



# MUNI-MARKET BULLETIN

GOVERNMENT CAPITAL CORPORATION

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## MUNICIPAL DEBT ISSUANCES SURGE 55% IN Q4 2019



The year 2019 ended up being a very good year for the U.S. economy. In a year which included major international trade disputes and a weak global economy, American consumers demonstrated exceptional resilience and versatility. As a result, the S&P 500 and Nasdaq surged roughly 30% for the year which are the largest annual increases in those indexes since 2013. The U.S. labor market remained strong throughout the year with unemployment hitting a 50 year low of 3.5%, and a strong increase in new jobs at year-end, well exceeding analysts' expectations. The strong labor market has increased worker wages roughly 3% this year which is one of the largest annual increases over the past decade. This has helped keep consumer spending at a robust level, helping to offset the recent trends of lower business investment, weaker exports and a contracting manufacturing sector abroad.

The Federal Reserve lowered interest rates three times last year in order to mitigate some risks posed by slowing global growth and international trade uncertainty. December's Federal Reserve Policy meeting minutes indicated most Fed officials don't project any adjustments to the current monetary policy, which is to keep interest rates at their current levels. Not one of the 17 officials currently envision any interest rate cuts in 2020 and only four project a potential rate increase by the end of the year. The Fed indicated inflation will be one of their main areas of focus this year. Inflation has been hovering around 1.6%, slightly below their 2% target. The Fed has already been acting on the softer inflation rate by pumping money into the market thereby providing temporary liquidity. Recently, the Fed has been buying roughly \$60 billion of Treasury bills every month to help keep the economy's momentum going.

This time last year, the Fed was under fire after they increased interest rates again in early December. Their action essentially sidelined many market participants causing the domestic stock market to decrease roughly 20% in less than one month. However, market participants were much more satisfied with the Fed's actions (including three interest rate cuts) in 2019. Municipal debt issuances exploded in the fourth quarter of 2019, increasing 55% compared to the fourth quarter of 2018. Annual municipal debt issuances increased from \$346 Billion in 2018 to \$423 Billion in 2019, a healthy 22% boost. Many fixed income strategists believe this trend will continue in this current low interest rate environment and projections for 2020 debt issuances range from \$400 Billion to \$450 Billion.

Our economy's robust growth is projected to moderate in 2020 as there are still concerns and headwinds facing the U.S. and rest of the world. It's increasingly difficult to project how the economy will perform, considering this is an election year where markets and business sentiment tend to be more volatile. However, the general consensus is that interest rates should stay near their historical lows for the foreseeable future.

Article provided by Zac Saldi  
Government Capital Corporation

### U.S Municipal Issuance History (\$ Billions)

	2014	2015	2016	2017	2018	2019
<b>Q4</b>	<b>\$99.3B</b>	<b>\$84.7B</b>	<b>\$104.9B</b>	<b>\$146.7B</b>	<b>\$92.8B</b>	<b>\$143.6B</b>
<b>Annual</b>	<b>\$339.1B</b>	<b>\$405.1B</b>	<b>\$451.9B</b>	<b>\$449.0B</b>	<b>\$346.1B</b>	<b>\$423.4B</b>

## RECENT CLOSINGS:

- Louisiana School Smartboard Technology  
\$884,000 \* 3 Years
- Illinois County Energy Conservation Project  
\$943,196 \* 15 Years
- California Emergency Comm. Center Technology  
\$1,655,597 \* 10 Years
- Oregon School Housing Project  
\$211,000 \* 20 Years
- New Hampshire County Body Scanners  
\$121,679 \* 7 Years
- New York City Sewer Truck  
\$420,416 \* 5 Years
- Missouri Water Supply District Water Meter Project  
\$333,254 \* 10 Years
- Texas Emergency Services District Fire Stations  
\$4,533,750 \* 10 Years
- Alabama School Education Curriculum  
\$900,000 \* 3 Years
- Massachusetts City Heavy Equipment  
\$185,000 \* 5 Years
- New Mexico College Utility Vehicles  
\$263,331 \* 3 Years
- Kansas School Facility Improvements  
\$383,926 \* 8 Years
- Colorado School Bus  
\$148,023 \* 3 Years

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