

## The Virus Strikes Back: Our Municipal Credit Outlook in the Face of COVID-19's Fourth Wave

*Tom Kozlik*

- The fourth wave of COVID-19 infections is here. We considered this a potential development in March when we raised many of our municipal sector outlooks. We are not making changes yet, but could depending on the severity of this fourth wave and what a fifth wave looks like in the fall.
- The municipal credit backdrop has continued to stabilize. Moody's public finance rating upgrades outpaced downgrades again the second quarter of 2021. We believe a near-term floor exists for many general obligation credits and revenue sectors could be questioned if economic activity stalls, but ultimately, we believe the worst is behind us. If the worst from COVID-19 is in fact behind us, municipal credit should remain solid. Uncertainty exists, however. If the fourth or fifth wave of COVID-19 is severe it could pose some headwinds.

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