



MUNI-MARKET BULLETIN

GOVERNMENT CAPITAL CORPORATION

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2020: HOW WILL THE HISTORY BOOKS CAPTURE OUR ANGST?



It's difficult to believe we are only halfway through 2020 given everything the U.S. economy and our citizens have already endured. Many books will be written in the future about all the unprecedented events which occurred during 2020.

Economists currently estimate the U.S. economy will shrink roughly 4.5% this year. Unemployment is hovering around 11% and is expected to fall to 9% by the end of the year. The stock market has recently rebounded from its lows in mid-March as the unexpected job gains over the past two months have provided some optimism that our economy is recovering as more businesses continue to gradually open back up. Many economists are forecasting a more robust near-term growth pattern as the various stimulus plans have been effective in saving many jobs which were quickly fading away once the shutdown began. Looking further out into the future, the 2021 forecast appears more moderate, with a slower and more sustainable growth pattern. The Fed has repeatedly stated the U.S. economic outlook remains uncertain and a full economic recovery hinges on the battle to control the spread of COVID-19.

Interest rates have remained near all-time lows over the past few months and aren't expected to increase anytime soon. If the economy shows more improvement we may see interest rates tick up some, but the Federal Reserve has made it clear that their goal is to keep rates low until late 2021 or early 2022. In addition to the Federal Reserve cutting interest rates this year, the Central Bank has pumped trillions of dollars into the economy in order to keep credit flowing to businesses, municipalities, and households. The influx of money was in part triggered by the liquidity crisis in the municipal bond market which occurred back in March when investors moved to safer, more liquid assets as a result of increased coronavirus concerns.

The Municipal sector is currently facing economic headwinds and their revenue declines are constraining many budgets on the state and local levels. Municipal debt issuances have recently rebounded with the resurgence of both refinancings and new money issuances. Refinancings are up over 65% through the first half of the year and more than doubled in the month of June alone. New money municipal debt issuances are up 16% this year, which is the highest increase since 2016. This trend is expected to continue as rates will continue to stay low for the foreseeable future. Budgets for many of the nation's state and local municipalities will continue to be under a large microscope as they try to recover from the pandemic-induced revenue shortfalls.

In summary, 2020 has been rough for many Americans and unfortunately, the disruptions and anxiety may not diminish soon. Political and economic developments are expected to continue clouding the longer-term outlook of the United States and rest of the globe. In difficult times it's important for everyone to remember, adversity not only builds character, it reveals it.

Article provided by Zac Saldi
Government Capital Corporation

U.S Municipal Issuance History (\$ Billions)

	2016	2017	2018	2019	2020
New Issuances Q1 & Q2	\$225.6B	\$201.3B	\$165.7B	\$173.3B	\$201.5B
Refinancing Issuances (June)	\$26.9B	\$19.8B	\$7.8B	\$9.6B	\$20.3B

RECENT CLOSINGS:

- Missouri School
Digital Scoreboard
\$208,998 * 7 Years
- Florida County
Camera System
\$556,530 * 5 Years
- Texas Municipal Development District
Real Estate Acquisition
\$500,000 * 10 Years
- Georgia City
Water Meter Project
\$60,000 * 5 Years
- Oklahoma School
Smart Lab
\$180,110 * 5 Years
- Massachusetts City
Public Works Vehicles
\$110,696 * 1 Years
- Texas Volunteer Fire Department
Fire Station
\$4,000,000 * 20 Years
- Idaho County
Software
\$500,000 * 5 Years
- Tennessee Volunteer Fire Department
Ladder Truck
\$799,500 * 10 Years
- Illinois Village
911 Dispatch Technology
\$791,252 * 5 Years
- Arkansas City
Brush Truck
\$200,895 * 5 Years
- Texas Economic Development Corporation
Sports Lighting
\$475,000 * 15 Years
- Louisiana Fire Protection District
Fire Station
\$725,000 * 6 Years

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