

U.S. Municipal Bond Market COVID-19 Spread Remains Out of Control to Begin 2021

Summary

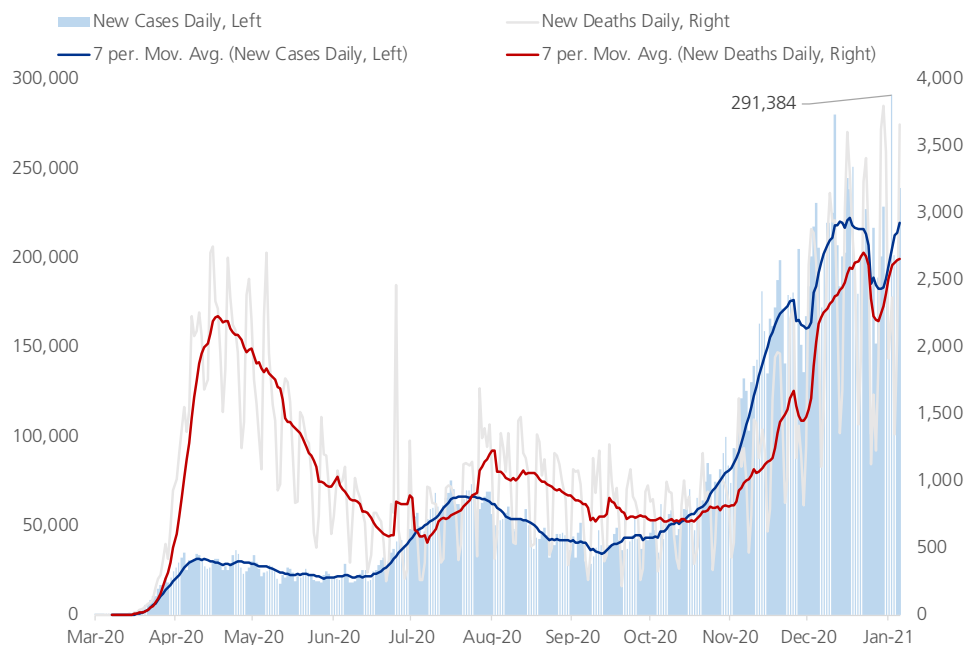
- COVID-19 is spreading uncontrollably.
- An IHME at the University of Washington analysis forecasts about 145,000 COVID-19 deaths in the U.S. for January 2021, which would be almost double December's 77,000 total.
- The COVID-19 resurgence has already begun to negatively impact economic data and could continue to dampen economic activity.
- We have already seen mobility data fall to levels we have not seen since May of 2020. Lower mobility could result in depressed economic activity which could then expand budget obstacles for state and local governments and other municipal bond market sectors.

COVID-19 Spreading Uncontrollably

The Georgia run-off elections are almost final. The potential legislative agenda from the Democrats could be a credit positive for the municipal sector if in fact our upside scenario becomes a reality. We are still waiting on the final tally from the Georgia run-offs.

More political noise is developing in Washington, D.C., but the noise, as serious as it is, is really only taking attention away from the topic that remains the most significant driver (or depressant) of economic growth, the labor market, and policy and municipal credit for 2021 and the near term. That topic is the uncontrollable spread of the coronavirus.

New Daily COVID-19 Cases and Deaths Continue to Rise, Hit New Records



Source: The New York Times and HilltopSecurities.

Please see disclosure starting on page 3.

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Staggeringly High COVID-19 Numbers, Still

What do the U.S. numbers look like now?

Currently (as of Jan 5, 2021) the 7 day average of:

- New daily cases is 219,684 (another record high),
- Hospitalizations (daily, new) is 126,318 (also another record high), and
- Deaths (daily, new) from COVID-19 is 2,661 (just short of the 2,710 high from Dec. 22nd) all per the [New York Times COVID-19 Tracking Project data](#).

The coronavirus is spreading, and it is spreading uncontrollably in some areas of the United States.

The number of COVID-19 related deaths, by state, is highest in New York (38,315), Texas (28,949), California (27,461), and Florida (22,187).

In contrast, Vermont has only seen 149 COVID-19 deaths, Alaska (209), Hawaii (287) and Maine (369).

[The New York Times also lists cases and deaths by state and county here](#). The near-term backdrop created by the COVID-19 virus will get worse or stay terribly high at best, despite the rollout of the vaccines. We cited Dr. Anthony Fauci's comments about his near-term expectation related to the infection spread in our Jan. 4 report [Georgia Run-offs Begin New Year, Important to Watch for Credit Quality](#).

This uncontrollable spread made December the worst month for deaths attributed to the COVID-19 virus as [the U.S. reported over 77,000](#). This is much higher than the next highest month, April, which saw 16,800.

January Deaths Forecast at 145,000- Almost Double December's 77,000

The path forward is forecast to be even more difficult. The Institute for Health Metrics and Evaluation (IHME) at the University of Washington is [forecasting 502,601 deaths from COVID-19 by Feb 4](#). This means that we could see about 145,207 COVID-19 deaths in the month of January (502,601 – 357,394 [as of Feb 5, 2021 per NYT] = 145,207). This is almost double the number of deaths from COVID-19 that we saw in December 2020.

Impact on Economic Activity and Mobility Could Be Harsh

We have already indicated in our recent economic commentary that the COVID resurgence is impacting key economic data (see [2020 Q4 Economic Recap and Rate Outlook](#), Jan. 4, 2021).

We also want to reiterate that despite reports and numbers showing that individuals traveled more at the end of November and December, we saw the [Dallas Fed's Mobility and Engagement Index \(MEI\)](#) fall at the end of November to (-51.72) and at the end of December to (-55.79) indicating that activity was slowing.

It is important to note that we have not seen MEI numbers this low since the end of May 2020 (-58.21). There is a relationship with the MEI and economic activity. Lower mobility data could result in continued depressed economic activity. This could further dampen prospects for state and local government budgets as well.

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Recent HilltopSecurities Municipal Commentary

- [Georgia Run-Offs Begin New Year, Important to Watch for Credit Quality](#), January 4, 2021
- [Fifth Phase of Fiscal COVID-19 Relief is No State and Local Government Windfall](#), December 23, 2020
- [Late and Limited is Better Than Nothing](#), December 21, 2020
- [D.C. Nears an Almost \\$1 Trillion Fifth Phase COVID-19 Relief Compromise](#), December 16, 2020
- [Leadership Working on Support for \\$908 Billion Bipartisan COVID-19 Relief Proposals](#), December 15, 2020
- [Gone to Texas, Land of Opportunity](#), December 14, 2020
- [Final Municipal Liquidity Facility Transactions, Most Likely](#), December 11, 2020
- [Optimistic Scenarios Related to Vaccines and COVID-19 Relief](#), December 10, 2020
- [Funding Deadline Pushed, Hope for COVID-19 Relief Remains](#), December 7, 2020
- [November Sees Third Straight Month of State and Local Government Job Losses](#), December 4, 2020

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