

U.S. Municipal Bond Market

Funding Deadline Pushed, Hope for COVID-19 Relief Remains

Summary

- The Dec. 11 federal government funding deadline is likely to be pushed back a week following votes in the House and Senate, which are expected to occur this week.
- Hope remains for another round of COVID-19 relief. Policy differences also remain.
- Dr. Anthony Fauci said we should be in good shape by the end of the summer related to vaccine distribution. There is a financial and health related gap to be bridged between now and then, however.
- The near-term health status worsens as new cases, hospitalizations, and deaths continue to rise.
- Near-term financial status is also questionable as the need for a renewal of benefits is high.
- Actual and threats of closures and reopening rollbacks in California, New York, and Texas are going to increase the negative financial impact.

Week-Long Extension Likely for Dec. 11 Government Funding Deadline

Many investors, observers, and other interested parties are closely watching to see what is likely to happen, or not happen, in Washington, D.C. this week. The pressure is building because of the Friday, Dec. 11 federal government funding deadline. It now sounds like lawmakers are going to punt that date by seven more days. [Politico reports Congress is likely to pass a one-week stop gap on Tuesday \(Senate\) and Wednesday \(House\) of this week](#) in order to give lawmakers a little more time.

State and Local Aid Still a Roadblock to a Fifth Phase of COVID-Relief

One of the reasons lawmakers may be trying to buy themselves time is because talks seem to be heating up as it relates to a potential fifth phase of COVID-19 relief. [Members have been working in recent days](#) in order to bridge the gap that remains related to dollars and spending priorities. The overall dollar amount continues to remain a big question even in the wake of last week's \$900 billion bi-partisan proposal. Funding for state and local governments and liability insurance continue to be the leading roadblocks to a fifth phase of COVID-19 relief. Policy differences remain. Only time will tell if the next 10 or so days is enough to bring lawmakers closer together on topics that they have seemingly been trying to work through for months.

"Now is the time to act," wrote Massachusetts Governor Charlie Baker (R) today in a [Wall Street Journal op-ed](#) about the importance of getting another round of COVID-19 relief.

This morning, [Charles Gasparino reported Senate Majority Leader Mitch McConnell was going to speak about COVID-19 today](#), and that [Leader McConnell may willing and able to negotiate](#) about COVID-19 relief.

Increased Cases and Lockdowns, COVID-19 Landscape is Worsening

The individual financial- and health-related landscape is worsening as it pertains to the COVID-19 effect. Many who have lost their jobs since the beginning of the

Tom Kozlik

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

Politico reports Congress is likely to pass a one-week stop gap on Tuesday (Senate) and Wednesday (House) of this week in order to give lawmakers a little more time.

pandemic are beginning to exhaust their finances, as reported by Heather Long of the Washington Post. Long cites a Moody's Analytics report that notes renters will owe an average of \$5,850 in back rent and utilities in January. Long also cited a Census Bureau study reporting that nine million renters are behind on their rent payments.

The reality that vaccines are here is a positive development. However, this is likely going to take some time in order to have a meaningful impact according to health experts.

Vaccines

The reality that vaccines are here is a positive development. However, this is likely going to take some time in order to have a meaningful impact according to health experts.

Dr. Anthony Fauci told New York Governor Cuomo during a virtual press conference that he is hoping the country will be in good shape toward the end of the summer, or the beginning of the third quarter of 2021 as it related to the distribution of COVID-19 vaccines. In other words, there is quite a gap to bridge.

More Cases, Hospitalizations, and Deaths

The time between now and then could feel like years. The number of daily cases continues to climb and hit new highs. 173,457 new COVID-19 cases were reported on Sunday, a 15% increase in the last two weeks, according to New York times data. The seven-day average of new cases is 196,826.

The number of hospitalizations is also rising. 101,487 were hospitalized as of Dec. 6 and the seven-day hospitalization average is 99,994.

The number of new reported daily deaths peaked at 2,885 on Dec 2. On Dec. 6, 1,111 new deaths were reported and the seven-day average is 2,222.

Whether you want to call them another round of reopening rollbacks or a new cycle of lockdowns, that is what is occurring in select areas of the country as leaders try to control the latest COVID-19 outbreaks.

New Lockdowns Activated and Threatened in Select Areas

Whether you want to call them another round of reopening rollbacks or a new cycle of lockdowns, that is what is occurring in select areas of the country as leaders try to control the latest COVID-19 outbreaks.

California Governor Gavin Newsom imposed a stay-at-home order after the state dropped below 15% capacity in intensive care units. Dr. Fauci announced that the new orders would rescue strained hospitals in the state.

Indoor dining is under threat of being locked down again in New York. Gov. Cuomo indicated in a tweet today that:

“NEW: If after 5 days a region's hospital rate has not stabilized, indoor dining will close or be reduced.

-In NYC, indoor dining would close entirely.

-In rest of the state, indoor dining would be reduced to 25% capacity.”

Reopening rollbacks are occurring in Texas as well. Dallas and Tarrant (Fort Worth area) counties recently were counseled by the state as to reductions in capacity or activity.

Reopening rollbacks are occurring in Texas as well.

Recent HilltopSecurities Municipal Commentary

- [November Sees Third Straight Month of State and Local Government Job Losses](#), December 4, 2020
- [D.C. Deadlines: Government Funding and the "Benefits Cliff," MLF's Expiration, Transit Cuts Announced](#), December 2, 2020
- [Infrastructure Gap Barely Dented by Record 2020 Bond Sales, Expect Lower 2021 Issuance](#), November 19, 2020
- [President-elect Continues to Indicate "Worst Pandemic in a Century Requires Attention"](#), November 17, 2020
- [Third Wave Worsens, Increases Potential for Shutdowns](#), November 12, 2020
- [Renewed State and Local Government Job Pain, More Expected](#), November 10, 2020
- [Daily Record Number of COVID-19 Cases Surpasses 100k, Continues Rising](#), November 6, 2020
- [No Mass of Public Finance Downgrades Yet, Movement After Evaporating Government Support Better Indicator](#), November 3, 2020
- [The Slow Rebound of Air Travel](#), November 2, 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