

COVID-19 and the Municipal Bond Market

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Market Before COVID

Prior to mid-March, the bond market was stable, and rates were low.

- The market was strong
- Demand was high
- Interest rates were historically low
- Forward thinking was continued stability



National Emergency

A national emergency was declared on March 13.

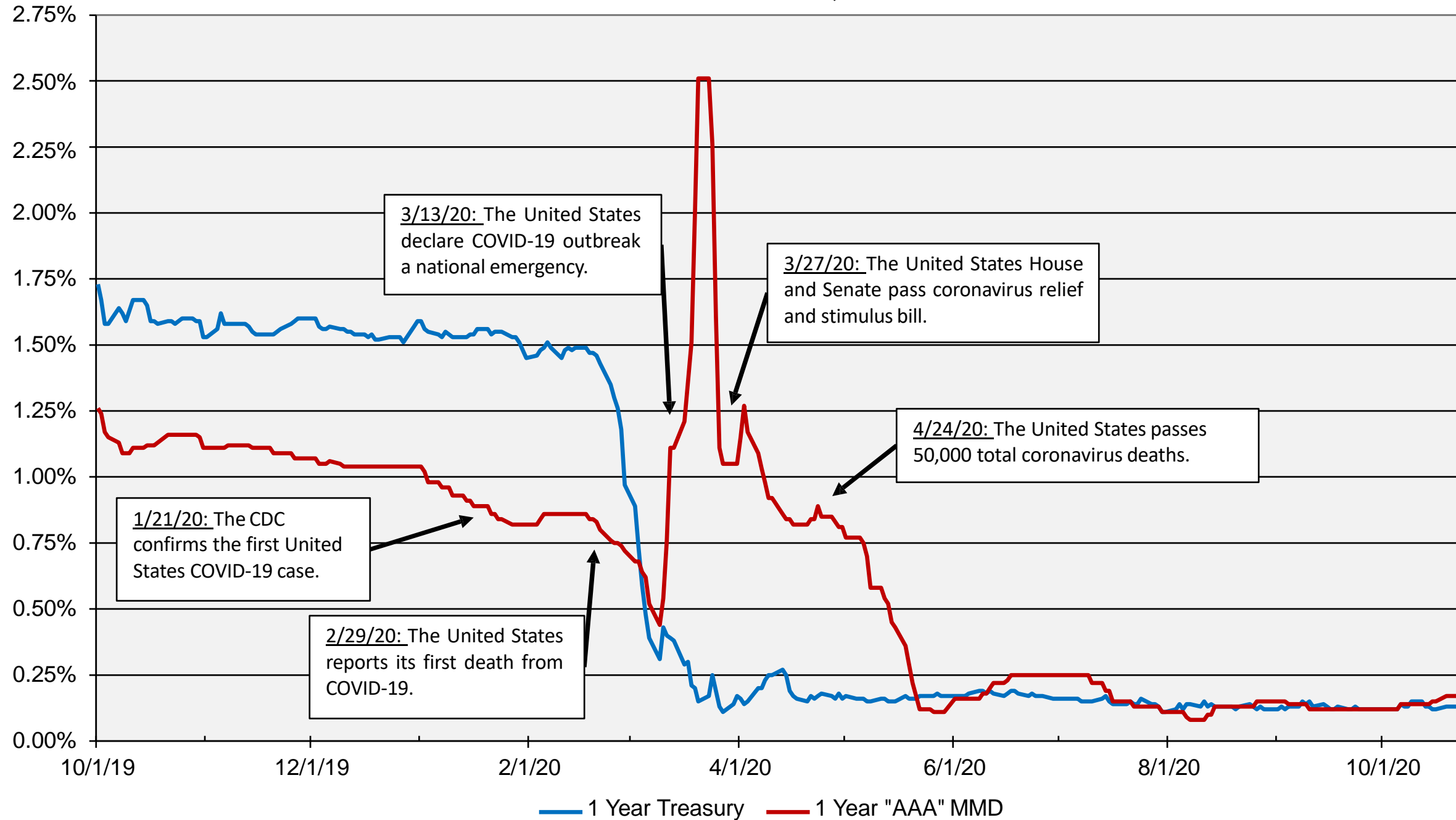
- The declaration caused weeks of market instability
- Rates jumped
- Bond sales received no bidders
- Sales were cancelled



