, Homebase, Federal Reserve Bank of Dallas, and HilltopSecurities.

Waves of Infection

It should come as no surprise that pandemics can produce waves of infection. In the past 100 years the deadliest pandemics experienced multiple waves:

- The 1918 H1N1 (Spanish flu) experienced three waves that year – the first in the spring, the second in the fall, and the third in the winter of 1918. The second wave was the peak of the Spanish flu pandemic. The 1918 pandemic finally subsided in the summer of 1919.²
- In 1957, the H2N2 flu occurred in two waves. The first in the spring and summer of 1957, followed by the second wave in the fall of 1957.³
- About 10 years later, the H3N2 flu appeared in 1968, also occurring in two distinct waves. The first occurred during the summer of 1968. The second wave started in late 1969 and lasted into 1970.⁴

It is difficult to determine where exactly the world, and the U.S. specifically, is now concerning the path of COVID-19 infections. Perhaps what we are seeing now is the beginning of the second wave. But, the numbers differ state-to-state and place-to-place. From a health perspective, state leaders have been acting in recent weeks to control the spread of cases. However, the steps state leaders have taken also could take an economic toll. We have not yet seen the impact in economic data, but a potential precursor is the change in the Dallas Federal Reserve's Mobility and Engagement Index (MEI).

Dallas Federal Reserve's Mobility and Engagement Index

There is a clear relationship between the Dallas Fed's weekly economic index and its MEI. As the Dallas Fed's MEI bottomed out at the beginning of April, we can see that the Dallas Fed's Weekly Economic Index reached a floor. The difference is that the MEI seems to have increased after about two weeks, while the Economic Index did not begin rising until closer to the middle or end of May. The good news is the overall trends for both the MEI and Weekly Economic Index have continued to improve, through June 27 data. The bad news is that we are seeing some state-by-state decreases in the MEI. State-by-state we are seeing:

- The Texas MEI has dropped the most, leading us to believe we could be soon seeing Texas economic activity decrease.
- The Illinois MEI has started to fall also.
- The California MEI does not appear to be falling yet, but it is leveling off.
- The Florida MEI has also not dropped, but it also is leveling off.

We very well could be in an environment where the economic data, especially the economic data released on a monthly basis, is stale before it is even collected, much less finally disseminated. Weekly data can offer a better perspective of the current circumstances. But, as you can see in the above data the circumstances can swing so quickly considering the context that it is difficult to know what constitutes a trend and what potentially may not be able to be sustained. Perhaps what we can expect to see going forward is economic movement that is the result of policy adjustments when COVID-19 confirmed cases begin to rise in certain states. Going forward, we may expect to see economic movement that improves for a number of weeks as it has since the end of April – but then drops off if policymakers need to tighten restrictions for health purposes.

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¹ See *New Cases by Day* data via the [U.S. CDC Cases in the U.S.](#); accessed July 7, 2020.

² [1918 Pandemic Influenza: Three Waves](#); Centers for Disease Control and Prevention; accessed July 7, 2020.

³ Lefebvre, John; [COVID-19 Brief: Pandemic Waves and COVID-19; could this be the end of the beginning?](#); RGA Knowledge Center; June 5, 2020.

⁴ *Ibid.*

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