



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday, October 7, 2021

## Primary and Secondary Market Recap

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

### THIS WEEK'S PRIMARY MARKET ACTIVITY

Alabama Federal Aid Highway Finance Authority priced a \$1.5B Taxable Special Obligation Bond which was well received. Spreads were bumped throughout the curve anywhere from 2-12 basis points. California Public Works Board priced a \$294M 10-month forward delivery transaction. This transaction garnered a lot of investor interest and spreads were bumped 3-7 basis points. The forward spread was approximately 4.5 basis points per month. Philadelphia Schools priced a \$312M Tax-Exempt transaction. The front end of the transaction was bumped 3-10 basis points with no changes to the scale 2032-2041. Cabrera priced a \$145M Tax-Exempt and Taxable transaction for the Chicago Park District. 15 different Investors participated in the transaction and spreads were as much as 90 basis points tighter from their 2020 deal.

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<Back> to Return		Negotiated Calendar: Deal Details									
97) Options ▾ 104) Settings		St IL	Tax FED	TAX-EXEMPT/ST TAX	Type	NEG	93) Financials	95) Attachments			
CHICAGO PK DT-E-REF		St IL	Maturity	Amt (M)	Cpn	P/Y	CUSIP	FIGI			
Summary											
Sale Date	10/04/21	1)	01/01/2023	2230.0	4.000	0.380	167615W74	BBG012VCVF41			
Amount	34,655,000.00	2)	01/01/2024	2680.0	4.000	0.490	167615W82	BBG012VCVF50			
Manager	CABRERA CAPITAL MKTS L...	3)	01/01/2025	4635.0	4.000	0.620	167615W90	BBG012VCVF69			
Bond Type	GO ULT	4)	01/01/2026	1430.0	4.000	0.820	167615X24	BBG012VCVF87			
Dated Date	10/21/21	5)	01/01/2027	1595.0	4.000	1.030	167615X32	BBG012VCVF96			
1st Coupon	01/01/22	6)	01/01/2028	1835.0	4.000	1.250	167615X40	BBG012VCVFC2			
Deal number	472152	7)	01/01/2029	1910.0	4.000	1.410	167615X57	BBG012VCVFD1			
Rating/Enhancement		8)	01/01/2030	490.0	4.000	1.540	167615X65	BBG012VCVFF9			
Moody's		9)	01/01/2031	505.0	4.000	1.700	167615X73	BBG012VCVFG8			
S&P	AA-	10)	01/01/2032	530.0	4.000	1.830	167615X81	BBG012VCVFH7			
Fitch	AA- (AA-)	11)	01/01/2033	545.0	4.000	1.920	167615X99	BBG012VCVFJ5			
KBRA	APPLIED	12)	01/01/2034	2460.0	4.000	2.010	167615Y23	BBG012VCVFK3			
Enhancement		13)	01/01/2035	2555.0	4.000	2.080	167615Y31	BBG012VCVFL2			
Schedules		14)	01/01/2036	2655.0	4.000	2.120	167615Y49	BBG012VCVFM1			
Prem Call		15)	01/01/2037	2765.0	4.000	2.160	167615Y56	BBG012VCVFP8			
Par Call	01/01/30	16)	01/01/2038	2875.0	3.000	2.410	167615Y64	BBG012VCVFP7			
		17)	01/01/2039	2960.0	3.000	2.450	167615Y72	BBG012VCVFS5			
Other Info											
1st Settle	10/21/21										
Form/Dep	BOOK-ENTRY,DTC										
Price Status	FINAL										
Notes	DENOMS: \$5,000/\$5,000 PERSONAL PROPERTY REPLACEMENT TAX ALTERNATE REV SOURCE										

Australia 61 2 9777 3600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2377 6000  
Japan 81 3 4865 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2021 Bloomberg Finance L.P.  
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### THIS WEEK'S SECONDARY MARKET ACTIVITY

The secondary market continues its slow drift to slightly higher yields and as a consequence, better relative value as illustrated by MMD's MUNI vs TREAS data.

