



Monthly Market Review

"Turning the corner..."

Economic Highlights

- The U.S. fight against COVID-19 has shown dramatic progress in contrast with soaring cases abroad, particularly in emerging economies. The dramatic downturn in new U.S. coronavirus cases came as the vaccination rate rose sharply. By early May more than 150 million Americans had received at least one dose of the vaccine. The Biden Administration has set two new goals for July 4: getting 70% of U.S. adults to receive at least one vaccine dose and having 160 million adults fully vaccinated.
- The first estimate of gross domestic product (GDP) for the first quarter showed the U.S. economy grew at an annualized 6.4% clip, fueled by strong consumer spending. Personal consumption, the biggest component of GDP, surged at an annualized rate of nearly 11%, the second-fastest pace since the 1960s. Pent-up consumer demand combined with the third round of household stimulus checks drove growth.
- At the April meeting of the Federal Open Market Committee, the Federal Reserve (Fed) kept its easy monetary policy in place, holding interest rates near zero and continuing \$120 billion per month in asset purchases. Fed Chair Jerome Powell acknowledged faster economic growth, though he remained cautiously optimistic about the future course. Powell reiterated the view that "base effects and [supply] bottlenecks" will likely drive up reported inflation in the coming months but expects the rise to be transitory. A prerequisite for any policy changes is for policymakers to see substantial further progress in the economy and a broad-based and inclusive recovery in the labor market.
- The employment report for April was a huge disappointment – the U.S. economy only added 266,000 jobs, significantly missing estimates of up to one million job gains. The unemployment rate ticked higher to 6.1% (from 6.0%), as there are still over eight million fewer employees in the workforce compared to pre-pandemic levels. The more comprehensive measure that includes underemployment (U-6) declined 0.3% to 10.4%.
- The U.S. housing market is strong and after a winter setback sales activity picked up, held back only by inventory shortages. On the other hand, after a stimulus-induced surge in March, retail sales were flat in April, pointing to a still uneven recovery.

Bond Markets

- The U.S. Treasury yield curve flattened modestly in April, as long-term yields fell by nine to 11 basis points (bps) while short-term yields remain anchored to the Fed's near-zero rate policy. The yield on the benchmark 10-year Treasury fell to 1.63% after briefly rising in April to 1.74%, but is still 1% higher than its 2020 low, somewhat of a concession to the not-so-subtle inflation threat.
- Falling yields led to positive performance across all maturities, with longer tenors leading the pack. The 3-month T-Bill index was flat for the month, while the 5- and 10-year indices returned 0.54% and 1.19%, respectively.

- April's investment-grade (IG) corporate issuance was \$97.8 billion, in line with more normal 2019 levels. Lower borrowing costs continue to support the issuance of new debt. Supply continues to easily find a home as investor demand remains robust, keeping spreads in a very low and narrow trading range.
- With the passage of the American Recovery Plan and work underway to agree on an infrastructure funding package, the U.S. Treasury faces a significant increase in its borrowing programs. Estimates are that there will be \$1.3 trillion borrowed over the second half of the fiscal year. Most of this will be in intermediate and long maturity obligations while the Treasury will pay down an estimated \$350 billion of short-term bills in the first half of this year. This will put further pressure upward on long-maturity yields and press money market rates lower.

