Bond Case Briefs

Municipal Finance Law Since 1971

Can The Fed Save The Municipal Bond Market?

The rapidly-deepening economic crisis keeps threatening financial markets, including the $3.9 trillion municipal bond market. The ongoing economic collapse means state and local economies are plummeting, dragging their government finances with it. Today, the Fed announced a multibillion intervention to stabilize the muni market. But can the Fed save the market?

The Fed has resisted this unprecedented step. But the pandemic-related bad economic news keeps piling up, with today's announcement of six million new unemployment insurance claims (for a three-week total over 16 million, around ten percent of the labor force). And there's no break in sight. The St. Louis Federal Reserve now predicts a loss of 47 million jobs with an unemployment rate rising to 32.1 %, over 7 % above the highest level ever recorded in the Great Depression.

State and local governments are staggering under the spending burdens from health care and other public services imposed by the pandemic. But they also are seeing all tax and revenue sources—sales, income, property, and excise taxes—fall, with sharply negative forecasts for the future at a time when many states ordinarily would be passing a new fiscal year budget. California, Colorado, Alaska, New York, Florida—no state or city is immune.

Continue reading.

Forbes

by Richard McGahey

Apr 9, 2020