

Presentation to the
National Association of Health and Educational Facilities Finance Authorities

Raymond James Public Finance

October 29, 2020

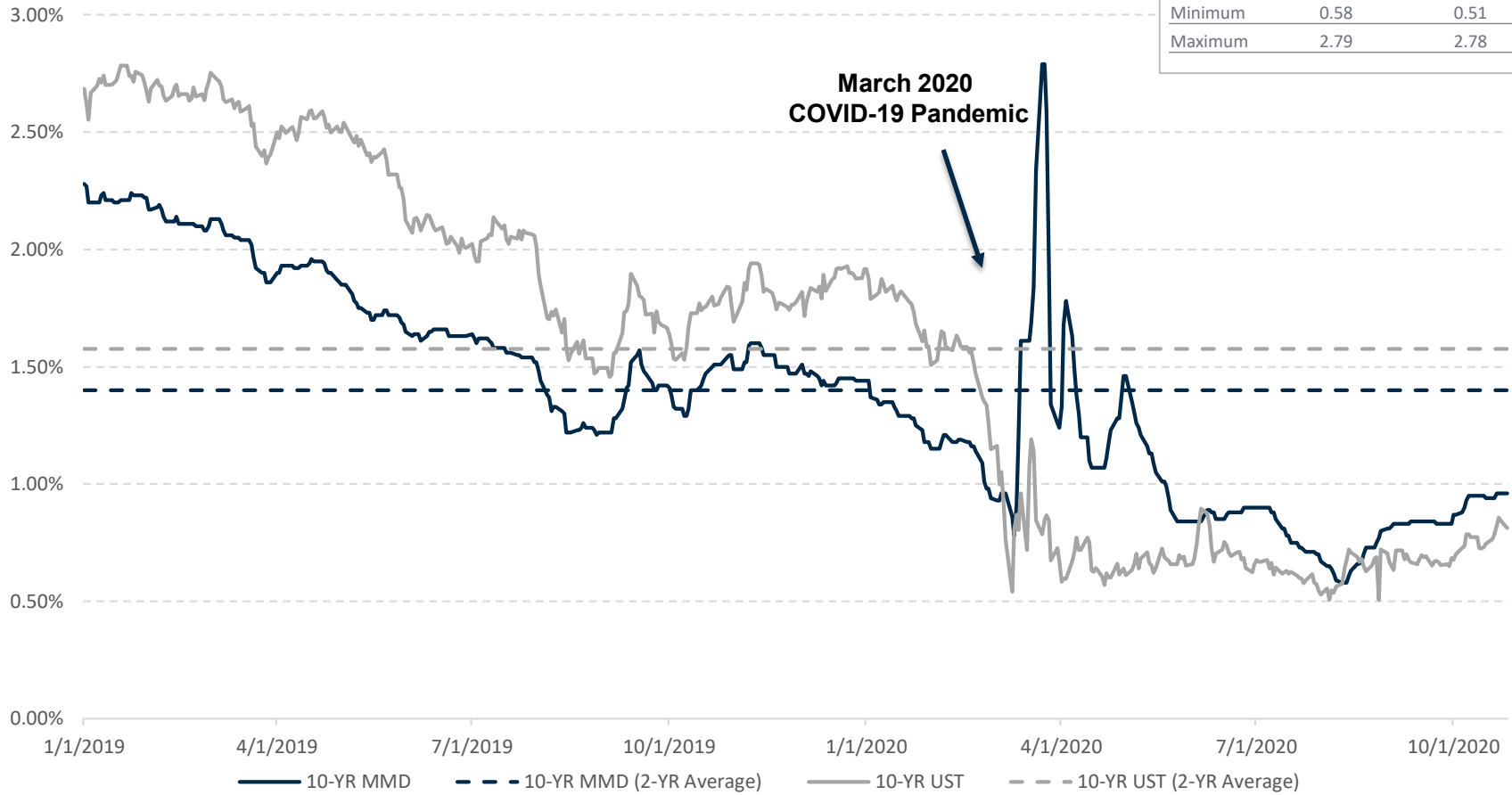


RAYMOND JAMES

- **Election Outcome**
 - Possibility of “blue wave” with the expectation of more fiscal stimulus, higher growth and taxes which in turn could lead to higher interest rates
 - Conversely, a republican success would create an expectation of marginal fiscal stimulus and slower growth, keeping a ceiling on interest rates
- **Election Induced Volatility Scenarios**
 - A contested election will create uncertainty leading to a negative impact on market liquidity
 - Flight to quality in fixed income assets as investors seek to lessen market risk exposure
 - Pro-growth economic outcome and a trend toward higher interest rates
- **COVID-19 Pandemic**
 - An acceleration of COVID-19 cases in the U.S. and globally leading to uncertainty and likely slower growth
- **Increased Municipal Market Focus on Credit**