Interest Rate Comparison

1-Year Treasury vs. 1-Year "AAA" Municipal Interest Rates

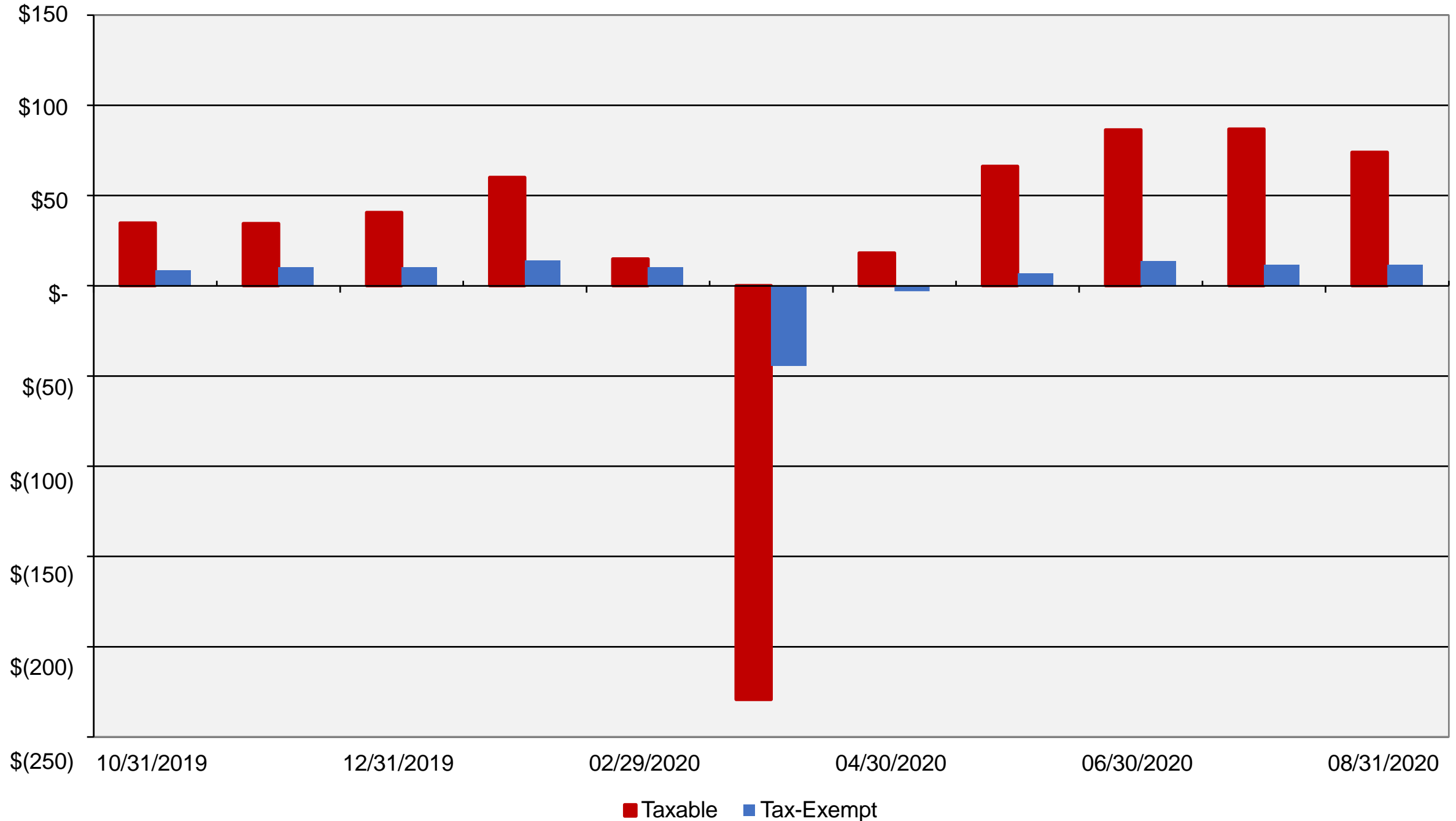
Since October 1, 2019



Investment Company Institute Monthly Inflows into Municipal Bonds Since October 2019



