

U.S. Municipal Bond Market

Public Opinion Weakening on Economy, Could Impact Legislative Outcomes Including Infrastructure

- One in three Americans are satisfied with the way things are going in the U.S. However, Gallup's Economic Confidence Index has slipped into negative territory. Economic public concern, if it continues, could fuel support for the Democrats' legislative economic agenda.
- President Biden unveiled a \$6 trillion budget plan today that invests in infrastructure, education, renewable energy and healthcare but also increases spending deficits.
- Lawmakers will not meet the Memorial weekend deadline set by the White House for a bi-partisan agreement on infrastructure. They may negotiate further in June, however the potential for budget reconciliation is so strong Republicans cautioned against it.

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

A Little Over One in Three Satisfied in U.S.

One in three Americans (36%) are satisfied with the way that things are going in the U.S. as of [Gallup's May 2021 poll](#). This is an important indicator to watch as the COVID-19 vaccination efforts continue and economic normalcy resumes. At the end of 2020 only one out of ten Americans were satisfied. The U.S. is reporting that 62% of adults have received at least one dose of a COVID-19 vaccine and 51% of adults are fully vaccinated as of May 27, 2021 [per CDC data](#).

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Gallup's Economic Confidence Index has dropped into negative territory again. It was slightly positive in April but fell again in May. This indicates that there is a rising concern about the U.S. economy even though there have been some improvements since the beginning of the year. This also contrasts with equity market indicators that continue to regularly test all-time market highs. The [Dallas Fed's U.S. Mobility and Engagement Index](#) fell slightly in March but recovered. The [Dallas Fed's Weekly Economic Index](#) was impressively positive in April and May.

Public concern about the economy could help fuel support for the Democrats' legislative economic agenda. Below we detail the steps the White House is taking related to its federal budget proposal. We also update the status of infrastructure (Jobs Act) negotiations. Both would ultimately be impacted by shifts in public opinion.

President Biden Proposed a \$6 Trillion Federal Budget Plan Friday Afternoon Before a Long Holiday Weekend

Today's news cycle will be filled with policy and political talk about the federal budget. This is because [President Joe Biden unveiled a \\$6 trillion federal budget](#) that invests in infrastructure, education, renewable energy and healthcare but also increases spending deficits. It would be a sharp increase in federal spending, that will likely not have enough

support to become reality even though the Democrats control the House and maintain a tiebreaking vote in the Senate. The plan includes tax increases already proposed by the President including a corporate tax rate hike to 28% and the President's budget plan would also raise the top capital gains tax to 43.4%.

The budget proposal unveiling will not help solidify the bi-partisan cooperation lawmakers are hoping to attain in order to complete infrastructure, and other legislation currently at issue. It may further indicate that Democrats intend to use the budget reconciliation option for infrastructure. That being said, the fact that the White House released this budget proposal on Friday afternoon before a long holiday weekend gives us an indication of the importance of where the fiscal plan, that is generally considered an indication of policy priorities, resides in the hierarchy of the party's overall legislative agenda. Or, they may have chosen this timing because of the other important items- some included in the budget proposal- already under consideration.

Senate Republicans' Infrastructure Counteroffer

On Thursday Senate Republicans countered President Biden's pared down \$1.7 trillion Jobs Act proposal with a \$928 billion infrastructure plan of their own. This Republican plan is almost twice the size of their \$568 billion offer and was influenced by the President himself. Senator Roger Wicker reported that President Biden told a group of Republican lawmakers that he would support a \$1 trillion, 8 year infrastructure plan.

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Even though this appears as though lawmakers are moving closer, they are still miles apart on the content and the important issue of how to pay for infrastructure. The White House and other Democrats have said they are willing to extend talks for a bi-partisan agreement past the Memorial weekend deadline. They are not willing to extend too far. There are also practical considerations as there is only a very limited amount of time that Congress is in session before the July 4th recess. Republicans, perhaps sensing that timing for a bi-partisan agreement is slipping recently warned Democrats not to use budget reconciliation in a May 27th memo to the President.

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