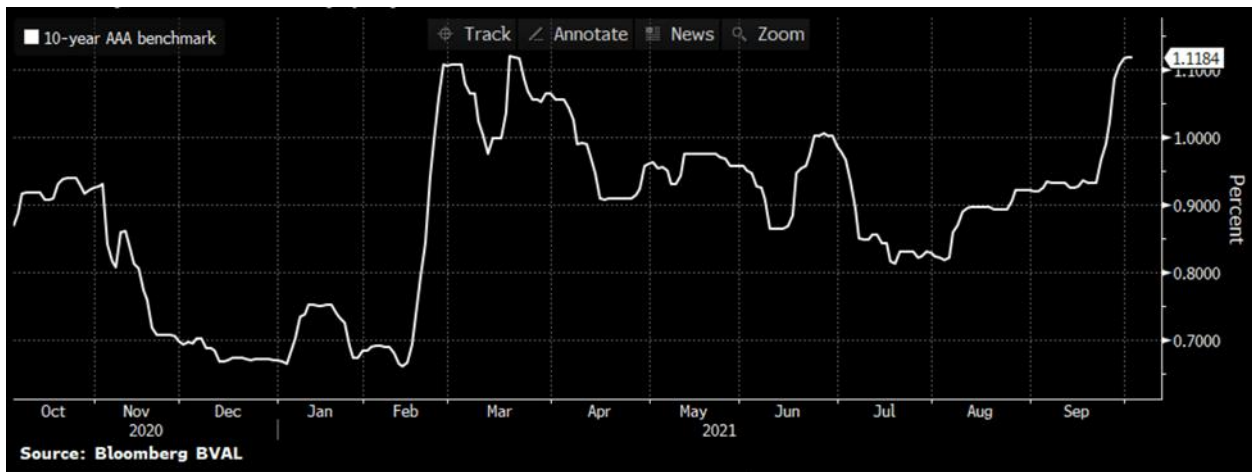
MUNI/TREAS	10/6/2021	9/29/2021	9/22/2021
10 Year	76.1%	73.1%	70.8%
30 Year	80.8%	79.7%	83.4%

SOURCE: Refinitive TM3 / MMD

Long Ratios bouncing off summer lows.



Despite municipals providing more relative value, finding active participants in the secondary has proved elusive. There doesn't seem to be a single impediment to activity but rather several macro and micro factors influencing buy-side psychology.





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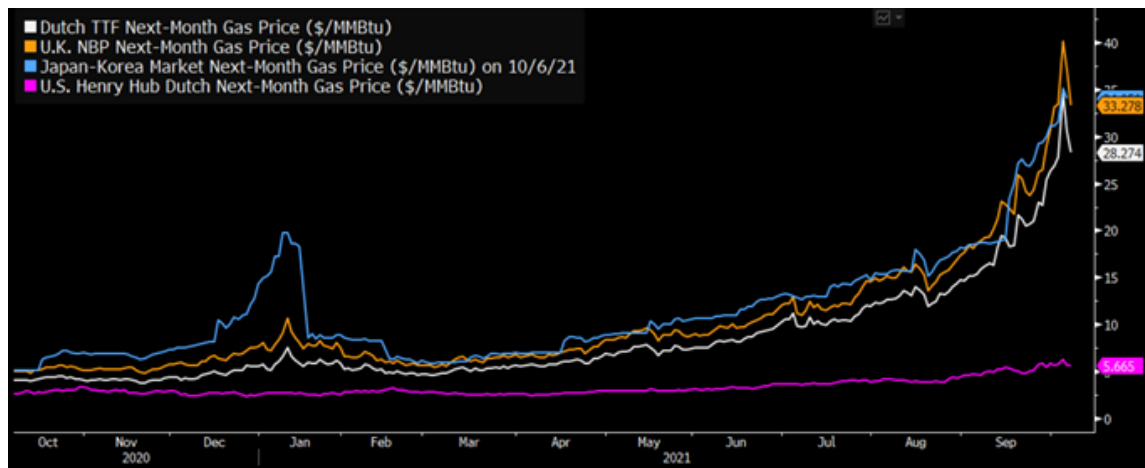
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### THIS WEEK IN THE NEWS

**Debt Ceiling:** Senate leaders managed to come to an agreement that will avert a default by the United States on its debt. This agreement doesn't solve the problem entirely but does buy Congress time to figure out a solution. This agreement extends the debt ceiling into December.

**Infrastructure Bill:** It remains unknown what version of President Biden's infrastructure bill will ultimately be passed.

**Inflation Fears:** At the time of this writing, 10-year treasury yields are currently 1.55% which is double what they were yielding in October. Inflationary pressures are pervasive in several segments of the economy and seem to be growing despite the Federal Reserve's assurance that this inflation is 'transitory'. Notably, global fuel prices have risen dramatically in recent weeks.



**Inflows vs Outflows:** Last week Lipper reported inflows of just \$408 million and outflows in the high yield sector of (-\$108 million). That is the first reported outflow since March and is a cause for concern. Should outflows grow, the municipal market will lose a strong source of support. YTD, inflows are \$56.6 billion. That is 30 straight weeks of positive inflows.

**Redemptions:** Over the course of the summer, demand far exceeded supply in the muni market. This imbalance was a key factor for municipal ratios to grind to historical lows. That is, municipals were extremely "rich". On average, muni bond redemptions averaged \$45 billion per month during the months of June, July and August. That number is now just \$20 billion while at the same time supply is ticking up.

**Supply:** Primary market issuance has exceeded \$10 billion for three consecutive weeks and that trend is expected to continue through October leading into the Thanksgiving break in late November. Despite the market tone in the secondary market, feedback from customers is that the uptick in primary market issuance is welcome. With the recent rise in municipal yields there is ample appetite from buyers in the primary and deals continue to see strong demand.