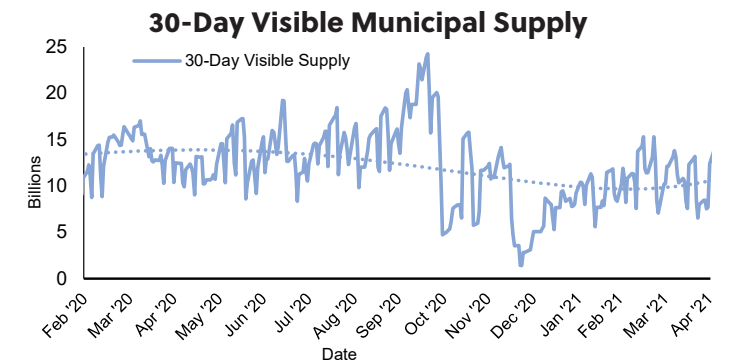
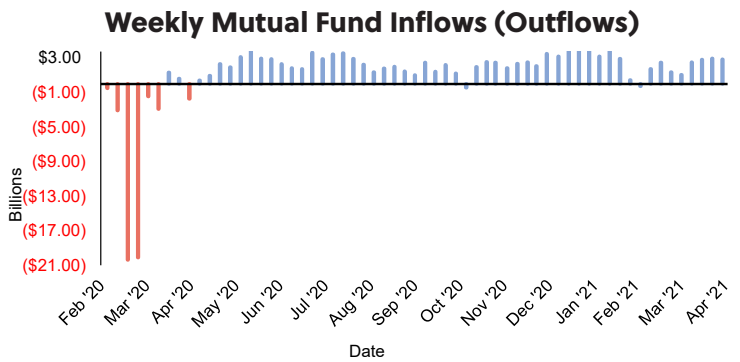
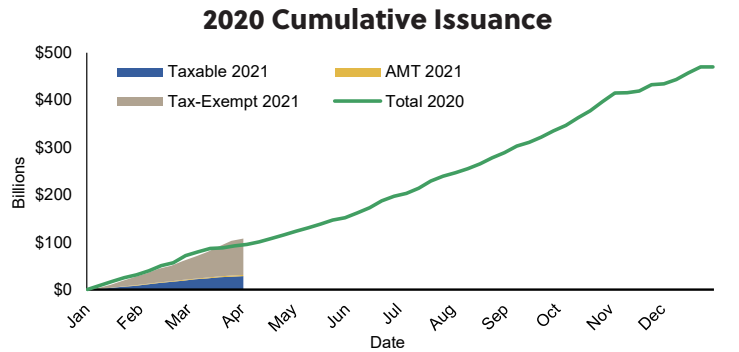
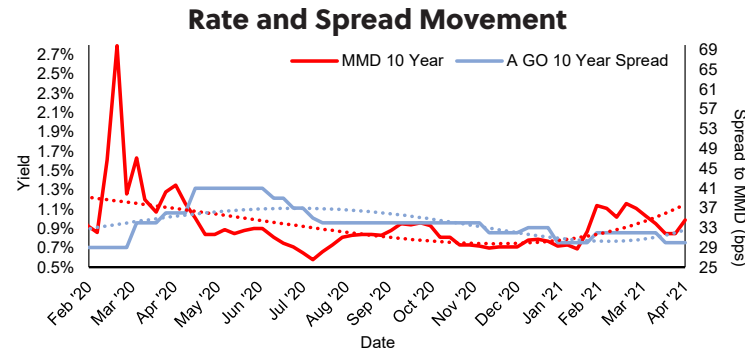
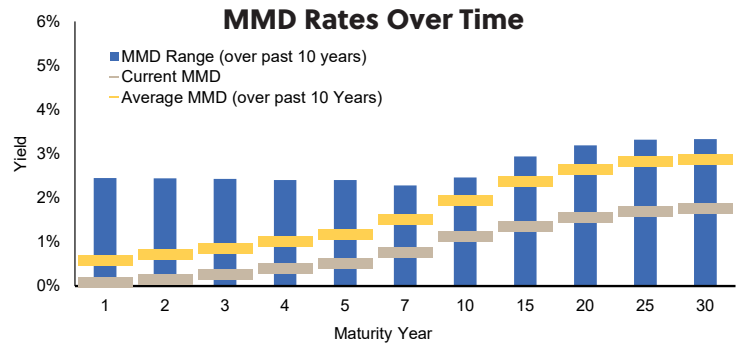
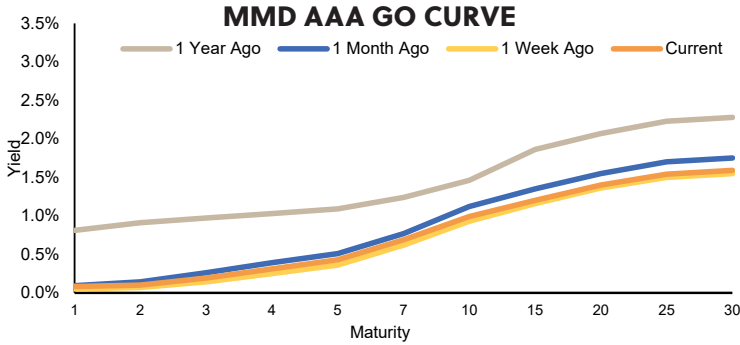
Municipal Bond Market

- Municipal new issuance rose in April by 13.1% to \$35.83 billion from \$31.7 billion the same month last year. Total municipal new issuance for 2021 was up 14.3% to \$145.2 billion year-to-date compared to the \$130.0 billion recorded for 2020, according to Municipal Market Monitor (TM3) data.
- April experienced positive bond flows throughout the month and ended with net inflows totaling \$11.1 billion, following net inflows of \$7.7 billion in March, according to Investment Company Institute (ICI) data.
- In April, the Municipal Market Data (MMD) Index experienced falling rates across the curve. The 1-year rate fell 1 bps to 0.08%, and the 3-year decreased 7 bps to 0.19%. The 5-year rate dropped 8 bps to 0.43%, and the 10-year rate fell by 16 bps to 0.99%. On the long end, the 30-year rate also declined by 16 bps to 1.59% from 1.75%, in April, according to TM3 data.
- During April, the 10-year MMD Single-A General Obligation (GO) Index credit spread dropped from 32 bps to 30 bps, and the Double-A GO Index credit decreased from 15 bps to 13 bps.
- Municipal-to-Treasury ratios declined throughout the curve in April. The 2-year ratio dropped to 61.7% from 87.5%, and the 5-year ratio decreased to 50.2% from 54.4% last month. The intermediate-term ratio fell to 52.4% from 54.2%, and the 10-year ratio dropped to 60.4% from 64.2% in March. The 30-year ratio also decreased in April to 68.8% from 72.3% last month, according to TM3 data.
- The Municipal curve flattened in April, with the AAA MMD 2- through 10-year slope decreasing to 89 bps from March's 98 bps. The slope between the AAA MMD 2- through 30-year decreased to 149 bps from 161 bps of that in March.

