



Monthly Market Review

“Bad news may be good news; good news is good news.”

Economic Highlights

- November brought relief from the grind and tension of the presidential campaign, bad news on the pandemic front (a rise in infections) but good news on the vaccine front. For investors, though, it was all good.
- The surge in coronavirus infections and hospitalizations is sure to retard the economic recovery. But it also increases the likelihood of strong fiscal relief measures and strengthens the case for the Federal Reserve (Fed) to maintain low rates for a long time. Assuming the COVID-19 vaccines bring the virus under control, strong fiscal and monetary policy should ultimately boost the economy into full recovery.
- The ultimate move and reach of fiscal stimulus to supplement the CARES Act is likely to be re-visited in the new year — with a new administration in Washington. The betting is that there will be more, not less stimulus down the road, though the size and shape remains to be seen. For the moment, investors see this too as a positive.
- Meanwhile, the Fed is keeping the monetary policy pedal to the metal. In statements and testimony, Chair Jerome Powell and other members of the Federal Open Market Committee play the backdrop of economic uncertainty as a reason to maintain low rates for the foreseeable future.
- For now, there are signs that current conditions have weakened. Retail sales climbed in October at the slowest pace in six months, confirming that consumers are becoming more hesitant to spend amid a new wave of infections. Likewise, consumer confidence deteriorated off six-month highs in November. Less optimism about the state of the economy appears to have dampened prospects for holiday shopping, as new public health restrictions may limit consumer and business activity in the months ahead.
- The labor market also showed signs of slowing momentum as the U.S. economy added 245,000 jobs in November, well shy of the 460,000 estimated and down sharply from October's reading. The unemployment rate fell to 6.7% as the labor force shrunk. The number of Americans collecting unemployment benefits remains elevated.
- Activity in housing remained robust as demand remained strong and mortgage rates fell to a new record low.

Bond Markets

- After relative stability from April through September, volatility in the U.S. Treasury market picked up over the last two months. Long-term yields are well-contained but seem to be creeping higher, while yields less than two years are nearly unchanged over several months and anchored near zero. Directionally, the path of least resistance for long-term yields may be to continue the slow creep upward.

- A flattening yield curve in November led to longer-duration strategies outperforming their short-term counterparts. For the month, the 3-month Treasury index generated a muted return of only 0.01%, while the 5-year and 10-year Treasury indices returned 0.16% and 0.31%, respectively.
- Corporate debt continued to lead relative performance among most investment-grade (IG) fixed income asset classes as spreads continued to tighten modestly amid reduced corporate issuance gradually.

Municipal Bond Market

- Municipal new issuance fell in November by 59.1% to \$19.4 billion from \$47.3 billion the same month last year. Year-to-date municipal new issuance is up 15.0% to \$441.4 billion for 2020 from \$383.8 billion during the same period last year, according to the Municipal Market Monitor (TM3) data.
- November experienced positive bond flows despite one week of outflows totaling -\$428 million and ended the month with net inflows totaling \$6.5 billion, following October's net inflows of \$6.6 billion, according to Investment Company Institute (ICI) data.
- In November, the Municipal Market Data (MMD) Index experienced decreasing rates across the curve. The 1-year rate fell 6 bps to .14%, 3-year declined 5 bps to 0.17%. The 5-year rate dropped 7 bps to 0.23%, and the 10-year rate decreased 21 bps to 0.72%. On the long end, the 30-year rate dropped by 30 bps to 1.41%, according to TM3 data.
- During November, the 10-year MMD Single-A and Double-A General Obligation (GO) Index credit spreads remained unchanged from the prior month, at 34 bps and 15 bps, respectively.
- Municipal-to-Treasury ratios experienced a decline throughout the curve in November. The 2-year ratio decreased to 102% from 137.3% and the 5-year ratio fell to 63.5% from 79.4% last month. The intermediate-term ratio fell to 68.2% from 92.7% and the 10-year ratio decreased to 85.3% from 109.2% in October. The 30-year ratio shrank to 89.5% from 105.6% in October, according to TM3 data.
- The Municipal curve flattened in November with the AAA MMD 2- through 10-year slope decreasing to 57 bps and the slope between the AAA MMD 2- through 30-year dropping to 126 bps from October's 150 bps.