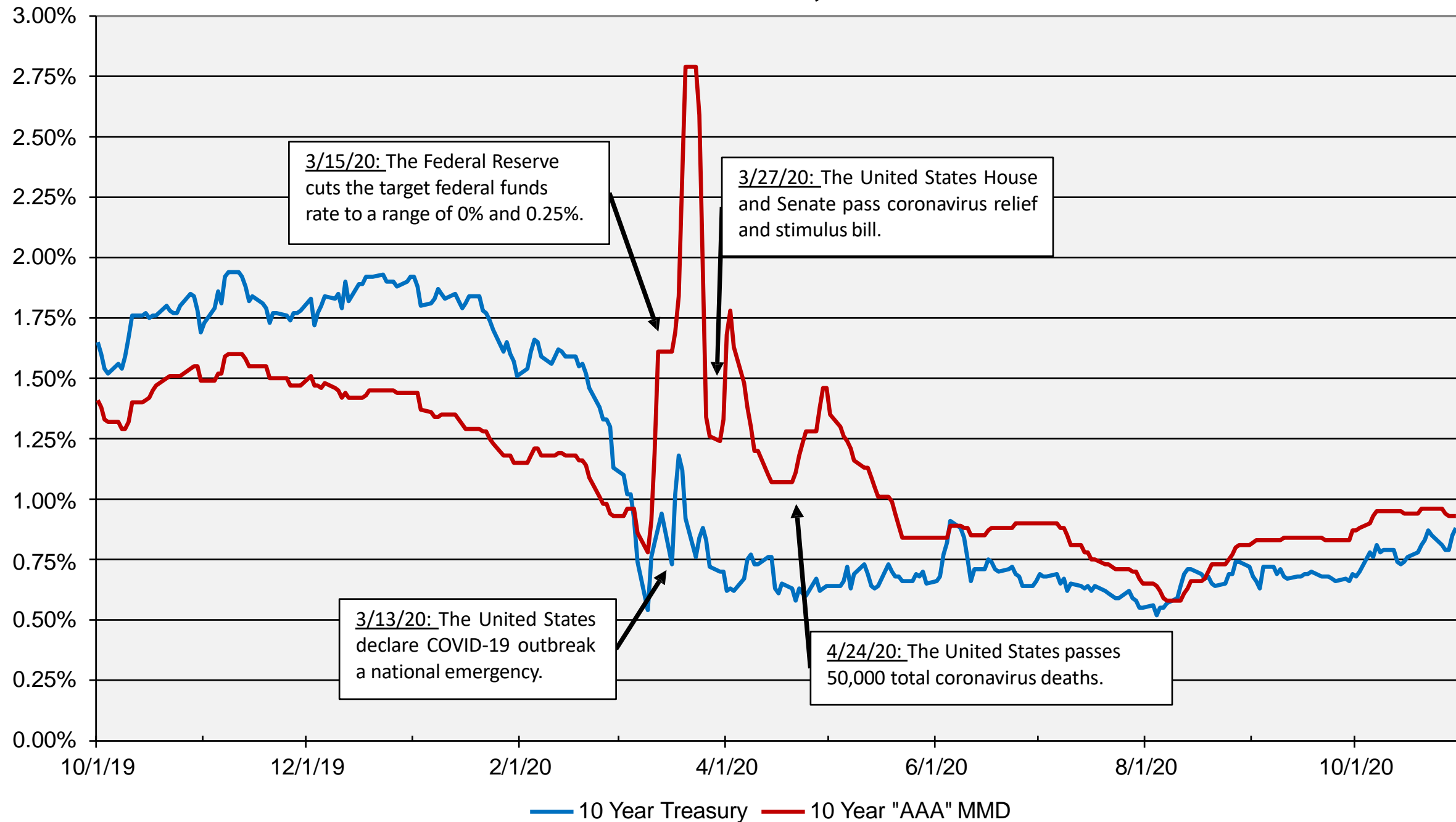
Billions



Interest Rate Comparison

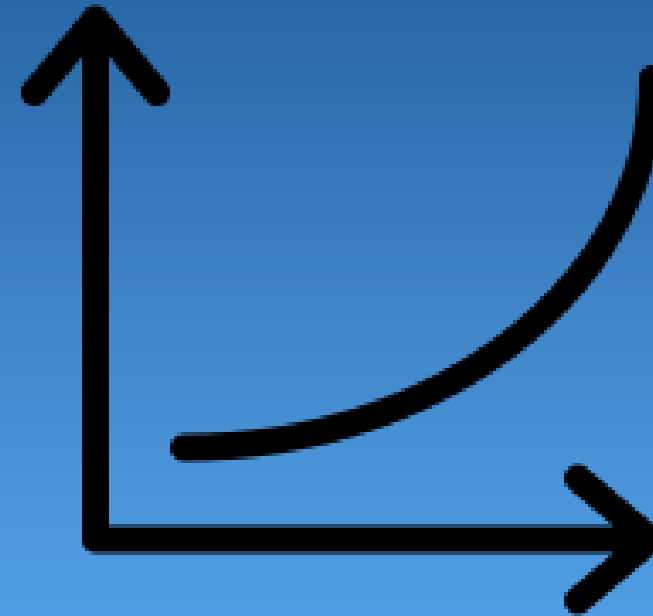
10-Year Treasury vs. 10-Year "AAA" Municipal Interest Rates

