



Monthly Market Review

“The one thing that is certain is the uncertainty of it all.”

Economic Highlights

- Although the season is changing, the clouds of uncertainty have not dissipated. Economic risks are still rooted in the country's struggle to contain the coronavirus, increasing business layoffs, stalled fiscal stimulus and the upcoming highly acrimonious presidential election.
- At the September Federal Open Market Committee meeting, members continued to acknowledge the “tremendous human and economic hardship” the COVID-19 pandemic is causing. In new economic projections, the Committee extended the horizon of expected zero rates through 2023. They also referenced their new inflation policy by suggesting that they will allow “inflation moderately above 2% for some time so that inflation averages 2% over time.” Meanwhile, Federal Reserve (Fed) leaders continue to strongly call for additional fiscal stimulus.
- The U.S. economy added 661,000 jobs in September, falling well short of the estimated 859,000 jobs and the 1.3 million job gain in August. The unemployment rate ticked lower to 7.9% from 8.4%, but a fall in the labor force participation rate accounted for most of the improvement. At the same time, a total of 25.3 million people are receiving unemployment insurance benefits, compared to just 1.4 million a year ago.
- Consumer spending rose at a sluggish pace in August, while personal income fell 2.7% as the government's supplemental unemployment benefits expired. An increasing number of permanent layoffs and a drop in income threatens to slow the recovery in the coming months.
- The housing market remains a bright spot in the economy as low mortgage rates and limited inventory have fueled strong sales and appreciating home prices.

Bond Markets

- Low volatility and directionless trading barely moved Treasury yields in September. The yield on the benchmark 2-year Treasury note remained anchored at 0.13%, and the yield on the benchmark 10-year Treasury note slipped two basis points (bps) to 0.68%.
- Treasury index returns were muted as yields traded in a very tight range for most of the month. For the period, the 3-month Treasury Index and the 5-year Treasury Index returned 0.01%, while the 10-year Treasury Index returned 0.22%.
- September was another busy month for corporate issuance. Investment-grade (IG) corporations continued to capitalize on the low borrowing rate environment and fortify balance sheets by locking in cheap financing. IG companies raised \$167 billion of debt, the largest of any September in history.

- Meanwhile, IG corporate spreads ticked slightly higher as economic uncertainties took hold. The result was to depress returns compared with Treasury benchmarks. For example, the return on the Bloomberg Barclays U.S. Intermediate Corporate Index was -0.18%.

Municipal Bond Market

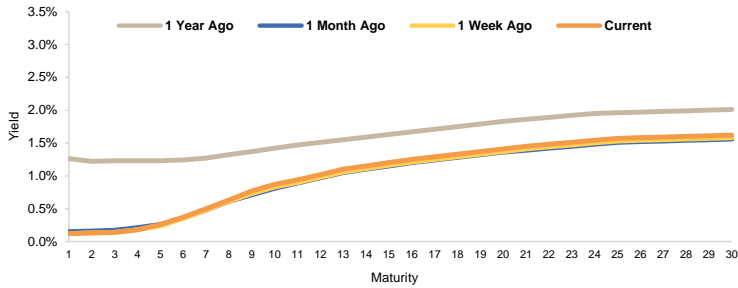
- Municipal new issuance increased in September by 34.3% to \$50.3 billion from \$37.4 billion the same month last year. Year-to-date municipal new issuance is up 22.8% to \$344.8 billion for 2020 from \$280.7 billion during the same period last year, according to the Municipal Market Monitor (TM3) data.
- September experienced positive bond flows throughout the month and ended with net inflows totaling \$7.5 billion, following August's net inflows of \$11.7 billion, according to Investment Company Institute (ICI) data.
- In September, the Municipal Market Data (MMD) Index experienced decreasing rates across the short-end while rates further out increased slightly. The 1-year rate fell 3 bps to 0.12% and the 3-year dropped 3 bps to 0.14%. The 5-year rate remained unchanged at 0.26%. The 10-year rate increased 6 bps to 0.87%. On the long end, the 30-year rate rose by 6 bps to 1.62%, according to TM3 data.
- During September, the 10-year MMD Single-A General Obligation (GO) Index credit spread remained at 34 bps and the Double-A GO Index credit spread remained at 15 bps, according to TM3 data.
- Municipal-to-Treasury ratios experienced mixed changes across the yield curve. The 2-year ratio decreased to 104.0% from 122.1% and the 5-year ratio fell to 95.9% from 98.9% last month. The intermediate-term ratio rose to 107.3% from 99.2% and the 10-year ratio increased to 128.5% from 114.7% in August. The 30-year ratio increased to 111.5% from 106.1% in August, according to TM3 data.
- The Municipal curve steepened in September with the AAA MMD 2- through 10-year slope increasing to 74 bps and the slope between the AAA MMD 2- through 30-year rising to 149 bps from August's 140 bps.

