



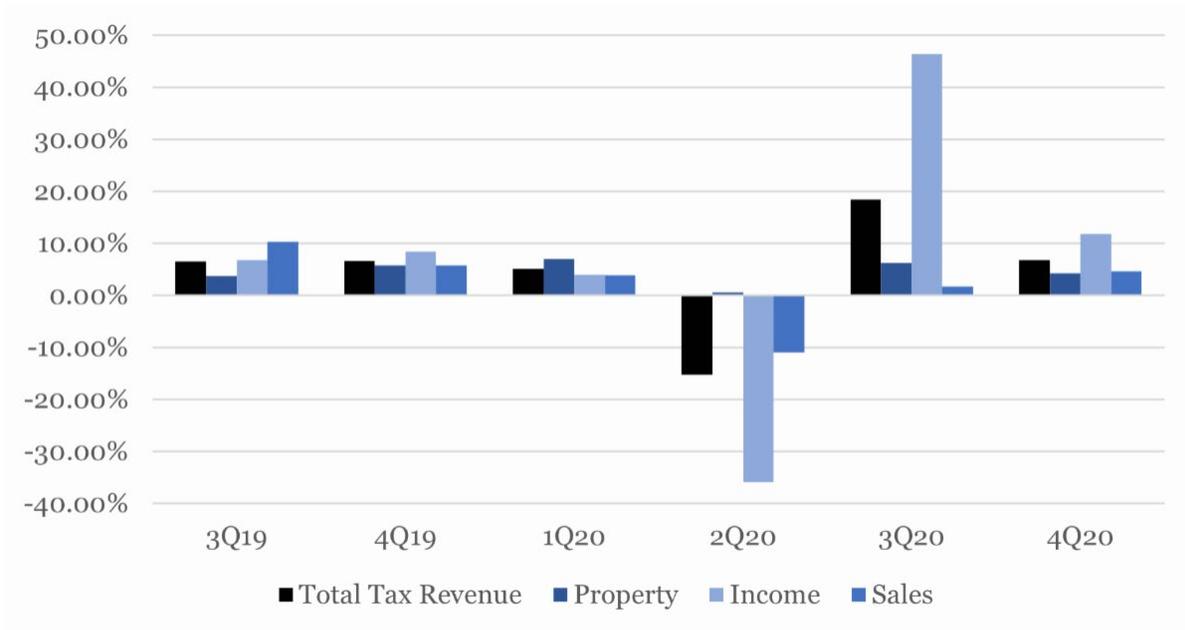
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Market Comment:

With the American Rescue Plan recently passed and signed into law, municipalities are poised to receive roughly \$350 billion of stimulus in short order. Specifically, the \$1.9 trillion bill allocated \$220 billion to states, tribal governments and territories, and \$130 billion to local governments. The funds can be used not only for pandemic related expenses but also for water, sewer and broadband infrastructure projects. Capital will be distributed in two tranches: 50% in 2021 and the remaining throughout 2022 to 2024. Combined with the CARES Act, municipalities have received more than \$500 billion of direct fiscal support over the past 12 months. The magnitude of these inflows should not be overlooked. Following the Great Financial Crisis, Congress enacted the American Recovery and Reinvestment Act in February 2009 and allocated a mere \$140 billion to help rebuild state coffers. And while the longer-term implications of COVID-19 on state finances remains to be seen, fears around devastating outcomes in 2021-22 have largely subsided.

One data point signaling optimism: state officials have recently released improved 2021 budget forecasts compared to their projections just six months ago. Updated data suggests an average year over year revenue decline of -3.3% versus -10.8% as reported by the National Association of State Budget Officers in the fall of 2020.¹ Resilient personal income figures combined with monetary and fiscal support explains most of the delta. Moody's estimates that "thirty-one states now have the reserves and federal assistance they need to fully absorb the economic stress of COVID-19." Although the financial standing of certain state economies remains challenged – especially those with outsized exposure to tourism – the majority are far along the path to recovery.

Fig. 1: YoY change in state and local government tax revenue²



1. Center on Budget and Policy Priorities
2. U.S. Census Bureau

Updated Benchmark Performance:

Benchmark Performance by Asset Class			
	Week-to-Date	Month-to-Date	Year-to-Date
U.S. Large Cap Equities	1.28%	3.78%	5.91%
U.S. Small Cap Equities	-2.88%	1.02%	12.71%
International Developed Equities	-0.55%	2.54%	3.72%
Emerging Markets Equities	-2.16%	-2.22%	1.55%
Global Equities	0.32%	2.61%	4.51%
U.S. Bonds	0.35%	-1.15%	-3.28%
Intermediate Municipal Bonds	0.28%	0.40%	-0.26%
High Yield Bonds	0.63%	-0.12%	0.58%
Oil	0.08%	1.25%	26.52%
Gold	-0.53%	0.18%	-8.80%
Key Rates	3/26/2021	12/31/2020	3/26/2020
U.S. 2 Year Treasury Note	0.16	0.13	0.44
U.S. 10 Year Treasury Note	1.74	0.93	1.12

This week's contributor: Nora Pickens, CAIA

Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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