



CABRERA CAPITAL MARKETS LLC

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MUNICIPAL MARKET WEEKLY UPDATE

Thursday, October 14, 2021

Primary and Secondary Market Recap

By John Kozak, Managing Director and Head of Municipal Sales and Trading

THIS WEEK'S PRIMARY MARKET ACTIVITY

Texas Water Development Board Authority priced a \$386M Tax-Exempt issue. The scale was bumped as much as 8 basis points after a lot of investor interest through 15 years. San Ramon Valley USD in California priced a \$256M Taxable deal. This deal garnered significant interest through 5 years and was bumped as much as 10 basis points in that area but was cut 3 basis points in 7 and 8 years to gather interest. Los Angeles County priced a current settlement deal and June 2022 forward settlement deal. Original spread between deals was 34 basis points or just under 5 basis points per month. On the current settlement deal, spreads were bumped anywhere from 0-10 basis points with the most interest in bonds through 10 years. On the forward settlement, the deal did very well with bumps from 4-7 basis points. The forwards spread in 5 years was 35 basis points and 33 basis points in 10 years. \$875M Central Puget Sound, WA, \$471M Hudson Yards Infrastructure Corp, NY, and \$420 Georgia Port Authority top next week's Tax-Exempt calendar.

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97) Options ▾		104) Settings		Negotiated Calendar		
LOS ANGELES CO PUB-G-REF		☑ St CA	Tax FED & ST TAX-EXEMPT	Type NEG	93) Financials	
Summary		Maturity	Amt(M)	Cpn	P/Y CUSIP	
Sale Date	10/11/21	1) 12/01/2022	6265.0	5.000	0.440	
Amount	225,855,000.00	2) 12/01/2023	6550.0	5.000	0.510	
Manager	BANK OF AMERICA MERRILL	3) 12/01/2024	6890.0	5.000	0.610	
Bond Type	REVS	4) 12/01/2025	7240.0	5.000	0.760	
Dated Date	06/02/22	5) 12/01/2026	7620.0	5.000	0.930	
1st Coupon	12/01/22	6) 12/01/2027	8005.0	5.000	1.160	
Deal number	473008	7) 12/01/2028	8415.0	5.000	1.320	
Rating/Enhancement		8) 12/01/2029	8845.0	5.000	1.470	
Moody's	APPLIED ERP	9) 12/01/2030	9290.0	5.000	1.580	
S&P	AA+	10) 12/01/2031	9775.0	5.000	1.660	
Fitch	AA (AA)	11) 12/01/2032	10275.0	5.000	1.730	
KBRA		12) 12/01/2033	10800.0	5.000	1.790	
Enhancement		13) 12/01/2034	11355.0	5.000	1.850	
Schedules		14) 12/01/2035	11935.0	5.000	1.880	
Prem Call		15) 12/01/2036	12550.0	5.000	1.920	
Par Call	12/01/31	16) 12/01/2037	13200.0	5.000	1.950	
Other Info		17) 12/01/2038	13870.0	5.000	1.980	
1st Settle	06/02/22 WI	18) 12/01/2039	14580.0	5.000	2.010	
Form/Dep	BOOK-ENTRY,DTC	19) 12/01/2040	15335.0	5.000	2.040	
Price Status	REPRICED	20) 12/01/2041	16115.0	5.000	2.070	
		21) 12/01/2042	16945.0	5.000	2.080	
Notes	DENOMS: \$5,000/\$5,000 WORKS FINANCING AUTH, FOWARD DELIVERY, 2022 series G					

