



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET UPDATE

### Public Finance

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### PRIMARY MARKET ACTIVITY

What a difference a week makes, it has been a long time since we have seen a municipal bond rally such as the one witnessed the week of May the 23<sup>rd</sup>. Municipal yields ended the week lower by 37 to 42 basis points across the 30-year MMD yield curve, by far the biggest gain of the year. Fund flows, while still in negative territory, were only down \$1 billion week-over-week; fund flows the prior two weeks were at \$2.7 billion and \$2.4 billion, so last week was a nice respite. A week ago, 10-year and 30-year Municipal/Treasury yield ratios were well over 100%, the week ended with 10-year and 30-year ratios at 91% and 95%, respectively. Treasuries did not come close to the rally that municipals exhibited, however rates did still fall as much as 12 basis points on the 10-year and 11 basis points on the 30-year Treasury bond, respectively; the Treasury yield curve did flatten slightly as ultra-short bonds lost 14 basis points. As municipal bonds rallied, so did spreads and that was evident as the week progressed, which is noted below in our underwriter's primary market update. Transactions also finally began to see oversubscriptions of size. The calendar this week is slated at \$4.3 billion which is light compared to last week's \$5.7 billion calendar. As the summer months approach, seasonal institutional reinvestments, coupon redemptions, combined with an increase in the primary market calendar will hopefully sustain this trend. However, with the uncertainty regarding inflation, the labor market and pending rate hikes, it seems unlikely that we will see a sustained decrease in municipal bond yields. The Fed's minutes released this past week resulted in an FOMC that appears to be on the same page specific to rate increases to temper inflationary pressures – however admittedly being behind the curve on inflation as well. The question does remain however, if a recessionary environment does rear its head, how will the FOMC progress and how will those two dynamics impact the fixed income market? In the meantime, 5-year, 10-year and 30-year MMD currently stand at 2.11%, 2.49% and 2.83%, respectively; 5-year, 10-year and 30-year Treasuries currently stand at 2.71%, 2.74% and 2.97%, respectively. This week's notable economic releases are Case-Schiller Home Price Index (Tues), Consumer Confidence (Tues), ISM Manufacturing Index (Wed), ADP Employment Report (Thurs), Jobless Claims (Thurs), and Unemployment Rate (Fri) to name a few.

With significant bumps in MMD all week, all the Primary market deals did extremely well. The largest deal of the week was a \$1 billion State of Connecticut transaction, which combined Tax-Exempt and Taxable deals. The \$725 million Tax-Exempt deal had \$1.8 billion in retail orders alone. The 2042 maturity started at a 3.78 yield during the retail order period and was bumped to a 3.50 yield at final pricing. The \$350 million Taxable deal also did well with spread tightening anywhere from 5-15 basis points. The City of Long Beach priced \$110 million in Airport Revenue Bonds; spreads were tightened 5 basis points prior to the order period. After the order period levels were bumped 10 basis points on the serials and 20 basis points on the long AMT terms. Texas Permanent School Fund (PSF) paper also performed well throughout the week especially through 10 years with spreads tightening as the week went on. Allen ISD in Texas was priced on Monday at a spread in 10 years of +33 basis points, while Katy ISD priced on Wednesday with a spread of +18 basis points. Next week's calendar is headlined by a \$525 million University of Utah deal. Other transactions in the market include.



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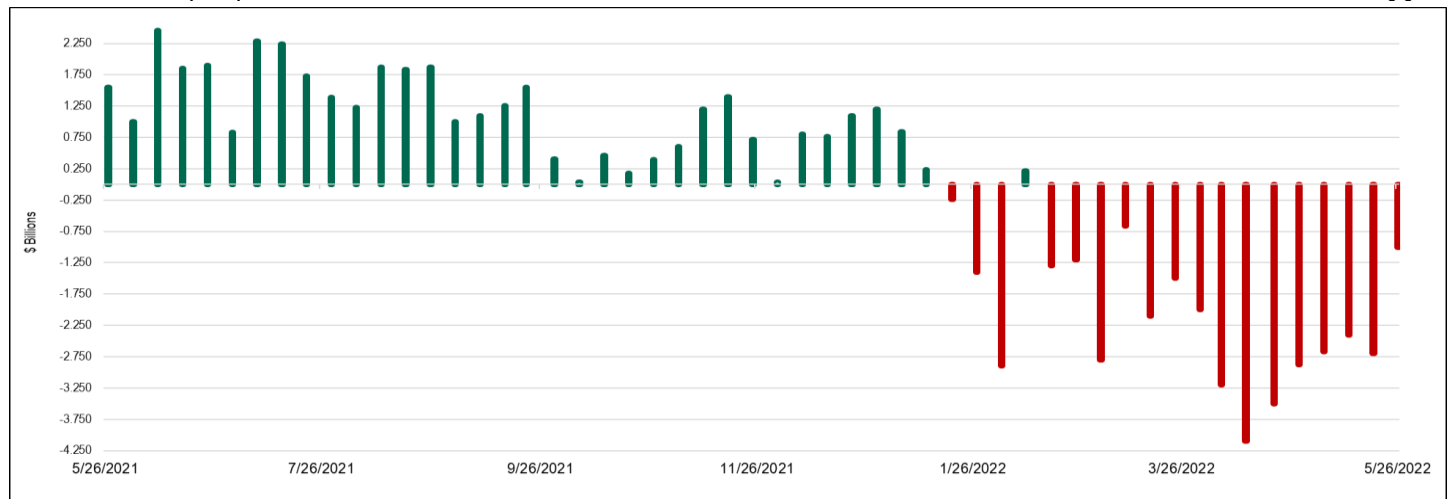
### INTEREST RATE SNAPSHOT

