

MUNI-MARKET BULLETIN

GOVERNMENT CAPITAL CORPORATION

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The Friendly Market For Municipal Debt Continues



It's difficult to believe that three fourths of 2019 is already over. As we head into the final quarter of the year, the global market is experiencing more volatility than we've seen in recent history. At the beginning of the year, the Federal Reserve indicated that interest rates were heading more towards a higher neutral rate. Three quarters later and over 100 basis points lower on the 10-Year Treasury rate, the federal reserve has adjusted their monetary policy to help spur growth in reaction to declining economic trends.

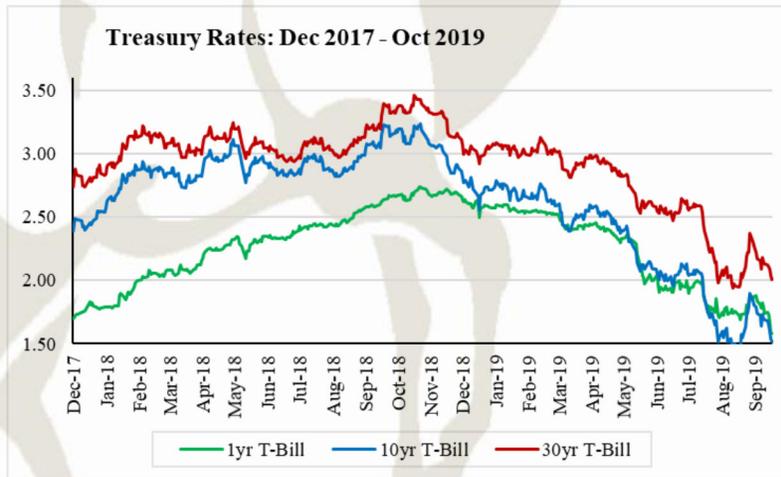
In September, the Federal Reserve lowered interest rates 25 basis points for the second time this year. The two interest rate cuts this year were aimed to provide some insurance against rising risks from trade uncertainty and slowing global growth. Federal Reserve

Open Market Committee Chairman Jerome Powell is facing new pressure to declare a third straight interest rate reduction in response to weakening economic data and volatile financial markets. The Federal funds futures market has now placed a 76% probability on the Fed lowering rates at their next Open Market Committee meeting, which is in late October. However, much of the Fed's adjustment in its monetary policy have been muted by growing economic pressures. The recent lag in economic data also has investors being more cautious as our record long expansion cycle continues to lose ground.

On a macro, worldwide level, the effects of the United States' 15-month trade battle are piling up fast. With all of the recently enacted tariffs and the higher value of the U.S. dollar compared to other currencies, it's becoming much harder for U.S. companies to remain competitive in trade across the globe. As evidence, the most recent U.S. manufacturing index contracted for the second month in a row and is now creeping along at the slowest pace in over a decade. This decline causes company profits to shrink and restricts future growth in many sectors of the economy. Company layoff announcements have increased year over year and we've witnessed declines in the U.S. services sector, which employs roughly 70% of Americans. Slower job growth typically decreases consumer spending which accounts for more than two thirds of the United States Gross Domestic Product.

With this backdrop, municipal debt issuances spiked in Q3 as municipal issuers were eager to take advantage of the recent decline in interest rates. The month of September experienced one of the highest volume of municipal debt issuances over the past decade. With interest rates expected to stay low for a while, the trend of increased issuance volume is expected to stay high in Q4.

Article provided by Zac Saldi
Government Capital Corporation



Q3 Municipal Issuance History

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------|---------|---------|----------|---------|---------|----------|
| \$68.0B | \$72.4B | \$86.0B | \$108.7B | \$84.6B | \$87.5B | \$104.1B |

RECENT CLOSINGS:

- Texas Emergency Services District
Fire Station & Warehouse
\$1,750,000 * 20 Years
- Pennsylvania County
Election Equipment
\$2,710,994 * 5 Years
- Oklahoma School
Buses
\$172,086 * 4 Years
- Massachusetts City
Turf Replacement
\$150,000 * 3 Years
- Illinois County
Water Meter Project
\$364,175 * 10 Years
- Texas Economic Development Corporation
Park Rehabilitation Project
\$610,500 * 15 Years
- Oregon Fire & Rescue
Airpacks and Related Equipment
\$294,769 * 5 Years
- Texas Special Utility District
Water Meter Project
\$1,625,080 * 10 Years
- Texas Emergency Services District
Fire Training Facility
\$1,300,000 * 15 Years
- Alabama School
Education Curriculum
\$900,000 * 3 Years
- Tennessee Volunteer Fire Department
Fire Truck
\$331,892 * 10 Years
- Missouri Water Supply District
Water Meter Project
\$61,260 * 7 Years
- Louisiana Fire Protection District
Tanker Truck
\$257,212 * 12 Years

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