 - The supply/demand imbalance over the summer, particularly in the tax-exempt market, caused investors to overlook possible credit concerns associated with COVID-19 related economic losses
 - With the lessening of investment flows into the muni market and the lack of vaccine, credit research is more of a focus for investors
- **Issuance/Supply**
 - Robust issuance ahead of the election and possibly through the end of the year with continued higher than normal taxable issuance expected
 - 2021 issuance is expected to continue to be elevated due to an accommodative FED and historically low rates
 - Coupon payments and maturing bond amounts were lower in September and October, after the huge redemption months of June through August
 - Year end demand increases due to the seasonal “January effect”

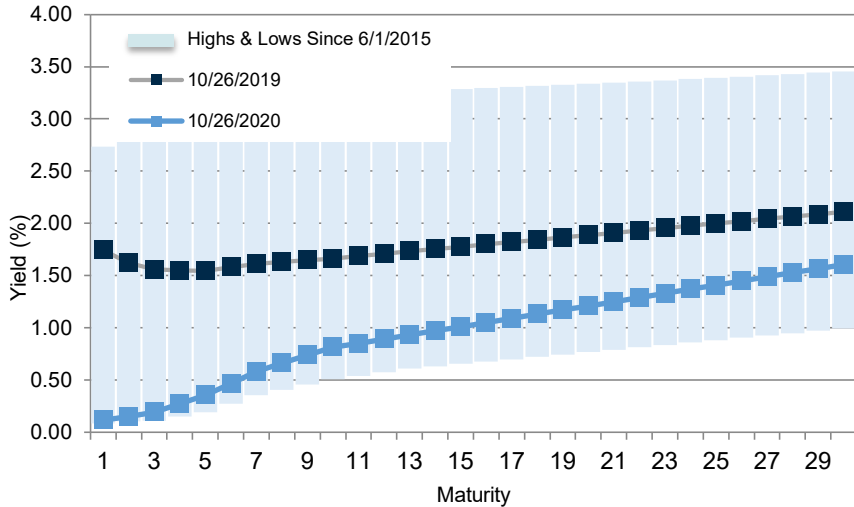
10-Year MMD and UST

Since January 1, 2019



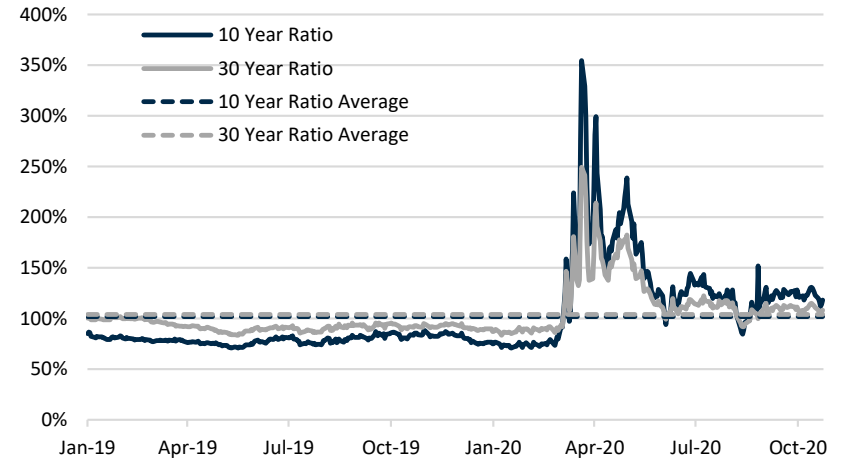
Source: TM3 and U.S. Department of the Treasury

