The Federal Reserve Open Market Committee (FOMC) held their regularly scheduled April 29th meeting and given the emergency 150 basis point decrease in the federal funds target rate (0 -0.25%) in March, the FOMC continued to leave rates unchanged as expected. Chairman Powell indicated that there were no plans to raise interest rates anytime soon. Mr. Powell is committed to using his full range of tools to help support the economy amidst this considerable uncertainty, and to mitigate the effects of COVID-19 on economic activity as well as the risks to the economic outlook. The next scheduled FOMC meeting is June 10.

The month of April saw the municipal market begin to normalize as cash flow and rates stabilized. On April 9th, the Federal Reserve Board announced the Municipal Liquidity Facility (MLF) allowing states, counties and cities to use the proceeds of notes purchased by the MLF to purchase similar notes issued by, or otherwise to assist, other political subdivisions and governmental entities. To date, the program is not operational as they continue to tweak the program and process to meet the needs of municipalities. The potential impact to future supply in the short-term municipal market has yet to be determined.

Assets continued to come into tax-exempt money market funds as rates remained attractive relative to comparable taxable funds. Rates increased dramatically in March in response to the dislocation in the markets. The dramatic volatility in variable rate yields is indicative of the positive asset flows and strong demand. Interest for short term securities is strong and continues to keep a lid on rates as the market has stabilized.

The Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) saw substantial shifts in rates for several weeks as it reacted to asset shifts with the rates increasing from 1.28% to a 5.30% and resetting on April 29th at 0.22%. The reset mechanism and liquidity characteristics of these securities worked appropriately in the market environment.

The new issues market had been virtually halted during March, but new issues came to the market during April as issuers got back to
business. The new issues were met with strong investor demand. We anticipate issuance in the short-term market will increase in the coming months as states and local governments review and balance their budgets adjusted by the change to economic projections and increased spending. Our experienced credit team will continue to review our current holdings and any purchases we make going forward in our portfolios. All of the securities purchased receive a minimal credit risk designation prior to purchase and are periodically reviewed for any changes to the credit outlook. We continue to maintain very high grade and liquid portfolios.

- It will take some time to assess the long-term effect that the COVID-19 pandemic will have on municipal credits. Many are hopeful that the economic effects will be temporary, and the programs put in place by the federal government will mitigate these effects. The Federal Reserve has implemented many programs to assist with financial management during this crisis, including purchases of municipal securities across the maturity spectrum which helped stabilize the market.