Spot Rates				
Term	Current 9/30/2020	1 Week Ago 9/23/2020	1 Month Ago 8/31/2020	1 Year Ago 9/30/2019
2-Year	0.13	0.13	0.16	1.22
3-Year	0.14	0.14	0.17	1.23
5-Year	0.26	0.24	0.26	1.23
7-Year	0.50	0.48	0.48	1.27
10-Year	0.87	0.83	0.81	1.42
30-Year	1.62	1.58	1.56	2.01

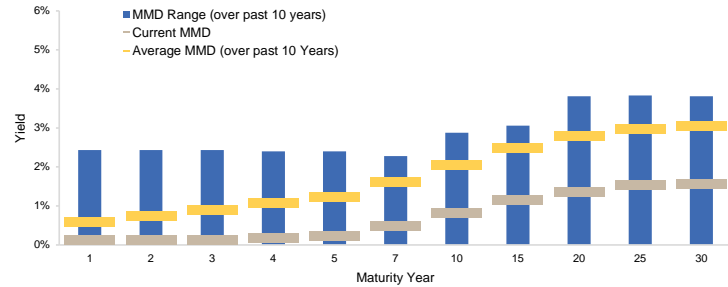
Change in Spot Rate (basis points)			
	1 Week Ago 9/23/2020	1 Month Ago 8/31/2020	1 Year Ago 9/30/2019
2-Year	0	-3	-109
3-Year	0	-3	-109
5-Year	2	0	-97
7-Year	2	2	-77
10-Year	4	6	-55
30-Year	4	6	-39

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2-Year	0.13%	0.13%	0.17%
3-Year	0.14%	0.16%	0.20%
5-Year	0.26%	0.28%	0.32%
7-Year	0.50%	0.47%	0.46%
10-Year	0.87%	0.69%	0.65%
30-Year	1.62%	1.46%	1.10%

