



MUNICIPAL MARKET WEEKLY UPDATE

Thursday, October 28, 2021

Primary and Secondary Market Recap

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

THIS WEEK'S PRIMARY MARKET ACTIVITY

The City of Austin, Texas priced a \$216M Tax-Exempt issue, which garnered significant interest, especially in the long end. Both the 4% & 5% coupons were bumped 10 basis points. The Los Angeles Unified School District in California priced a \$432M Tax-Exempt issue which gathered enough interest to bump the deal as much as 4 basis points. The Dallas Fort Worth Airport priced a \$706M Taxable issue which had a lot investor interest, especially in the index eligible term bond. That maturity was bumped 15 basis points, while other bumps ranged from 3-10 basis points in the 1-10 year area—the 11-15 year maturities were unchanged. This deal also benefitted from the significant rally in treasury rates on Wednesday. The Dallas Fort Worth Airport also priced a \$297M Tax-Exempt issue which was bumped as much as 15 basis points. This deal comes after a similar deal was priced last week. In comparison, last week the 2026 maturity came in at 0.77, the 2030 maturity at 1.46 and the 2046 maturity at 2.40, while this week's deal ended up in 2026 at 0.84, 2030 at 1.38 and 2045 at 2.17. The Texas Public Finance Authority leads the calendar next week with an \$830M Taxable transaction.

Brian King, Managing Director
Public Finance Investment Banking
(312) 931-6680
bking@cabreracapital.com

John Kozak, Managing Director
Municipal Sales and Trading
(312) 931-6686
jkozak@cabreracapital.com

Merita Kulpinski, Senior Vice-President
Lead Municipal Underwriter
(312) 931-6654
mkulpinski@cabreracapital.com

DALLAS & FORT WORTH-C-REV		St TX	Tax FED TAXABLE	Type	NEGT	Financials	Attachments
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	10/25/21	1)	11/01/2022	4475.0	.532	100.0002350367W4	BBG0136ZQ9V6
Amount	706,230,000.00	2)	11/01/2023	13060.0	.632	100.0002350367X2	BBG0136ZQ9W5
Manager	BARCLAYS CAPITAL INC	3)	11/01/2024	24350.0	1.010	100.0002350367Y0	BBG0136ZQ9X4
Bond Type	REVS	4)	11/01/2025	15700.0	1.295	100.0002350367Z7	BBG0136ZQ9Y3
Dated Date	11/01/21	5)	11/01/2026	23490.0	1.525	100.0002350368A1	BBG0136ZQ9Z2
1st Coupon	05/01/22	6)	11/01/2027	19820.0	1.732	100.0002350368B9	BBG0136ZQ805
Deal number	473006	7)	11/01/2028	30150.0	1.932	100.0002350368C7	BBG0136ZQ814
Rating/Enhancement		8)	11/01/2029	25820.0	2.041	100.0002350368D5	BBG0136ZQ823
Moody's	A1	9)	11/01/2030	35645.0	2.141	100.0002350368E3	BBG0136ZQ832
S&P		10)	11/01/2031	35360.0	2.241	100.0002350368F0	BBG0136ZQ841
Fitch	A+ (A+)	11)	11/01/2032	25235.0	2.441	100.0002350368G8	BBG0136ZQ850
KBRA	AA	12)	11/01/2033	34350.0	2.591	100.0002350368H6	BBG0136ZQ869
Enhancement		13)	11/01/2034	29540.0	2.691	100.0002350368J2	BBG0136ZQ878
Schedules		14)	11/01/2035	30295.0	2.741	100.0002350368K9	BBG0136ZQ887
Prem Call	SEE NOTES	15)	11/01/2036	26490.0	2.841	100.0002350368L7	BBG0136ZQ896
Par Call		16)	11/01/2037	27255.0	2.871	100.0002350368M5	BBG0136ZQ8B3
		17)	11/01/2046	305195.0	2.843	100.0002350368N3	BBG0136ZQ8C2
Other Info							
1st Settle	11/10/21						
Form/Dep	BOOK-ENTRY,DTC						
Price Status	FINAL						
Notes	DENOMS: \$5,000/\$5,000 -REF-TXBL INTEREST ACCRUES FROM DELIVERY DATE-Par call 11/1/31 -Subj to M/W call DALLAS FORT WORTH INTERNATIONAL AIRPORT						