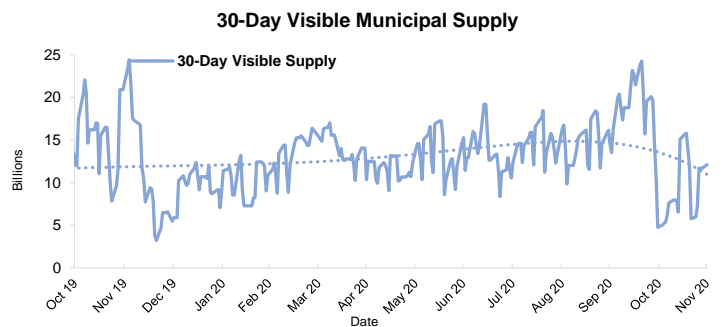
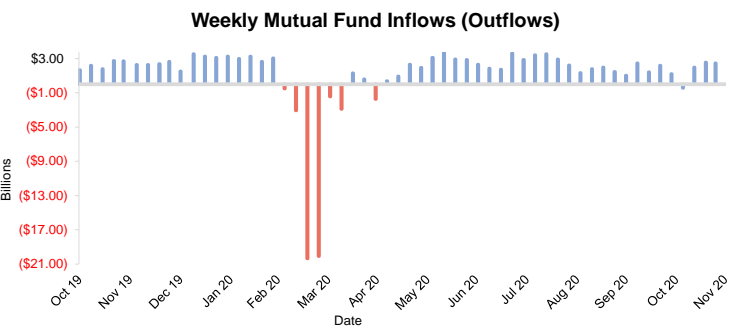
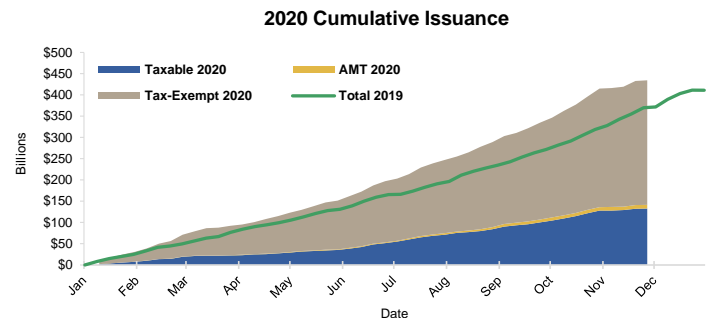
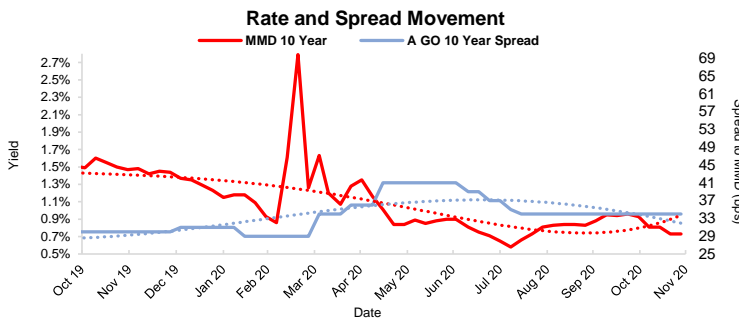
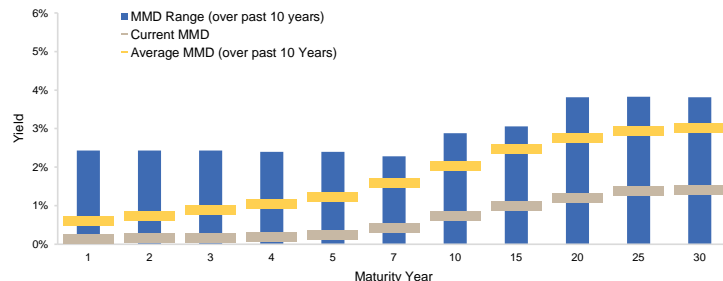
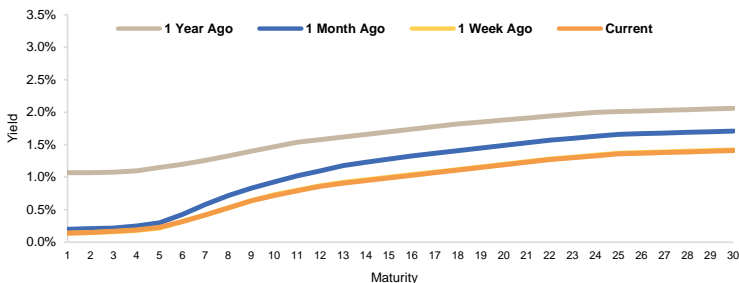
Spot Rates				
Term	Current 11/30/2020	1 Week Ago 11/23/2020	1 Month Ago 10/30/2020	1 Year Ago 11/29/2019
2-Year	0.15	0.15	0.21	1.07
3-Year	0.17	0.16	0.22	1.08
5-Year	0.23	0.22	0.30	1.15
7-Year	0.42	0.42	0.58	1.26
10-Year	0.72	0.73	0.93	1.47
30-Year	1.41	1.42	1.71	2.06

