



Market Update (3/26/2020)

As we are all acutely aware, for the month of March, virtually all investments have experienced severe price pressure as mutual fund investors have been aggressively dumping holdings in virtually every asset class.

As market prices were tumbling, the Federal Reserve, also known as the lender of last resort, came to the rescue of the fixed income markets last Friday. Chairman Powell announced that aside from ramping up their purchases of U.S. Treasury and Mortgage bonds, they will take the unprecedented step of acquiring Municipal securities.

Initially, the Fed's positive announcement failed to stabilize the municipal bond market. While Powell's plans were sparse on details (how many bonds will they purchase, what types, etc), one would have expected tax-exempt prices to stabilize. However, the waves of selling by mutual fund investors overshadowed the Fed's market support initiatives.

Over the last several days, like a light switch turned from off to on, liquidity returned to the market as the selling pressure abated. As the indiscriminate selling of tax-exempt bonds faded, the broker/dealer community became reluctant to sell their inventory of bonds at "silly prices". This created a vacuum effect as demand to purchase "cheap" bonds escalated amidst a scarcity of bonds to acquire.

The result, municipal bond prices are in the process of recovering much of the losses and a sense of order has returned to the marketplace.

We look forward to presenting you with continued details and thoughts in RSW's Q2 Market Commentary sometime in early April.

Robert S. Waas Chief Executive Officer / Chief Investment Officer	Matthew T. Werner Senior Portfolio Manager	Mark J. Tenenhaus Director of Municipal Research	Mark A. Scott Senior Trader	Randy J. Fox Assistant Portfolio Manager	Andrew C. DeVivo Credit Analyst	Marites V. Pasturan Compliance Officer	Jeffrey S. Thompson Investment Reporting Analyst	James D. Thompson Client Service Associate	Antonio Bacchetta Trade Operations Associate
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