

U.S. Municipal Bond Market

U.S. COVID-19 "Spikes Like We Have Not Yet Seen" Could Be Coming; Sixth Phase Relief Status

- The U.S. experienced 95,000+ COVID-19 related deaths in January 2021, its worst month since the pandemic began almost a year ago.
- Some vaccine news is better than people realize, reinforcing the idea that a return to normalcy is coming, eventually.
- Dr. Michael Osterholm warns that COVID-19 related spikes like the U.S. has not yet seen could be 6-14 weeks away due to the impact from the U.K. variant.
- Washington, D.C. lawmakers are discussing details about a \$600 billion slimmed-down relief package at the White House today. There is potential for Democrats to go ahead with the budget reconciliation process in order to attain something closer to the \$1.9 trillion of relief, which was first proposed by President Biden in the middle of January.
- A new Congressional Budget Office (CBO) report projects the U.S. economy will recover "rapidly," with GDP expected to reach its previous peak in mid-2021 and the U.S. labor market expected to return to its pre-pandemic level in 2024. Views from this analysis could make it more difficult for lawmakers to reach an agreement on a sixth phase of COVID-19 relief.

Tom Kozlik

Head of Municipal Strategy & Credit

214.859.9439

tom.kozlik@hilltopsecurities.com

January Worst Month for COVID-19 Deaths

January was the worst month for U.S. COVID-19 deaths since the pandemic began almost a year ago. The 95,000+ deaths in January topped the previous record of 76,000 fatalities in December 2020. January's record numbers brings the total number of American deaths to 441,000, according to New York Times data. President Biden has already said the U.S. death toll will rise above 500,000 in February. The Centers for Disease Control and Prevention (CDC) used several forecasts to predict there could be a total of 479,000 to 514,000 COVID-19 deaths by the week ending Feb. 20. So, the CDC's worst-case scenario would result in another 73,000 deaths over the next three weeks.

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Summary of Slimmed Down Version of Sixth Phase Relief Proposal

Provision	Proposal Amt (\$)
Direct COVID-19 Pandemic Response	\$160
Unemployment Insurance (\$300 a week through June 30)	132
Childcare Block Grant	20
K-12 Schools, Getting Children Back to School Initiative	20
Small Business PPP and Loans	50
Direct Payments to Individuals (\$1,000 per person, with limits)	220
Nutrition & Behavioral Health Services	16
Total Reported Cost	\$618

Source: The Washington Post and HilltopSecurities.

Vaccine News is Better Than People Realize

The results and the facts on the ground are better than people realize as it is related to the vaccines in the U.S., according to [commentary in today's New York Times](#). Key items included by David Leonhardt:

- "All five vaccines with public results have eliminated COVID-19 deaths."
- "The vaccines are poised to deliver what people so desperately want: an end, however protracted, to this pandemic," as Julia Marcus of Harvard Medical School recently wrote in The Atlantic in [Vaccinated People Are Going to Hug Each Other](#).
- "The world isn't going to eliminate coronaviruses — or this particular one, known as SARS-CoV-2 — anytime soon. Yet we don't need to eliminate it for life to return to normal."

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Dr. Osterholm Warns Spikes Like U.S. Has Not Yet Seen Could Be 6-14 Weeks Away

The above view of the U.S.'s current status is being countered by health officials who are warning that the worst of the COVID-19 may not be over for the U.S. This reality may be a supporting argument for additional fiscal aid, generally, and relief for state and local governments, specifically.

Dr. Michael Osterholm, Director of the Center for Infectious Disease Research and Policy at the University of Minnesota and former advisor to President Biden during his transition, delivered a grim warning over the weekend on Meet the Press with Chuck Todd. Dr. Osterholm said another surge is coming and the U.S. needs to call an audible and adjust its vaccination strategy.

Some health officials are warning that the worst of the COVID-19 may not be over for the U.S.

"The fact is that the surge that is likely to occur with this new variant from England is going to happen in the next six to 14 weeks. And, if we see that happen, which my 45 years in the trenches tell us we will, we are going to see something like we have not seen yet in this country," Osterholm [said on Meet the Press on Sunday, Jan. 31, 2021](#).

He warned that [the U.S. should prioritize the initial vaccine doses ahead of the potential surge](#) that he is expecting to see in the U.S. in the coming weeks/months. Vaccine efficacy ranges from 80% to 52% after the initial shot, and Osterholm believes the U.S. needs to call an audible in order to protect lives.

Status of Sixth Phase of COVID-19 Relief

A \$1.9 trillion sixth phase, or as President Biden at the time called it a "First-Stage" Rescue Package, was unveiled to the public in the middle of January. The proposal included, among other items: \$1,400 individual payments, unemployment insurance through September, money for COVID-19 testing/containment, and \$350 billion in direct and unencumbered aid for state and local governments. Democrats have tried to acquire bipartisan support for the "First-Stage" package before they, possibly, resort to the budget reconciliation process that would not require bipartisan support from Republicans.

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Today, 10 Republican Senators are meeting with President Biden to [review a \\$618](#)

billion sixth-phase proposal (see table on page one) that could be possible without using the budget reconciliation process. However, the \$618 billion package is much less than the \$1.9 trillion originally proposed and only includes \$1,000 individual payments, not the full \$1,400 that many Democrats supported. It does not include any direct, unencumbered aid for state and local governments. It would be a meaningful setback for municipal credit for this year and next year if the next phase of COVID-19 relief does not include direct, unencumbered aid for states and cities.

The Republicans' \$618 billion package is much less than the \$1.9 trillion originally proposed and only includes \$1,000 individual payments, not the full \$1,400 that many Democrats supported.

New CBO Analysis Sees Rapid Growth, Does Not Account for Another Spike

The non-partisan Congressional Budget Office (CBO) published a report today projecting that the U.S. economy will recover “rapidly,” and GDP is expected to reach its previous peak in mid-2021. See the CBO’s An Overview of the Economic Outlook: 2021 to 2031 [here](#). This analysis does not assume additional fiscal relief. This analysis also not include a roadblock like another peak in COVID-19 activity (as noted above is possible) and the economic impact that could accompany this possibility. This CNBC article summarizes the CBO analysis.

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- Biden’s \$1.9 Trillion First Stage Rescue Package, What it Could Mean for Municipals, January 15, 2021
- President-elect Biden’s First Stage Rescue Package, Prelim Overview, January 14, 2021
- Housing Fundamentals Remain Solid and Our Housing (HFA) Sector Outlook Remains “Stable” to Begin 2021, January 14, 2021
- State and Local Government Job Losses in Three of Last Four Months Illustrate Continued Budget Pressures, January 11, 2021

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