



Monthly Market Review

"I say stop and you say go go go." — The Beatles

Economic Highlights

- Former Vice President Joe Biden was declared the presumptive winner of the 2020 presidential election, flipping key battleground states to secure the victory in a strongly contested race amid record voter turnout. As the dust settles from the election, Americans cope with a renewed surge of the COVID-19 pandemic. Daily coronavirus infections reached record levels multiple times in mid-November, with some states experiencing dangerous levels of hospitalizations, which prompted a new round of public health restrictions.
- The financial markets reacted favorably to the election outcome and largely discounted the pandemic surge. Democrats failed to win an overwhelming mandate, reducing the likelihood of extreme tax or fiscal policy changes. The S&P 500 (S&P) rose 7.3% during election week, its best weekly gain since April.
- As votes were still being counted, the Federal Reserve (Fed) met in the first week of November, affirming the 0-0.25% target range for fed funds rate while maintaining the current level of monthly asset purchases. Previously, the Fed had reduced the minimum loan size on its Main Street Lending Program to help "better target support to smaller businesses that employ millions of workers and are facing continued revenue shortfalls due to the pandemic."
- The U.S. economy expanded at a record 33.1% annual rate in the third quarter of 2020, recovering a significant portion of the economic loss from COVID-19 that sent the economy to its record contraction in the second quarter (-31.4%). The strong rebound was fueled by increased consumption, business and residential investment, and exports. Despite the rebound, U.S. gross domestic product remains about 3.5% below the year-end 2019 levels. The economy has since entered what is likely to be a slower phase of recovery.
- Personal income increased more than expected in September, rising 0.9% following a 2.7% decline in August, while personal spending was up 1.4%. Consumer confidence has been mixed as the pandemic continues to cloud the economic outlook.
- Again, the labor market surprised the upside as the U.S. economy added 661,000 jobs in October, and the jobless rate fell to 6.9%. The number of Americans filing for weekly unemployment benefits is also improving. However, the jobless rate is still elevated, and about nine million fewer people are working now than at the end of 2019.
- After a scorching summer sales season, the housing market may show seasonal cooling signs even as strong demand continues. While existing home sales were strong, new and pending home sales and mortgage applications fell in September.

Bond Markets

- Very low rates mean even small moves have notable effects on returns. In October, 10-year Treasury yields rose nearly 20 basis

points (bps) and continued to move higher post-election in response to looming Treasury supply and better-than-projected economic data. The yields on shorter maturities were relatively unchanged and anchored near zero. Bond market volatility also rose.

- As a result of the steeper Treasury curve, longer-duration bonds underperformed their shorter counterparts. The return on the 3-month Treasury Index was 0.01% for the month, while the 5- and 10-year Treasury Indices returned -0.48% and -1.64%, respectively.
- Corporate issuance cooled in October, as expected. The slowdown contributed to tighter credit spreads, with many high-quality issuers now back to pre-COVID-19 levels. Returns on corporate bonds exceeded those on like-maturity Treasuries.

Municipal Bond Market

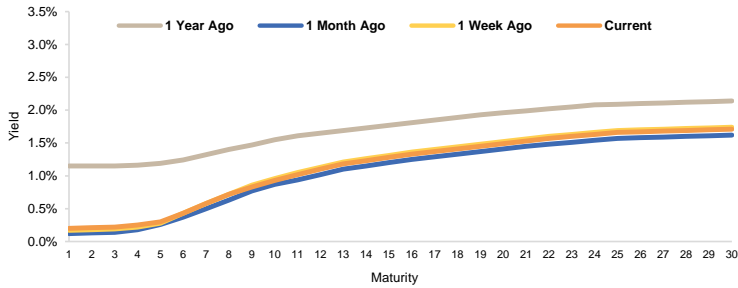
- Municipal new issuance increased in October by 20.8% to \$67.4 billion from \$55.8 billion the same month last year. Year-to-date municipal new issuance is up 23.8% to \$416.5 billion for 2020 from \$336.5 billion during the same period last year, according to the Municipal Market Monitor (TM3) data.
- October experienced positive bond flows throughout the month and ended with net inflows totaling \$7.3 billion, following September's net inflows of \$6.7 billion, according to Investment Company Institute (ICI) data.
- In October, the Municipal Market Data (MMD) Index experienced increasing rates across the curve. Both the 1-year and 3-year rates increased by 8 bps, to 0.20% and 0.22%, respectively. The 5-year rate saw a slight gain of 4 bps to 0.30% and the 10-year rate increased 6 bps to 0.93%. On the long end, the 30-year rate rose by 9 bps to 1.71%, according to TM3 data.
- During October, the 10-year MMD Single-A General Obligation (GO) Index credit spread remained unchanged at 34 bps and the Double-A GO Index credit spread remained unchanged at 15 bps, according to TM3 data.
- Municipal-to-Treasury ratios largely experienced a decline throughout the curve with one exception on the short end. The 2-year ratio increased to 137.3% from 104.0% while the 5-year ratio fell to 79.4% from 95.9% last month. The intermediate-term ratio fell to 92.7% from 107.3% and the 10-year ratio decreased to 109.2% from 128.5% in September. The 30-year ratio shrank to 105.6% from 111.5% in September, according to TM3 data.
- The Municipal curve remanded essentially unchanged in October with the AAA MMD through 10-year slope decreasing two bps to 72 bps, while the slope between the AAA MMD 2-through 30-year rising to 150 bps from September's 149 bps.

