**Date: April 15, 2020**

**Notes by:** Mark Lambing

**Subject:** Municipal Market Update COVID-19 Environment

**Presenters:** Jefferies

1. Kim Arnone - Joint Head of Municipal Markets
2. Simon Powell - Global Head of Thematic Research
3. Ward McCarthy - Chief Financial Economist
4. J.R. Young - Senior Vice President

**Summary:**

Jefferies cordially invites you to dial-in to our municipal market update call on Wednesday, April 15th. In addition to Jefferies’ Chief Financial Economist and representatives from our municipal syndicate desk, the call will feature Jefferies’ Global Head of Thematic Research, Simon Powell, in order to discuss COVID-19 trajectory, virus containment trends, and potential therapies and vaccines. The Thematic Research Team identifies and analyzes key global trends that are impacting sectors. Simon holds a degree in Biochemistry from the University of Sussex and has been tracking key data on cases since the virus emerged in early 2020. Simon’s base in Hong Kong provides him with specific insight as to what we may expect to see in terms of recovery here in the United States. We hope you can join us.

**Notes:**

**Simon Powell – Global head of Thematic research**

1. Based in Asia
	1. Gave team an early indication that this was a serious matter
		1. Easily spreads
		2. More lethal
2. COVID was probably spreading far before January - More likely October 2019
3. Thinks case numbers are grossly understated
4. Wide spectrum of different published death rates
	1. Thinks in retrospect we will conclude a death rate of .5% - 1%
	2. This is because the infection rates are understated, and many people are a-symptomatic
	3. Deadlier for older people, men, and those with pre-existing conditions
5. When new case growth starts to decelerate, they can then begin to predict when pandemic will end on a country level
	1. For the USA
		1. Currently no longer experiencing exponential growth
		2. Will peak at 1.6M cases
		3. Est. Date ~May 13th (+/- a week)
	2. Three types of people
		1. Hiders
		2. Fleers - Lockdown in NY means people flea to Florida and spread virus
		3. Ignorers
6. There is belief that 50% of USA carriers are A-symptomatic
7. If this is like H1N1 it could die down with the heat
	1. Could be a second wave in the Q4 of 2020
8. Now that the USA is properly in the 'war' (money and attention) a cure is more likely
	1. Therapies - Treats symptoms
		1. Most likely near-term solution (2020)
	2. Vaccine - Prevents spread
		1. Most likely 2021

**Ward McCarthy – Chief Financial Economist**

US Economy

1. Unprecedented that the Government is trying to halt the economy while simultaneously trying to resuscitate it
2. Federal Reserve has been extremely aggressive - more so than in previous decades
3. Efforts are directed at both big and small businesses which in unique
4. US got off to late start in preventing spread
5. Despite all Government moves it will be challenging to get provisions in place and executed
	1. SBA Loans - Allocated but have not reached bank accounts of businesses
	2. Unemployment Benefits - Swell of people applying resulting in delay of benefits
		1. Finally starting to happen and will help
6. Nothing the gov can do to keep economy out of dismal shape in Q2
	1. Q2 - Dismal
		1. Unemployment
			1. April - very sharp increase in unemployment
		2. 8.7% decline in retail sales
	2. Q3 - Shift to normalcy
		1. This is going to vary by different parts of the country
		2. Younger people will be more likely to move back to normal
	3. Q4 - Growth will be back on trend
		1. Not all parts of economy will be normal, but most of this will be behind us
7. Fed has taken steps far beyond what they have ever done before
	1. Providing support for high yield markets, municipal markets, small businesses
	2. This is in effect a bridge loan from the gov to get the economy back to normal
8. Need to be concerned and caution, but the path the economy will follow the path of the virus
	1. Sooner the virus ends, the economic suffering will end
9. Data will be hard to parse into usable data
	1. There will be a bunch of contrasts
		1. Retail sales
			1. Food and beverage - up 25%
			2. Auto Sales - down 25%

**J.R. Young – Senior Vice President**

1. For Muni markets
	1. We are in a lot better place than we were in the past month
		1. Fed action has instilled confidence
		2. SIFMA is coming down
		3. Positive effect in the Commercial Paper market - starting to be "widely rolled" again
2. Long-term fixed rate market
	1. Starting to heal
3. Fund Flows
	1. Significant outflows in March
		1. Leveraged trades
	2. Last 4-5 days have begun to see nominal inflows
4. Tax exempt market
	1. Majority of 360 deals done in the last month were tax exempt
		1. From high-grade well-known issuers
5. High yield market
	1. Not yet “open for business” again
6. Forward Calendar
	1. State of California Closed a $1B GO transaction - will price tomorrow
7. Expect volatility to continue
	1. Will give opportunity to enter markets