



# Monthly Market Review

“Recipe for recovery = three parts stimulus, two parts vaccine, and unlimited Powell.”

## Economic Highlights

- Vaccine rollout accelerated causing cases, hospitalizations and deaths to fall sharply.
- Most economists, including those at the Federal Reserve (Fed), have raised growth forecasts and now see the U.S. economy expanding by 6%-7% this year — a remarkable pace.
- Congress passed the American Rescue Plan Act to provide \$1.9 trillion in relief to households, businesses, schools, and state, local and tribal governments. The plan extends unemployment benefits, increases the child tax credit, and provides additional funding for vaccinations and testing.
- President Biden also unveiled a new \$2 trillion infrastructure plan. The American Jobs Plan seeks to repair roads and bridges; modernize public transit; support electric vehicles; upgrade America's drinking water, wastewater and stormwater systems; strengthen the electric grid; and invest in home-based elderly care. The proposal would be paid for by rolling back some of the 2017 corporate tax cuts.
- High-frequency data, like air travel and restaurant reservations, indicate that the economic recovery is gaining momentum. Consumer confidence rose to a pandemic high in the quarter, and surveys of both manufacturing and service sector activity rose sharply.
- Economic optimism, fiscal stimulus and an easy monetary policy are fueling a rise in inflation expectations. Although the inflation trend remains muted and well below the Fed's 2% average inflation target, near-term inflation is likely to rise as the recovery accelerates.
- At March's Federal Open Market Committee meeting, the Fed maintained its current easy money policy. Fed Chair Jerome Powell acknowledged an improving economic outlook and suggested that higher inflation readings would likely be transitory.
- Hiring accelerated as lockdown restrictions eased. The U.S. economy added 916,000 jobs in March, with improvement across most industries. The unemployment rate fell to 6.0%, and the labor force participation rate, which is the share of the population that is either working or actively looking for work, improved. Manufacturing and services activity reached multi-year highs. Of particular note, the ISM Services index expanded at the fastest pace on record.

## Bond Markets

- The U.S. Treasury yield curve steepened significantly in March. The yield on the benchmark 3-month Treasury bill fell two basis points (bps) to 0.02%, while economic optimism and rising inflation expectations continued to push long-term Treasury yields higher. The yield on the benchmark 10-year Treasury note rose 34 bps during March to end at 1.74%. The 2- to 10-year Treasury yield spread reached its steepest level since 2015.
- Rising rates hurt fixed-income performance for the month, especially for longer duration indices. The 3-month Treasury index generated marginal returns of 0.02% for the month. The 5- and 10-year indices recorded losses of 0.60% and 2.50%, respectively.

