



Market Update

Finance & Insurance Committee
Item 7a
May 11, 2020

Market Update - March 2020

- With the emergence of the COVID-19 virus, the bond markets experienced an unprecedented amount of volatility and rate movement
- The 10-year (0.54%) and 30-year (0.91%) treasury rates declined to historic lows on March 9, 2020
- Also, on March 9, 2020, the 30 year AAA Municipal Market Data (MMD) index hit a historic low of 1.38%

Market Update – March 2020

- In response to the COVID-19 market dislocation, the Federal Reserve and the Federal Government took unprecedented measures to stabilize financial markets
 - March 6: COVID Preparedness and Response Supplemental Appropriations Act passed
 - March 15: Fed Funds Rate cut 100 bps to 0.00-0.25%
 - March 18: Federal Reserve establishes Money Market Mutual Fund Liquidity Facility. Expanded on March 23, 2020, to include broader range of securities
 - March 27: CARES Act created a \$150 billion Coronavirus Relief Fund for states and territories
- Fiscal and monetary stimulus plans made significant headway to relieve some market weakness
- However, March municipal bond fund outflows totaled \$27.9 billion

Market Update – April and May 2020

- April 2020 municipal bond issuance was approximately \$10 billion higher than April 2019
- The 30 year AAA MMD index remained volatile in April, with municipal bond fund outflows of \$3.49 billion, as some investors remained concerned with the municipal sector
- However, currently, the forward calendar for municipal bond issuance remains heavy with an expected issuance of approximately \$7.7 billion for the week of May 5, 2020
 - Reflecting renewed investor confidence in the municipal bond market
- Metropolitan expects to issue an estimated \$284 million, Water Revenue Refunding Bonds, 2020 Series C, in early June