Spot Rates				
Term	Current 10/30/2020	1 Week Ago 10/23/2020	1 Month Ago 9/30/2020	1 Year Ago 10/30/2019
2-Year	0.21	0.18	0.13	1.15
3-Year	0.22	0.19	0.14	1.15
5-Year	0.30	0.28	0.26	1.19
7-Year	0.58	0.58	0.50	1.32
10-Year	0.93	0.96	0.87	1.55
30-Year	1.71	1.74	1.62	2.14

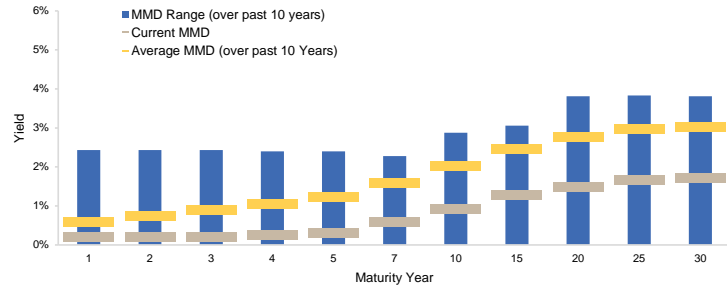
Change in Spot Rate (basis points)			
	1 Week Ago 10/23/2020	1 Month Ago 9/30/2020	1 Year Ago 10/30/2019
2-Year	3	8	-94
3-Year	3	8	-93
5-Year	2	4	-89
7-Year	0	8	-74
10-Year	-3	6	-62
30-Year	-3	9	-43

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2-Year	0.21%	0.16%	0.19%
3-Year	0.22%	0.20%	0.23%
5-Year	0.30%	0.39%	0.40%
7-Year	0.58%	0.64%	0.57%
10-Year	0.93%	0.88%	0.81%
30-Year	1.71%	1.66%	1.25%