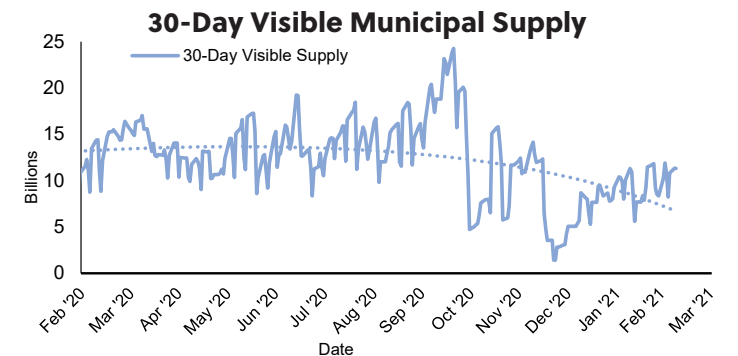
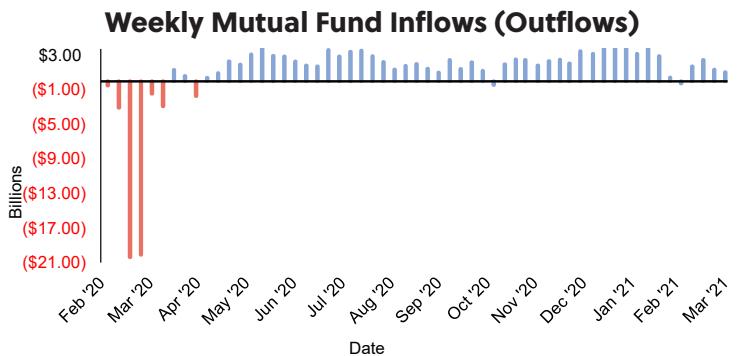
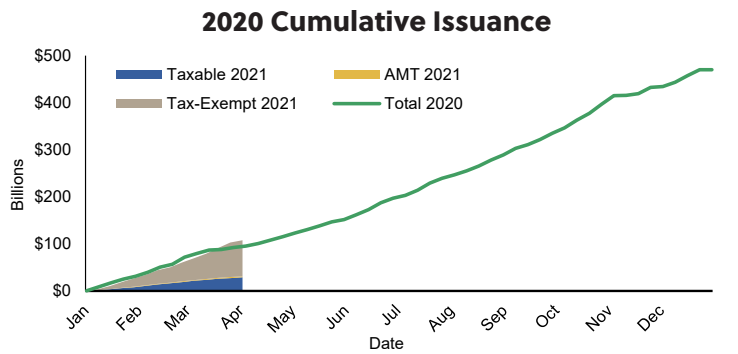
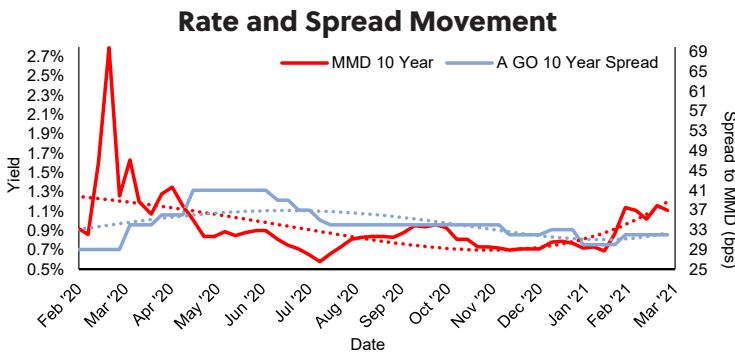
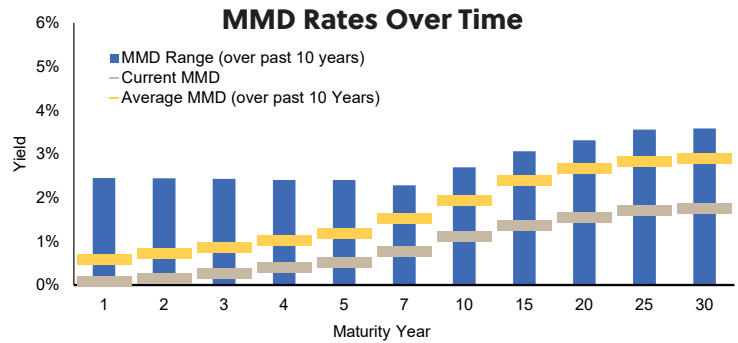
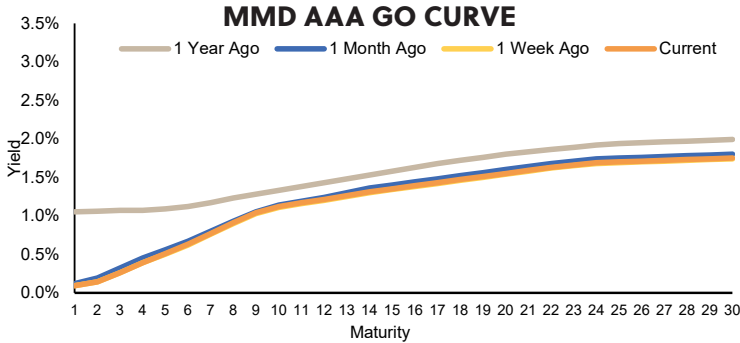
## Municipal Bond Market

- Municipal new issuance rose in March by 112.9% to \$43.1 billion from \$20.3 billion the same month last year. Total municipal new issuance for 2021 was up 8.8% to \$103.6 billion for the year compared to the \$95.3 billion recorded for 2020, according to the Municipal Market Monitor (TM3) data.
- March experienced positive bond flows throughout the month and ended with net inflows totaling \$6.4 billion, following February's net inflows of \$8.5 billion, according to Investment Company Institute (ICI) data.
- In March, the Municipal Market Data (MMD) Index experienced falling rates across the curve. The 1-year rate fell 3 bps to 0.09%, and the 3-year decreased 6 bps to 0.26%. The 5-year rate dropped 5 bps to 0.51%, and the 10-year rate fell by 2 bps to 1.12%. On the long end, the 30-year rate declined to 1.75% from 1.80%, in March, according to TM3 data.
- During March, the 10-year MMD Single-A General Obligation (GO) Index credit spread persisted at 32 bps, and the Double-A GO Index credit also remained at 15 bps.
- The Municipal-to-Treasury ratios declined throughout the curve in March. The 2-year ratio dropped to 87.5% from 126.7%, and the 5-year ratio decreased to 54.4% from 73.7% last month. The intermediate-term ratio fell to 54.2% from 68.7%, and the 10-year ratio dropped to 64.2% from 78.7% in February. The 30-year ratio also decreased in March to 72.3% from 82.2% last month, according to TM3 data.
- The Municipal curve steepened in March, with the AAA MMD 2- through 10-year slope increasing to 98 bps from February's 95 bps, while the slope between the AAA MMD 2- through 30-year remained at 161 bps.

