Coronavirus

The number of cases of the new strain of coronavirus in China and the number of fatalities from those infections continued to increase, and cases of infection with the virus are now in multiple countries including the U.S. and in most areas of China. The Chinese government has quickly involved the World Health Organization and other experts, and the government has implemented aggressive measures to contain the virus. These measures include significant travel restrictions affecting tens of millions of people at the busiest travel time in China. Capital markets worldwide have retreated from their recent "risk-on" moves in response.
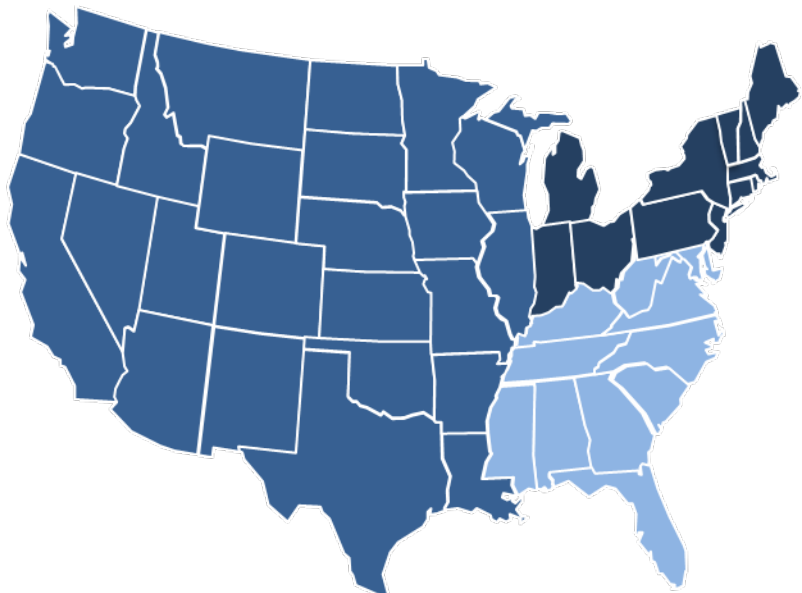
Our Take: The transparency with which the Chinese government is addressing this outbreak is to be commended and will likely aid in the containment of the virus. The tail risk of a deadly global pandemic is spooking markets, but that outcome seems likely to be avoided. However, the measures that the Chinese government is taking will be likely to have a negative effect on Chinese economic growth at a time when capital markets are looking for that growth to stabilize.

Municipals

New issuance for January was reported to be $18.4 billion according to Bloomberg, which marks the slowest start to a calendar year since 2014. Looking ahead, new municipal issuance over the next month is expected to be $13 billion.

Our Take: Municipalities continue to take advantage of the low interest rate environment by issuing new securities or refinancing existing debt, but so far this year at a slower pace.

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