

## U.S. Municipal Bond Market COVID 5

### Summary

- The term COVID 5 is now starting to emerge as the designation for this phase. This could or will evolve when a legislative title is assigned. But, for now we will continue to refer to it as Phase Five or COVID 5.
- Some were expecting a copy of the Republican COVID 5 relief plan early to the middle part of this week. That seemingly is not going to happen. It probably should have sounded unrealistic from the start of this week.
- For now, Senate Majority Leader Mitch McConnell has confirmed that another round of PPP and more direct payments will be in the Republican bill. McConnell also said \$105 billion will be included for schools. We are still not expecting anything for states in this GOP bill.
- Once the Republicans get on the same page, they must negotiate with the Democrats.

### Phase Five, Not Phase Four

A point of minor contention has been whether the current COVID relief negotiation occurring in Washington, D.C. should be referred to as Phase 4 or Phase 5. At issue, really, is whether the April expansion of the Paycheck Protection Program (PPP) and Healthcare Enhancement Act should be considered Phase 3.5 (as it was by many at the time) or Phase 4.

In recent days, some have been referring to the current negotiation as Phase 4. We referred to it as Phase 5 in our July 16 preview and now are seeing others follow. To some, this is mostly an immaterial designation. To others, it is representative of how various parties are approaching not only the negotiations, but also the pandemic itself.

The term COVID 5 is now starting to emerge as the designation for this phase. This could or will evolve when a legislative title is assigned. But, for now we will continue to refer to it as Phase Five or COVID 5.

### Republicans and White House Not on Same Page Yet

Some were expecting a copy of the Republican COVID 5 relief plan early to the middle part of this week. That seemingly is not going to happen. It probably should have sounded unrealistic from the start of this week.

While it mostly seems like all sides want to accomplish a fifth COVID-19 relief package, it also seems as though some were more prepared to discuss details than others. The White House and Republicans in Congress did not start the week on the same page, and they are still not there yet. They are making progress and moving closer together. As far as timing, it appears the White House seems to think that final legislation could come together by the last week of July. Senate Majority Leader Mitch McConnell does not agree with that optimistic appraisal.<sup>1</sup> It seems there are many details Republicans and the White House still need to iron out before the Senate proposes its counter to the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, the \$3 trillion proposal passed by the House in May 2020.

For now, McConnell has confirmed that another round of PPP and more direct payments will be in the Republican bill.<sup>2</sup> McConnell also said \$105 billion will be included for schools.<sup>3</sup> We are still not expecting anything for states in this GOP bill.

Please see disclosure starting on page 2.

Tom Kozlik

Head of Municipal Strategy & Credit  
214.859.9439  
tom.kozlik@hilltopsecurities.com

*Some were expecting a copy of the Republican COVID 5 relief plan early to the middle part of this week. That seemingly is not going to happen. It probably should have sounded unrealistic from the start of this week.*

## Democrats

Again, Senate Minority Leader Chuck Schumer sent a letter to the Democratic caucus yesterday in anticipation of an opening gambit from Senate Republicans that is likely going to be much different (and less) than what Democrats are seeking in this “fifth” phase. Schumer wrote, “We will stand together again if we must. Our Democratic colleagues in the House are ready to work and we know that a bipartisan, bicameral process will result in a much better bill for the American people.”<sup>4</sup>

Once the Republicans get on the same page, they must negotiate with the Democrats.

Perhaps lawmakers set an unrealistic precedent back in March when they negotiated and passed a record amount of relief in a very short period of time when the Coronavirus Aid, Relief, and Economic Security (CARES) Act was finally signed into law on March 27, 2020.

*Perhaps lawmakers set an unrealistic precedent back in March when they negotiated and passed a record amount of relief in a very short period of time when the CARES Act was finally signed into law on March 27, 2020.*

<sup>1</sup> Erica Werner, @EricaWerner. Twitter Post. July 21, 2020, 1:36 PM. <https://twitter.com/ericawerner/status/1285644776373706753>

<sup>2</sup> Erica Werner, @EricaWerner. Twitter Post. July 21, 2020, 9:15 AM. <https://twitter.com/ericawerner/status/1285579224271790081>

<sup>3</sup> Erica Werner, @EricaWerner. Twitter Post. July 21, 2020, 9:13 AM. <https://twitter.com/ericawerner/status/1285578766614495232>

<sup>4</sup> Bolton, Alexander; *Schumer urges Democrats to unify against GOP coronavirus bill*; The Hill; July 20, 2020.

## Recent HilltopSecurities Municipal Commentary

- [Lines are Being Drawn](#), July 20, 2020
- [The Political Risk of Phase Five and the Next Three Weeks](#), July 16, 2020
- [Municipals Shrug Off Reopening Rollback](#), July 14, 2020
- [President’s Tweet Not an Immediate Threat](#), July 10, 2020
- [President Cannot Cut Public School Funding; Schools, State and Local Governments Likely to See Aid in July/August; Jobless Claims Remain Elevated, at Risk; National MEI Index Falling Again](#), July 9, 2020
- [Mobility Index Falling in Select States, Warns Recent Improvements Could Be At Risk](#), July 7, 2020
- [Jobs Up Again, Too Much Uncertainty from Reopening Rollback, Spread of the Virus Still What Matters](#), July 2, 2020
- [No Municipal Debt Binge, and There Won’t Be One](#), July 1, 2020

Readers may view all of the HilltopSecurities Municipal Commentary [here](#).

*The paper/commentary was prepared by Hilltop Securities (HTS). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS as of the date of the document and may differ from the views of other divisions/departments of affiliate Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. This material has not been prepared in accordance with the guidelines or requirements to promote investment research, it is not a research report and is not intended as such. Sources available upon request.*

*Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 1201 Elm Street, Suite 3500, Dallas, Texas 75270, (214) 859-1800, 833-4HILLTOP*