Spot Rates				
Term	Current 4/30/2021	1 Week Ago 4/23/2021	1 Month Ago 3/31/2021	1 Year Ago 4/30/2020
2-Year	0.10	0.07	0.14	0.91
3-Year	0.19	0.14	0.26	0.97
5-Year	0.43	0.36	0.51	1.09
7-Year	0.69	0.62	0.77	1.24
10-Year	0.99	0.93	1.12	1.46
30-Year	1.59	1.55	1.75	2.28

Change in Spot Rate (basis points)			
Term	1 Week Ago 4/23/2021	1 Month Ago 3/31/2021	1 Year Ago 4/30/2020
2-Year	3	-4	-81
3-Year	5	-7	-78
5-Year	7	-8	-66
7-Year	7	-8	-55
10-Year	6	-13	-47
30-Year	4	-16	-69

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2-Year	0.10%	0.16%	0.14%
3-Year	0.19%	0.33%	0.26%
5-Year	0.43%	0.85%	0.58%
7-Year	0.69%	1.31%	0.86%
10-Year	0.99%	1.63%	1.15%
30-Year	1.59%	2.30%	1.66%



Economic Calendar								
Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
05/14/2021	12:00 AM	U. of Mich. Sentiment	05/27/2021	08:30 AM	Personal Consumption	06/01/2021	10:00 AM	Construction Spending MoM
05/18/2021	08:30 AM	Housing Starts MoM	05/27/2021	11:00 AM	Kansas City Fed Manf. Activity	06/01/2021	10:30 AM	Dallas Fed Manf. Activity
05/19/2021	02:00PM	FOMC Meeting Minutes	05/28/2021	08:30 AM	Advance Goods Trade Balance	06/02/2021	02:00PM	U.S. Federal Reserve Releases Beige Book
05/20/2021	08:30 AM	Philadelphia Fed Business Outlook	05/28/2021	08:30 AM	Wholesale Inventories MoM	06/03/2021	08:30 AM	Nonfarm Productivity
05/20/2021	08:30 AM	Initial Jobless Claims	05/28/2021	08:30 AM	Retail Inventories MoM	06/03/2021	08:30 AM	Unit Labor Costs
05/20/2021	08:30 AM	Continuing Claims	05/28/2021	10:00 AM	U. of Mich. Sentiment	06/03/2021	08:30 AM	Initial Jobless Claims
05/21/2021	10:00 AM	Existing Home Sales MoM	05/28/2021	10:00 AM	U. of Mich. Current Conditions	06/03/2021	08:30 AM	Continuing Claims
05/24/2021	08:30 AM	Chicago Fed Nat Activity Index	05/28/2021	10:00 AM	U. of Mich. Expectations	06/03/2021	09:45 AM	Langer Consumer Comfort
05/25/2021	09:00 AM	FHFA House Price Index MoM	05/28/2021	10:00 AM	U. of Mich. 1 Yr Inflation	06/03/2021	09:45 AM	Markit US Services PMI
05/25/2021	10:00 AM	New Home Sales MoM	05/28/2021	08:30 AM	Personal Income	06/03/2021	09:45 AM	Markit US Composite PMI
05/25/2021	10:00 AM	Conf. Board Consumer Confidence	05/28/2021	08:30 AM	Personal Spending	06/04/2021	08:30 AM	Change in Nonfarm Payrolls
05/25/2021	10:00 AM	Richmond Fed Manufact. Index	05/28/2021	08:30 AM	Real Personal Spending	06/04/2021	08:30 AM	Two-Month Payroll Net Revision
05/26/2021	07:00 AM	MBA Mortgage Applications	05/28/2021	10:00 AM	U. of Mich. Sentiment	06/04/2021	08:30 AM	Change in Private Payrolls
05/27/2021	08:30 AM	Initial Jobless Claims	06/01/2021	09:45 AM	Markit US Manufacturing PMI	06/04/2021	08:30 AM	Change in Manufact. Payrolls
05/27/2021	08:30 AM	GDP Annualized QoQ	06/03/2021	08:30 AM	Initial Jobless Claims	06/04/2021	08:30 AM	Unemployment Rate

Sources: Bloomberg, Thomson Reuters and ICI. Unless otherwise noted, all data is presented as of April 30, 2021.

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