UST Yield Curve



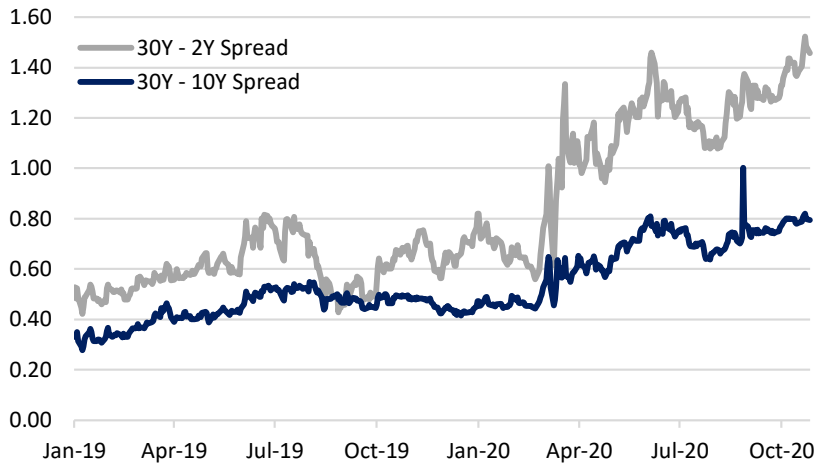
Ratios of AAA MMD to UST

January 1, 2019 to Present



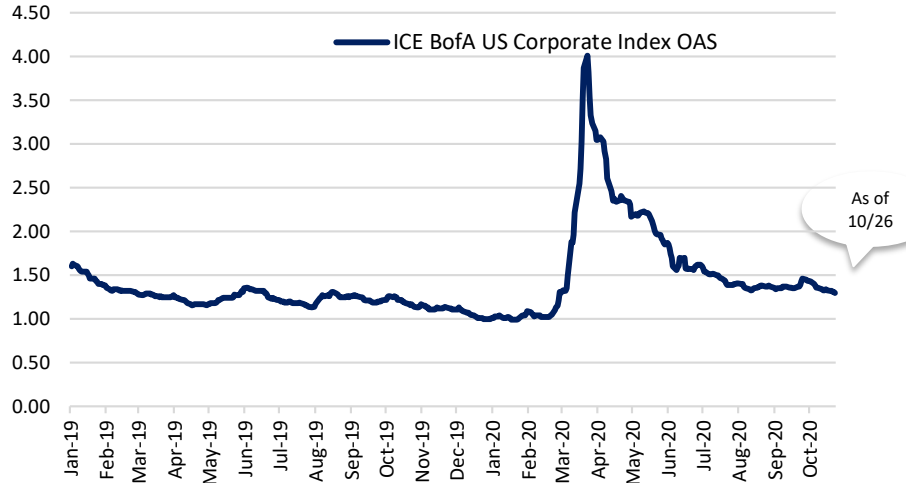
Slope of UST Yield Curve

June 1, 2019 to Present



Taxable Credit Spreads

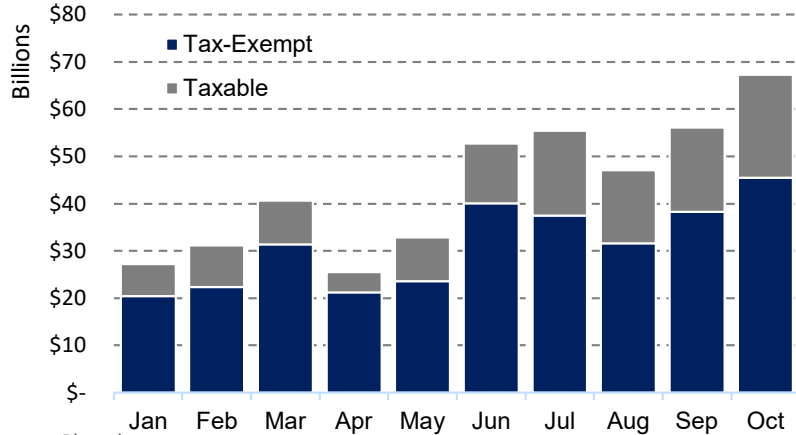
January 1, 2019 to Present



Source: Bloomberg, St. Louis Fed

2020 Municipal Bond Issuance

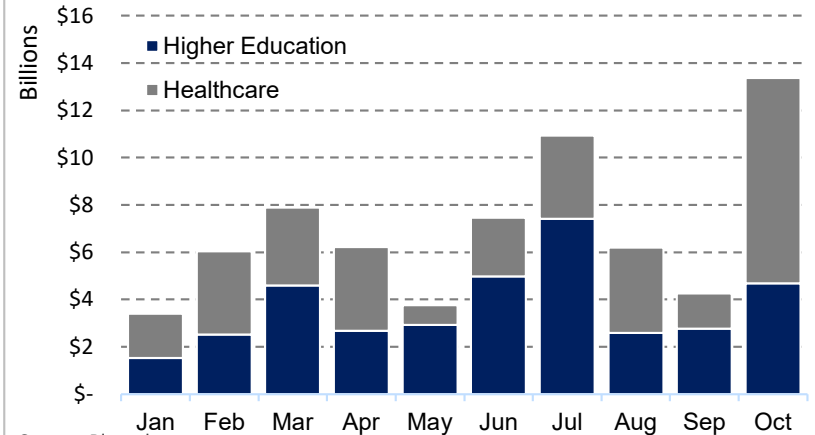
October 2020: Tax-Exempt - \$45.53.00 Bn; Taxable = \$21.766 Bn