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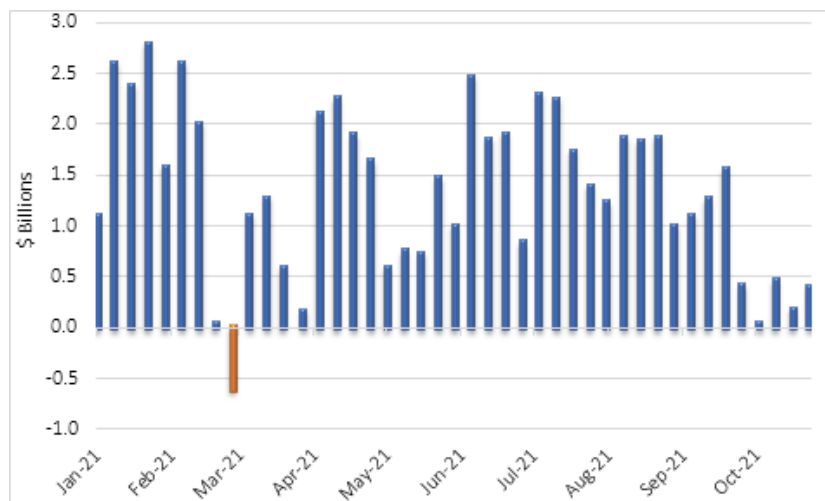
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THIS WEEK'S SECONDARY MARKET ACTIVITY

MUNIS ARE OMITTED: The final version of the Build Back Better bill being presented to Congress does not contain a single muni-bond component. Preliminary language included several provisions that would have helped expand the muni marketplace. Programs NOT included in the final proposal include:

- Build America Bond-like program: This program would have created a debt structure where municipalities would receive a federal subsidy to offset interest costs.
- Advance Refunding: The reintroduction of tax-exempt advance refunding issues was not included.
- Expanding the qualifications for a bank qualified issuer to as much as \$30 million from its current \$10 million cap.
- Widening the umbrella for what is allowable in the private activity sector.

INFLOWS INCREASE: Lipper Inflows rebounded slightly last week. Lipper reported inflows of \$397 million. While not as robust as levels that we were seeing over the summer months, this inflow does represent 34 straight weeks of inflows. Lipper reported inflows in long-term, intermediate, and high-yield funds. This marks a reversal of last week's report. Inflows as a whole were \$177 million but both long-term and high-yield funds saw outflows.



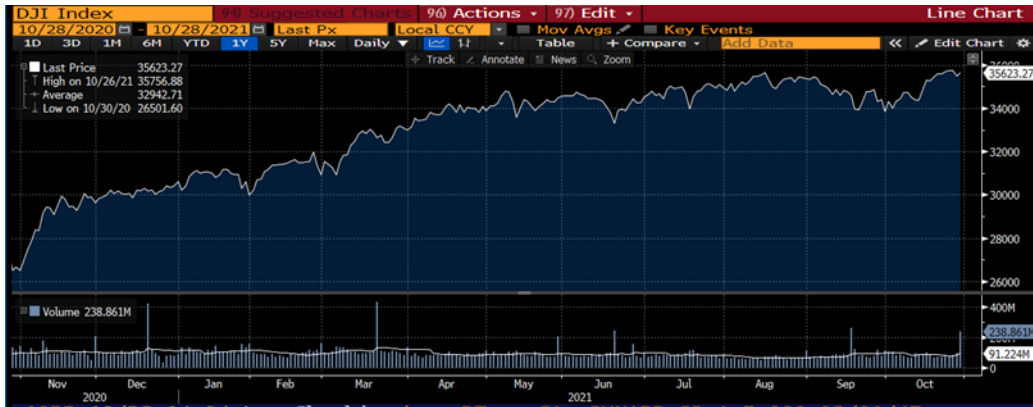
Source: Lipper

We wonder if the recent inflows across all sectors will resume. One view of the strong Year-To-Date inflows is that they are tied to equity market performance. In part, this derives from the fact that at certain times during the course of the month (typically month end), portfolio managers will re-balance their holdings to maintain their desired equity-to-fixed income ratios. Thus, if equities suffer a setback, it's possible that fund flows may also be impacted. The DOW currently is trading within 100 points of its all-time high.



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LONG END LOOKS ATTRACTIVE: Long munis have recently risen in relative value. Long dated municipals are approaching a muni-to-treasury ratio of 90% which is a rarity in 2021. Putting that in perspective, over the course of the year, that ratio has never exceeded 80% since early March and only exceeded 75% on a handful of days during the summer months of May, June and July. Long dated munis at these levels may see an uptick in interest from crossover buyers.

