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MUNICIPAL MARKET WEEKLY UPDATE

Thursday, November 11, 2021

Primary and Secondary Market Recap

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

THIS WEEK'S PRIMARY MARKET ACTIVITY

With the shortened holiday week, 90% of the Primary Market deals were priced on Tuesday. The Dallas Area Rapid Transit priced \$1B in Taxable and Tax-Exempt Bonds. The Tax-Exempt deal was bumped 2-7 basis points and Taxable deal was bumped 8-15 basis points. The District of Columbia priced \$650M in Tax-Exempt General Obligation Bonds. The deal garnered significant investor interest and was bumped as much as 18 basis points. The final spread between 4% and 5% coupons in the 25-year area was 13 basis points. The Pennsylvania Turnpike priced \$275M in Tax-Exempt Bonds which did extremely well and was bumped 5-15 basis points. The State of Connecticut priced \$500M in Tax-Exempt Special Tax Obligation Bonds. The deal received \$107M in Retail orders. After the Institutional order period, levels were bumped 3-11 basis points. On all the above deals, the long 4% coupons saw the most interest from investors. Next week, there are several deals over \$1B, including California Health (Cedars-Sinai), State of Mississippi, and San Diego Airports.

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97) Options ▾ 104) Settings		Negotiated Calendar: Deal Details					
CONNECTICUT ST -D		St CT	Tax FED & ST TAX-EXEMPT	Type NEG T	Financials	Attachments	
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	11/08/21	1)	11/01/2022	15290.0	5.000	0.140 207758F32	BBG013B84RG1
Amount	500,000,000.00	2)	11/01/2023	16055.0	5.000	0.260 207758F40	BBG013B84RJ8
Manager	RAYMOND JAMES & ASSOCS	3)	11/01/2024	16855.0	5.000	0.380 207758F57	BBG013B84RK6
Bond Type	REVS	4)	11/01/2025	17700.0	5.000	0.540 207758F65	BBG013B84RL5
Dated Date	12/01/21	5)	11/01/2026	18585.0	5.000	0.680 207758F73	BBG013B84RM4
1st Coupon	05/01/22	6)	11/01/2027	19515.0	5.000	0.840 207758F81	BBG013B84RN3
Deal number	474284	7)	11/01/2028	20490.0	5.000	0.960 207758F99	BBG013B84RP1
Rating/Enhancement		8)	11/01/2029	21515.0	5.000	1.110 207758G23	BBG013B84RQ0
Moody's	Aa3	9)	11/01/2030	22590.0	5.000	1.210 207758G31	BBG013B84RR9
S&P	AA-	10)	11/01/2031	18550.0	5.000	1.290 207758G49	BBG013B84RT7
Fitch	AA- (AA-)	11)	11/01/2031	5170.0	1.750	1.290 207758G56	BBG013B84RS8
KBRA	AA+	12)	11/01/2032	24735.0	5.000	1.320 207758G64	BBG013B84RV4
Enhancement		13)	11/01/2033	25975.0	5.000	1.370 207758G72	BBG013B84RW3
Schedules		14)	11/01/2034	27270.0	5.000	1.420 207758G80	BBG013B84RX2
Prem Call		15)	11/01/2035	28635.0	5.000	1.440 207758G98	BBG013B84RY1
Par Call	11/01/31	16)	11/01/2036	30070.0	5.000	1.460 207758H22	BBG013B84RZ0
		17)	11/01/2037	31570.0	4.000	1.610 207758H30	BBG013B84S06
Other Info		18)	11/01/2038	32835.0	4.000	1.630 207758H48	BBG013B84S15
1st Settle	12/01/21	19)	11/01/2039	34145.0	4.000	1.660 207758H55	BBG013B84S24
Form/Dep	BOOK-ENTRY,DTC	20)	11/01/2040	35515.0	4.000	1.690 207758H63	BBG013B84S33
Price Status	FINAL	21)	11/01/2041	36935.0	5.000	1.590 207758H71	BBG013G4ZDV5
Notes	DENOMS: \$5,000/\$5,000 -Special Tax Obligation Bonds -Transportation Infrastructure Purposes						



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THIS WEEK'S SECONDARY MARKET ACTIVITY

Since the elections last week, it's been a volatile week in capital markets. Municipals shrugged off their sluggish performance and experienced a rally not seen in months.

MUNI	11/02/2021	11/10/2021	Change
5-Year	0.65	0.60	-5 bps
10-Year	1.21	1.08	-13 bps
30-Year	1.69	1.48	-21 bps

The big push seems to be the result of a myriad of factors. Some include:

- The more than \$1 trillion bipartisan infrastructure bill did not incorporate any measures that would act as a strong stimulus for municipal issuance to expand;
- After this week's heavy issuance of more than \$10 billion, the market is anticipating a slowdown in issuance as we move into the holiday season. Dealers will add to their position accordingly; and
- US TRSYs rallied recently with the market reacting to the Fed's repeated message that while it will begin to taper later this year, there is no intention to let inflation get out of control. *NOTE: Inflationary fears were reignited Wednesday as the CPI announcement reported that US prices climbed the most in three decades.*

This chart illustrates the current yield of AAA 10-year municipals as measured by Bloomberg. November's arrival has led to a steep drop in muni yields.





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The relative value of municipals has been choppy. Much of this is related to a muted municipal market while TRSYs have been more active. However, the most recent shift in relative value is an interesting one.

- Municipals finally caught a bid and rallied strongly over the past several trading sessions. As municipal yields dropped, their relative value vs TRSYs diminished accordingly.
- In a reversal of recent momentum, TRSY yields rose dramatically Wednesday based on the strong CPI number. 10-Year TRSY yields are off over 1 percent (currently 1.565%) while the municipal curve remains unchanged today. This disconnect between rising TRSY yields and a flat muni market adds to the falling relative value argument.

While activity was extremely strong in the primary this week (see Primary Market Comment) there is some concern from secondary traders that interest from customers will wane if relative value continues to be a challenge.

This chart illustrates the relative value of 10-year municipals versus TRSYs.