Benchmark	Maturity	5/27/2022 AAA MMD	Change from Last Week (bps)	5/27/2022 U.S. Treasury	Change from Last Week (bps)	Muni/UST Ratio	Date of Week End	SIFMA Index	Municipal Fund Flow	1-Month BBA LIBOR	12-Month BBA LIBOR
1	2023	1.53	-40	1.99	-8	76.88%	5/27/2022	0.79	(\$1,000)	1.06	2.68
2	2024	1.85	-40	2.50	-8	74.00%	5/20/2022	0.82	(\$2,700)	0.96	2.71
3	2025	1.98	-44	2.65	-8	74.72%	5/13/2022	0.76	(\$2,400)	0.88	2.63
5	2027	2.11	-42	2.73	-7	77.29%					
10	2032	2.49	-44	2.75	-4	90.55%					
20	2042	2.70	-46	3.17	-2	85.17%					
30	2052	2.83	-46	2.98	-2	94.97%					

### MUNICIPAL FUND FLOWS

Week Ended 5/26/2022 saw outflows of \$1.00 billion, 15<sup>th</sup> Consecutive Week of Outflows

Source: Lipper



### UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
505.450	Utah Board of Higher Education (University of Utah)	UT	General Revenue Bonds (Green)
500.000	State of Colorado (Rural Colorado)	CO	Certificates of Participation
465.000	California Community Housing Agency	CA	Essential Housing Revenue Bonds (Green) (CABs)
394.210	New York State Housing Finance Agency	NY	Affordable Housing Revenue Bonds (Sustainable)
346.685	Department of Water & Power of the City of Los Angeles	CA	Water System Revenue Bonds
300.000	Umass Memorial Health Care	Corporate	Taxable Bonds
229.605	City of Memphis	TN	Refunding Bonds
199.855	Michigan State Housing Development Authority	MI	Single-Family Mortgage Revenue Bonds
160.700	Massachusetts Educational Financing Authority	MA	Education Loan Revenue Bonds (AMT)
134.750	Massachusetts Educational Financing Authority	MA	Education Loan Revenue Bonds
100.000	Oxnard Union High School District	CA	General Obligation Bonds
93.070	City of Baltimore	MD	Refunding Revenue Bonds
80.210	City of Baltimore	MD	Project Revenue Bonds
71.010	City of New Britain	CT	General Obligation Bonds
65.000	Louisiana Housing Corporation	LA	Single-Family Mortgage Revenue Bonds (Social)



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**NOTABLE FIXED DEALS FROM LAST WEEK**

**Notable Fixed-Rate Negotiated Municipal New Issue Results from Last Week**

	<b>Katy ISD</b>	<b>**State of Connecticut</b>	<b>*Ontario Public Finance Authority</b>
Issuer	Katy ISD	**State of Connecticut	*Ontario Public Finance Authority
State	TX	CT	CA
Call	2/15/2031	Non-Callable	11/1/2032
Tax Status	Tax-Exempt	Tax-Exempt	Tax-Exempt
Size (\$mm)	265.890	568.870	90.885
Ratings	Aaa/AAA	Aa3/A+/AA-/AA	AA-
	<b>Maturity Coupon Yield Spread</b>	<b>Maturity Coupon Yield Spread</b>	<b>Maturity Coupon Yield Spread</b>
	2023-2038 5.00 1.75-3.30 0-35	2022 4.00 1.85 0	2023-2052 5.00 1.89-3.78 12-87
	2039-2052 4.00 3.75-4.00 78-85	2023-2032 5.00 1.93-3.08 6-38	

\*Cabrera Served as Senior Manager

\*\*Cabrera Served as Co-Manager

**ECONOMIC CALENDAR (ALL TIMES IN ET)**

<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>30-May</b>	<b>31-May</b>	<b>1-Jun</b>	<b>2-Jun</b>	<b>3-Jun</b>
None Scheduled Memorial Day Holiday	9:45 AM Chicago PMI	9:45 AM S&P Global U.S. Manufacturing PMI (Final)	8:30 AM Initial Jobless Claims	8:30 AM Unemployment Rate
	10:00 AM Consumer Confidence Index	10:00 AM Job Openings	8:30 AM Continuing Jobless Claims	
<b>6-Jun</b>	<b>7-Jun</b>	<b>8-Jun</b>	<b>9-Jun</b>	<b>10-Jun</b>
None Scheduled	8:30 AM Foreign Trade Balance	10:00 AM Wholesale Inventories Revision	8:30 AM Initial Jobless Claims	8:30 AM Consumer Price Index
			8:30 AM Continuing Jobless Claims	10:00 AM Umich Consumer Sentiment Index
			12:00 PM Real Household Net Worth	2:00 PM Federal Budget Balance