Since October 1, 2019



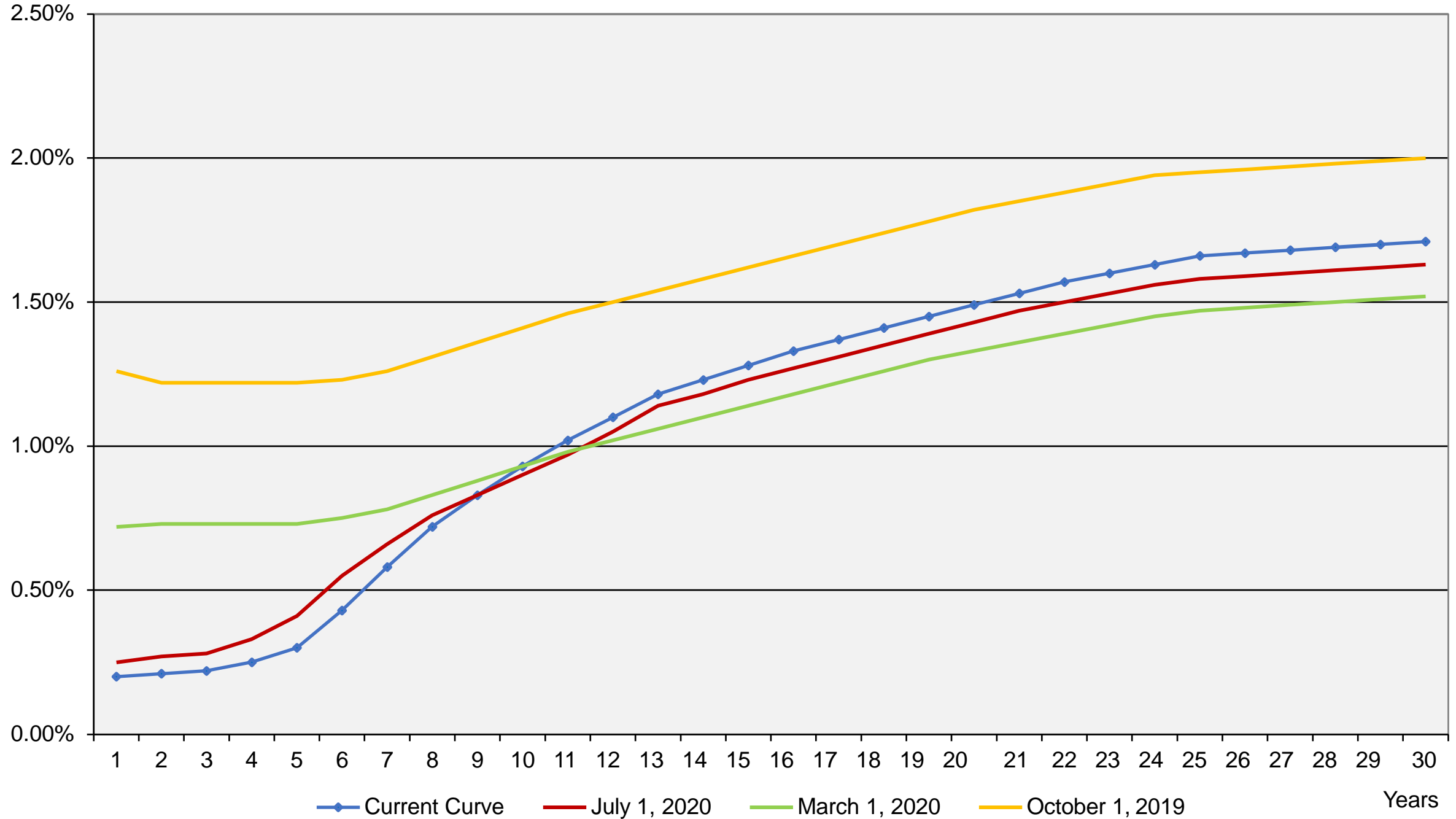
Yield Curve Comparisons

- Show trends since October 2019
- March 1, 2020
- July 1, 2020
- October 2020



Municipal Market Data

"AAA" Yield Curve Comparison



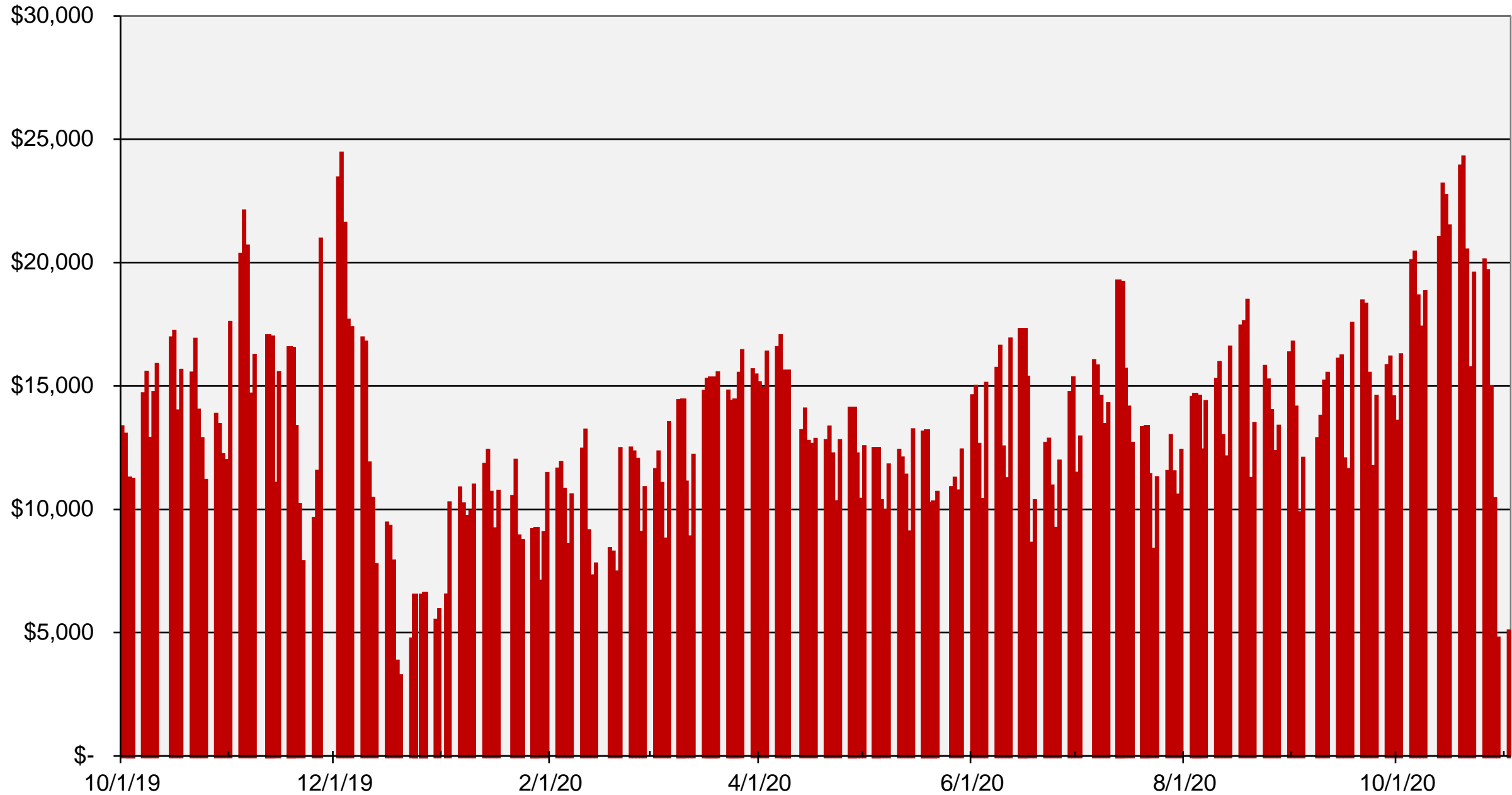
Bond Market Supply

- The next chart shows the volume in the municipal bond market for the past year.
- The volume dipped in March/April then recovered.
- After the recovery, it remained steady then increased in the fall.
- The last bar shows the steep decline in the first week of November.

The Bond Buyer Daily 30-Day Visible Supply Since October 1, 2019



Thousands



Taxable Versus Tax-Exempt Market Activity

Taxable municipal bond rates decreased, and traditional tax-exempt issuers moved to that market.

The next two charts show inflows and volume of the taxable and tax-exempt municipal bond market and how the gap in yields was decreasing in the last three months.

Municipal Market Data Historical "AAA" Yields Since October 2019