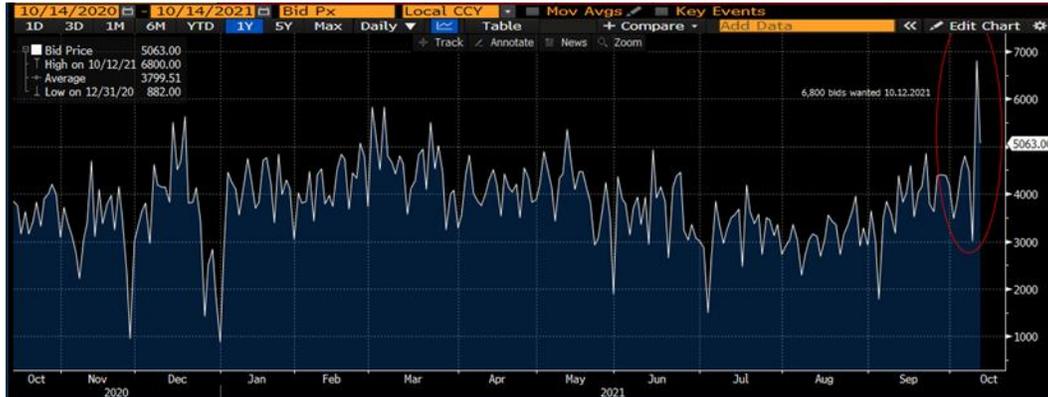


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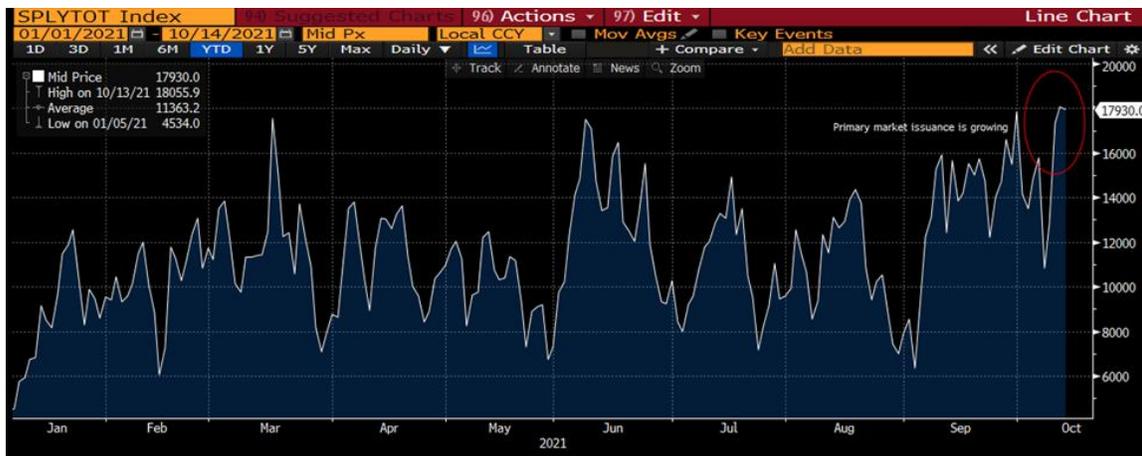
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THIS WEEK'S SECONDARY MARKET ACTIVITY

Secondary Supply: Supply is building in the market with a recent uptick in secondary market bids wanted. Customer bids wanted have exceeded \$800 million for just the third time since May but to date, the demand from dealers and customers has been able to digest the supply with no difficulty. One secondary observation is in the sheer number of the items out for the bid has grown exponentially. There were 6,800 customer bids wanted on October 2nd which is the most on record dating back 12 months. Putting that into perspective, the daily average of items out for the bid over the previous six months stands at 3,600 items per day. Back of the napkin math notes that the market is seeing more smaller positions come up for the bid than in the past. There isn't a single reason for this but clearly the evolution of money and assets flowing into the SMA (separately managed account) space is a contributing factor. As SMA portfolio managers acquire individual retail accounts they typically liquidate them and reallocate the proceeds into new larger positions.



Primary Market Supply: Primary market issuance will grow in the ensuing weeks. Municipal 30-day supply is at its highest since 2020 coming in at \$18.7 billion (Bloomberg). Seasonality has a lot to do with this. Historically there is a push to get deals placed before the beginning of the holiday season. There is some concern that higher interest rates may be on the horizon. If so, getting a refunding deal placed now may lock in additional savings not available at a future date.





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Volume & Activity: While supply has been building, actual trading has been a bust. The par amount of bonds traded is down 35% YTD. \$1.43 trillion bonds changed hands which is a 22-year low (Bloomberg). The consensus is that the influx of cash into the market has created a competitive landscape for money managers to find assets to acquire. With more cash coming in than leaving the market, assets tend to remain locked up. The market has experienced no volatility. Volatility is the catalyst for making changes thereby creating opportunity. 10-year municipal yields (as measured by MMD) have changed just 7 basis points over the previous six months and the lack of volatility has put market players mostly on the sidelines when it comes to trading.

THIS WEEK IN THE NEWS

Public Finance 101: The California Debt and Investment Advisory Commission released a series of videos aimed at educating local elected officials on municipal debt. Approving debt that obligates their communities to decades of debt service is not to be taken lightly yet many officials come into office without a public finance back round. California Treasurer, Fiona Ma chairs the program and will eventually release nine courses spanning three hours.

Buy-side Observations: In an interview with Bloomberg, the president of Breckinridge Capital Advisors, Peter Coffin, commented on several areas of the municipal bond market.

- Climate change is a concern and his firm favors those issuers who recognize the risks and seek ways to mitigate negative environmental changes.
- While companies can relocate, municipalities are unable to do so and must contend with drought, fire, flooding and other risks that could affect property values, population trends, economic development and safety.

Breckinridge Capital Advisors manages over \$47 billion in fixed income assets.