Spot Rates				
Term	Current 3/31/2021	1 Week Ago 3/24/2021	1 Month Ago 2/26/2021	1 Year Ago 3/31/2020
2-Year	0.14	0.14	0.19	1.06
3-Year	0.26	0.26	0.32	1.07
5-Year	0.51	0.50	0.56	1.09
7-Year	0.77	0.76	0.80	1.17
10-Year	1.12	1.11	1.14	1.33
30-Year	1.75	1.74	1.80	1.99

Change in Spot Rate (basis points)			
Term	1 Week Ago 3/24/2021	1 Month Ago 2/26/2021	1 Year Ago 3/31/2020
2-Year	0	-5	-92
3-Year	0	-6	-81
5-Year	1	-5	-58
7-Year	1	-3	-40
10-Year	1	-2	-21
30-Year	1	-5	-24

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2-Year	0.14%	0.16%	0.16%
3-Year	0.26%	0.35%	0.30%
5-Year	0.51%	0.94%	0.65%
7-Year	0.77%	1.42%	0.95%
10-Year	1.12%	1.74%	1.23%
30-Year	1.75%	2.41%	1.74%



Economic Calendar								
Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
04/12/2021	02:00 PM	Monthly Budget Statement	04/21/2021	07:00 AM	MBA Mortgage Applications	04/28/2021	08:30 AM	Retail Inventories MoM
04/13/2021	08:30 AM	CPI MoM	04/22/2021	08:30 AM	Chicago Fed Nat Activity Index	04/28/2021	02:00 PM	FOMC Rate Decision (Lower Bound)
04/13/2021	08:30 AM	CPI Ex Food and Energy MoM	04/22/2021	08:30 AM	Initial Jobless Claims	04/28/2021	02:00 PM	FOMC Rate Decision (Upper Bound)
04/14/2021	07:00 AM	MBA Mortgage Applications	04/22/2021	08:30 AM	Continuing Claims	04/28/2021	02:00 PM	Interest Rate on Excess Reserves
04/14/2021	08:30 AM	Import Price Index MoM	04/22/2021	10:00 AM	Existing Home Sales MoM	04/29/2021	08:30 AM	Initial Jobless Claims
04/14/2021	08:30 AM	Import Price Index ex Petroleum MoM	04/22/2021	11:00 AM	Kansas City Fed Manf. Activity	04/29/2021	08:30 AM	Continuing Claims
04/14/2021	08:30 AM	Export Price Index MoM	04/23/2021	09:45 AM	Markit US Manufacturing PMI	04/29/2021	08:30 AM	Personal Consumption
04/14/2021	02:00 PM	U.S. Federal Reserve Releases Beige Book	04/23/2021	10:00 AM	New Home Sales MoM	04/29/2021	08:30 AM	GDP Price Index
04/15/2021	08:30 AM	Initial Jobless Claims	04/26/2021	08:30 AM	Durable Goods Orders	04/29/2021	08:30 AM	Core PCE QoQ
04/15/2021	08:30 AM	Retail Sales Advance MoM	04/26/2021	10:30 AM	Dallas Fed Manf. Activity	04/29/2021	10:00 AM	Pending Home Sales MoM
04/15/2021	08:30 AM	Continuing Claims	04/27/2021	09:00 AM	FHFA House Price Index MoM	04/30/2021	08:30 AM	Real Personal Spending
04/15/2021	08:30 AM	Retail Sales Ex Auto MoM	04/27/2021	10:00 AM	Conf. Board Consumer Confidence	04/30/2021	08:30 AM	PCE Deflator MoM
04/15/2021	08:30 AM	Empire Manufacturing	04/27/2021	10:00 AM	Richmond Fed Manufact. Index	04/30/2021	08:30 AM	PCE Core Deflator MoM
04/15/2021	08:30 AM	Retail Sales Ex Auto and Gas	04/28/2021	07:00 AM	MBA Mortgage Applications	04/30/2021	09:45 AM	MNI Chicago PMI
04/15/2021	08:30 AM	Philadelphia Fed Business Outlook	04/28/2021	08:30 AM	Wholesale Inventories MoM	04/30/2021	10:00 AM	U. of Mich. Sentiment

Sources: Bloomberg, Thomson Reuters and ICI. Unless otherwise noted, all data is presented as of March 31, 2021.

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