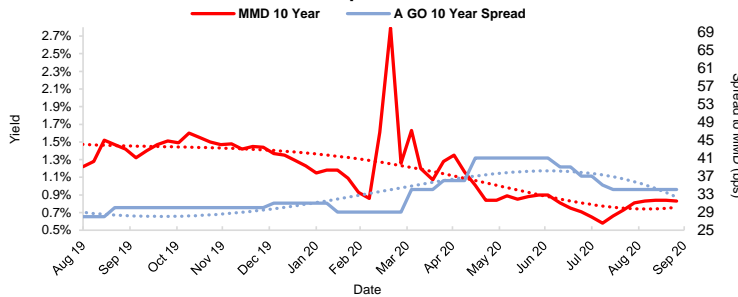
MMD AAA GO Curve



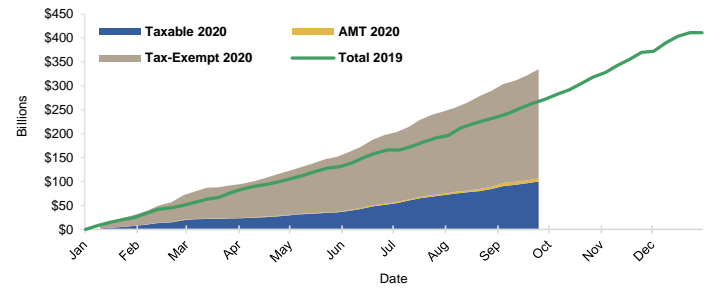
MMD Rates Over Time



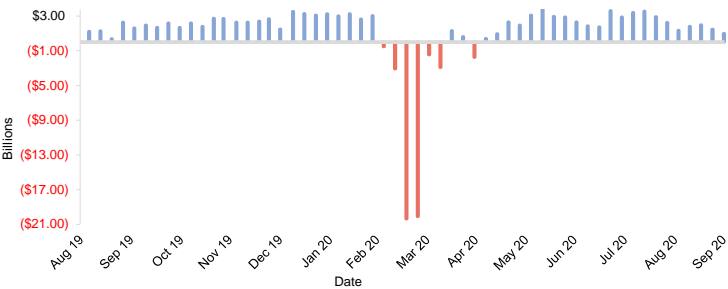
Rate and Spread Movement



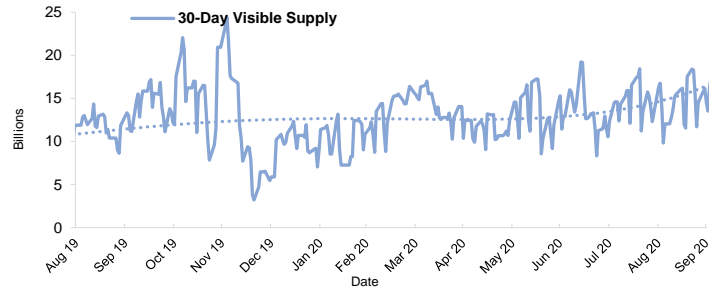
2020 Cumulative Issuance



Weekly Mutual Fund Inflows (Outflows)



30-Day Visible Municipal Supply



Economic Calendar

Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
10/09/2020	10:00 AM	Wholesale Inventories MoM	10/16/2020	10:00 AM	Business Inventories	10/27/2020	08:30 AM	Durable Goods Orders
10/09/2020	10:00 AM	Wholesale Trade Sales MoM	10/16/2020	10:00 AM	U. of Mich. Sentiment	10/27/2020	08:30 AM	Durables Ex Transportation
10/13/2020	06:00 AM	NFIB Small Business Optimism	10/19/2020	10:00 AM	NAHB Housing Market Index	10/27/2020	08:30 AM	Cap Goods Orders Nondef Ex Air
10/13/2020	08:30 AM	Real Avg Weekly Earnings YoY	10/20/2020	08:30 AM	Building Permits	10/28/2020	07:00 AM	MBA Mortgage Applications
10/13/2020	08:30 AM	Real Avg Hourly Earning YoY	10/20/2020	08:30 AM	Building Permits MoM	10/28/2020	08:30 AM	Advance Goods Trade Balance
10/14/2020	08:30 AM	PPI Final Demand MoM	10/20/2020	08:30 AM	Housing Starts	10/28/2020	08:30 AM	Wholesale Inventories MoM
10/14/2020	08:30 AM	PPI Ex Food and Energy MoM	10/21/2020	02:00 PM	U.S. Fed Releases Beige Book	10/28/2020	08:30 AM	Retail Inventories MoM
10/14/2020	08:30 AM	PPI Ex Food, Energy, Trade MoM	10/22/2020	08:30 AM	Initial Jobless Claims	10/29/2020	08:30 AM	Core PCE QoQ
10/14/2020	08:30 AM	PPI Final Demand YoY	10/22/2020	08:30 AM	Continuing Claims	10/29/2020	09:45 AM	Bloomberg Consumer Comfort
10/14/2020	08:30 AM	PPI Ex Food and Energy YoY	10/22/2020	09:45 AM	Bloomberg Economic Expectations	10/30/2020	08:30 AM	Personal Income
10/15/2020	08:30 AM	Empire Manufacturing	10/22/2020	10:00 AM	Existing Home Sales MoM	10/30/2020	08:30 AM	Personal Spending
10/15/2020	08:30 AM	Import Price Index MoM	10/22/2020	11:00 AM	Kansas City Fed Manf. Activity	10/30/2020	08:30 AM	Real Personal Spending
10/15/2020	08:30 AM	Continuing Claims	10/23/2020	09:45 AM	Markit US Manufacturing PMI	10/30/2020	09:45 AM	MNI Chicago PMI
10/16/2020	08:30 AM	Retail Sales Advance MoM	10/26/2020	08:30 AM	Chicago Fed Nat Activity Index	10/30/2020	10:00 AM	U. of Mich. Sentiment
10/16/2020	08:30 AM	Retail Sales Ex Auto MoM	10/26/2020	10:00 AM	New Home Sales	10/30/2020	10:00 AM	U. of Mich. Current Conditions

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

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