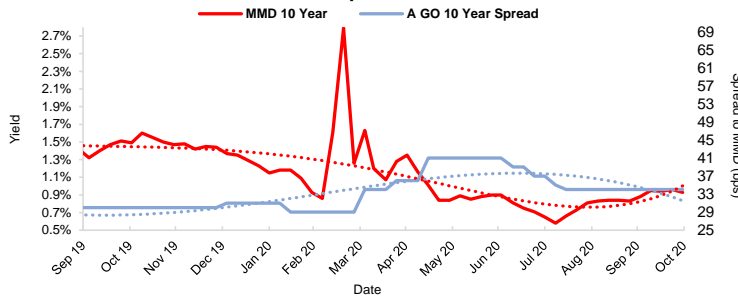
MMD AAA GO Curve



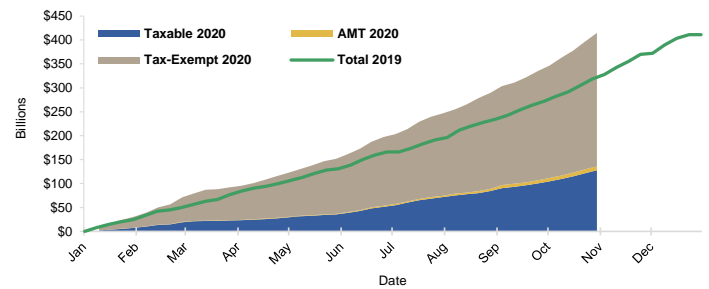
MMD Rates Over Time



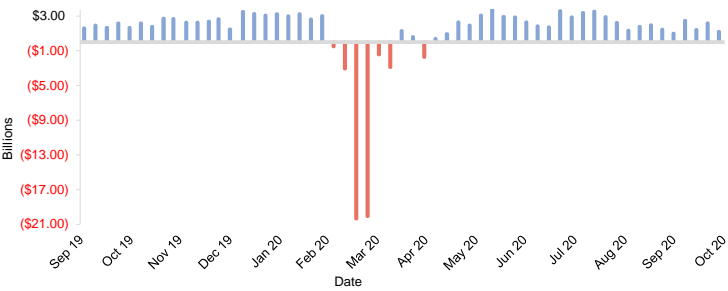
Rate and Spread Movement



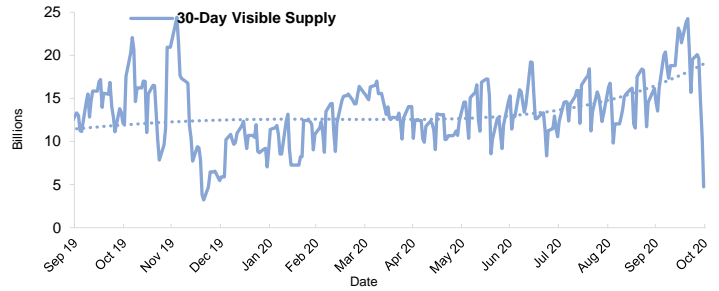
2020 Cumulative Issuance



Weekly Mutual Fund Inflows (Outflows)



30-Day Visible Municipal Supply



Economic Calendar

Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
11/11/2020	07:00 AM	MBA Mortgage Applications	11/18/2020	07:00 AM	MBA Mortgage Applications	11/25/2020	08:30 AM	GDP Price Index
11/12/2020	08:30 AM	CPI MoM	11/18/2020	08:30 AM	Building Permits	11/25/2020	08:30 AM	Core PCE QoQ
11/12/2020	08:30 AM	CPI Ex Food and Energy MoM	11/18/2020	08:30 AM	Building Permits MoM	11/25/2020	08:30 AM	Initial Jobless Claims
11/13/2020	08:30 AM	PPI Final Demand MoM	11/19/2020	09:45 AM	Bloomberg Economic Expectations	11/25/2020	10:00 AM	PCE Core Deflator YoY
11/13/2020	08:30 AM	PPI Ex Food and Energy MoM	11/19/2020	09:45 AM	Bloomberg Consumer Comfort	11/25/2020	10:00 AM	U. of Mich. Sentiment
11/13/2020	08:30 AM	PPI Ex Food, Energy, Trade MoM	11/19/2020	10:00 AM	Existing Home Sales MoM	11/25/2020	10:00 AM	U. of Mich. Current Conditions
11/13/2020	10:00 AM	U. of Mich. 5-10 Yr Inflation	11/19/2020	11:00 AM	Kansas City Fed Manf. Activity	11/25/2020	10:00 AM	U. of Mich. Expectations
11/13/2020	01:00 PM	Bloomberg Nov. United States Economic Survey	11/23/2020	08:30 AM	Chicago Fed Nat Activity Index	11/25/2020	10:00 AM	U. of Mich. 1 Yr Inflation
11/16/2020	08:30 AM	Empire Manufacturing	11/23/2020	09:45 AM	Markit US Composite PMI	11/25/2020	10:00 AM	New Home Sales
11/17/2020	08:30 AM	Retail Sales Advance MoM	11/24/2020	09:00 AM	FHFA House Price Index MoM	11/25/2020	10:00 AM	New Home Sales MoM
11/17/2020	08:30 AM	Retail Sales Control Group	11/24/2020	09:00 AM	House Price Purchase Index QoQ	11/25/2020	02:00 PM	FOMC Meeting Minutes
11/17/2020	09:15 AM	Industrial Production MoM	11/24/2020	09:00 AM	S&P CoreLogic CS US HPI NSA Index	11/30/2020	09:45 AM	MNI Chicago PMI
11/17/2020	09:15 AM	Capacity Utilization	11/24/2020	10:00 AM	Conf. Board Consumer Confidence	11/30/2020	10:00 AM	Pending Home Sales MoM
11/17/2020	10:00 AM	NAHB Housing Market Index	11/24/2020	10:00 AM	Richmond Fed Manufact. Index	11/30/2020	10:00 AM	Pending Home Sales NSA YoY
11/17/2020	04:00 PM	Net Long-term TIC Flows	11/25/2020	07:00 AM	MBA Mortgage Applications	11/30/2020	10:30 AM	Dallas Fed Manf. Activity

Sources: Bloomberg, Thomson Reuters and ICI. Unless otherwise noted, all data is presented as of October 31, 2020.

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