Change in Spot Rate (basis points)			
	1 Week Ago 11/23/2020	1 Month Ago 10/30/2020	1 Year Ago 11/29/2019
2-Year	0	-6	-92
3-Year	1	-5	-91
5-Year	1	-7	-92
7-Year	0	-16	-84
10-Year	-1	-21	-75
30-Year	-1	-30	-65

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2-Year	0.15%	0.15%	0.16%
3-Year	0.17%	0.19%	0.20%
5-Year	0.23%	0.36%	0.35%
7-Year	0.42%	0.61%	0.52%
10-Year	0.72%	0.84%	0.74%
30-Year	1.41%	1.57%	1.24%

MMD AAA GO Curve

MMD Rates Over Time



Economic Calendar								
Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
12/09/2020	07:00 AM	MBA Mortgage Applications	12/15/2020	04:00 PM	Net Long-term TIC Flows	12/22/2020	10:00 AM	Existing Home Sales MoM
12/09/2020	10:00 AM	Wholesale Trade Sales MoM	12/15/2020	04:00 PM	Total Net TIC Flows	12/22/2020	10:00 AM	Richmond Fed Manufact. Index
12/09/2020	10:00 AM	Wholesale Inventories MoM	12/16/2020	07:00 AM	MBA Mortgage Applications	12/23/2020	07:00 AM	MBA Mortgage Applications
12/09/2020	10:00 AM	JOLTS Job Openings	12/16/2020	09:45 AM	Markit US Manufacturing PMI	12/23/2020	08:30 AM	Personal Income
12/10/2020	08:30 AM	Initial Jobless Claims	12/16/2020	09:45 AM	Markit US Services PMI	12/23/2020	10:00 AM	New Home Sales MoM
12/10/2020	08:30 AM	CPI Core Index SA	12/16/2020	09:45 AM	Markit US Composite PMI	12/24/2020	08:30 AM	Initial Jobless Claims
12/10/2020	08:30 AM	Real Avg Hourly Earning YoY	12/17/2020	08:30 AM	Initial Jobless Claims	12/24/2020	08:30 AM	Continuing Claims
12/10/2020	08:30 AM	Real Avg Weekly Earnings YoY	12/17/2020	08:30 AM	Housing Starts MoM	12/24/2020	08:30 AM	Durable Goods Orders
12/10/2020	09:45 AM	Bloomberg Consumer Comfort	12/17/2020	08:30 AM	Continuing Claims	12/28/2020	10:30 AM	Dallas Fed Manf. Activity
12/10/2020	12:00 AM	Household Change in Net Worth	12/17/2020	09:45 AM	Bloomberg Economic Expectations	12/29/2020	09:00 AM	S&P CoreLogic CS 20-City MoM SA
12/11/2020	08:30 AM	PPI Ex Food, Energy, Trade YoY	12/17/2020	09:45 AM	Bloomberg Consumer Comfort	12/29/2020	09:00 AM	S&P CoreLogic CS 20-City YoY NSA
12/11/2020	10:00 AM	U. of Mich. Sentiment	12/18/2020	10:00 AM	Leading Index	12/30/2020	09:00 AM	S&P CoreLogic CS 20-City NSA Index
12/11/2020	10:00 AM	U. of Mich. Current Conditions	12/21/2020	08:30 AM	Chicago Fed Nat Activity Index	12/30/2020	10:00 AM	Pending Home Sales NSA YoY
12/14/2020	08:45 AM	Bloomberg Dec. United States Economic Survey	12/22/2020	08:30 AM	GDP Annualized QoQ	12/31/2020	08:30 AM	Initial Jobless Claims
12/15/2020	08:30 AM	Empire Manufacturing	12/22/2020	08:30 AM	Personal Consumption	12/31/2020	08:30 AM	Continuing Claims

Sources: Bloomberg, Thomson Reuters and ICI. Unless otherwise noted, all data is presented as of November 30, 2020.

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