Source: Bloomberg

2020 Higher Education and Hospital Bond Issuance

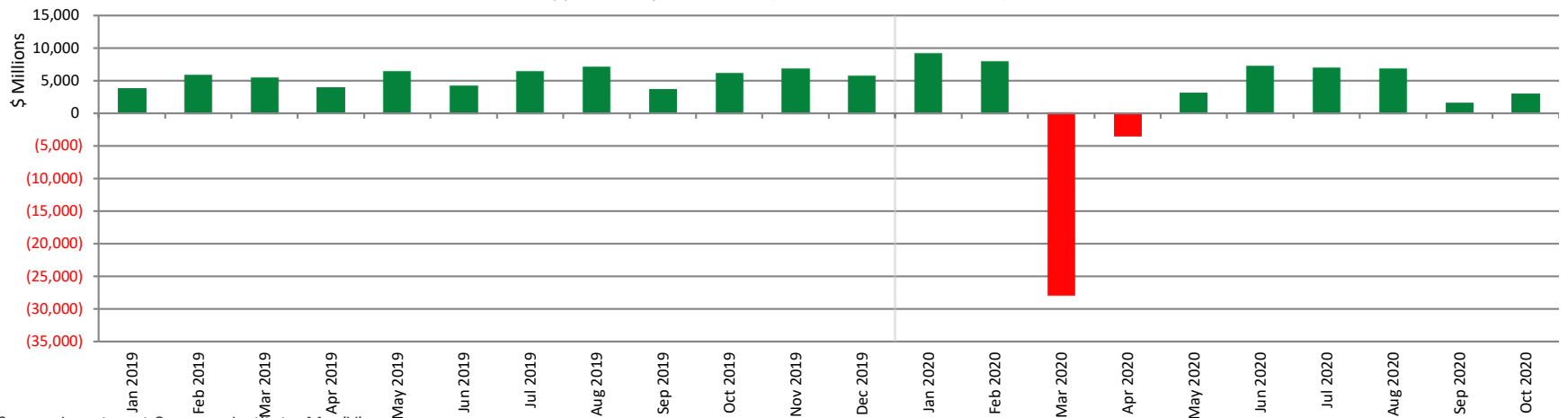
October 2020: Higher Education - \$4.69 Bn; Hospital = \$8.68 Bn



Source: Bloomberg

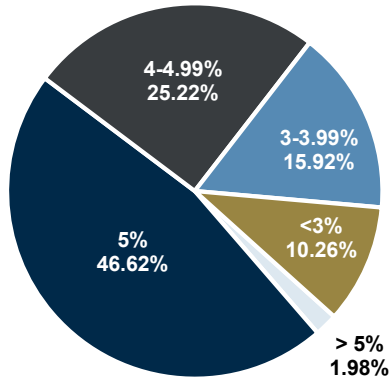
Municipal Bond Fund Flows Since January 1, 2019

Lipper Weekly Fund Flows (2020 YTD = \$11.66 Bn Net)

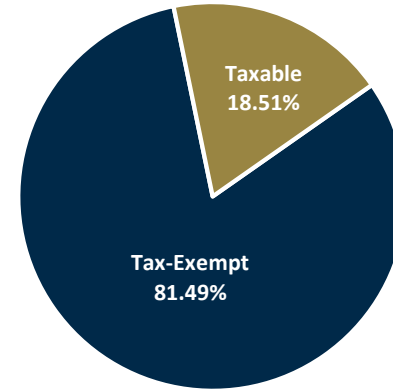


Source: Investment Company Institute, MuniView

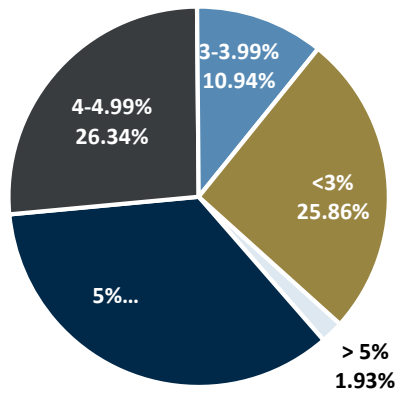
2019 Tax-Exempt Coupons



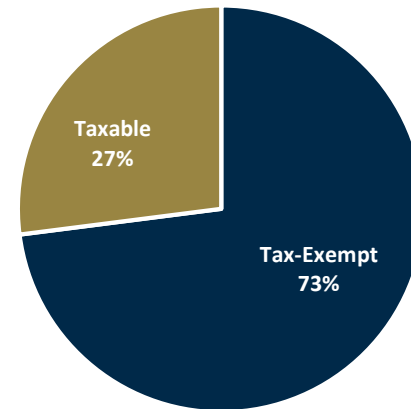
Tax Status of New Issuance (2019)



2020 Tax-Exempt Coupons YTD



Tax Status of New Issuance (2020 YTD)



Source: Bloomberg

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