



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday, November 18, 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 San Diego Regional Airport Authority priced \$1.9B of Tax-Exempt, AMT and Taxable bonds. The \$490M Tax-Exempt deal did extremely well with bumps of 12 basis points in the 10-year range and up to 7 basis points on the terms. On the \$1.1B AMT deal, the terms performed best with bumps as much as 9 basis points. Spreads between AMT and Non-AMT were 23 basis points in 5 years, 32 basis points in 10 years and 23 basis points in 30 years. Also, spreads between 5% coupons and 4% coupons in 30 years were 15 basis points. On the \$350M Taxable transaction, there were mixed results with the short end bumped 5-15 basis points and the long end cheaper by 5-10 basis points. Cook County priced \$250M Tax-Exempt and Taxable deals. Both deals garnered a lot of investor interest, with the Tax-Exempt bumped 10-12 basis points and the Taxable deal bumped 5 basis points throughout. The Metropolitan Water Reclamation District of Chicago priced \$500M Tax-Exempt and Taxable deals. The Tax-Exempt deals were bumped as much as 6 basis points and the Taxable had to get 5-15 basis points cheaper than Premarketing levels.

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97 Options ▾		100 Settings		Negotiated Calend			
SAN DIEGO CO REGL ARPT-B		St CA	Tax AMT/ST TAX-EXEMPT	Type NEG	93 Financials		
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	
Sale Date	11/15/21	1)	07/01/2026	7725.0	5.000	0.870 79739GNC6	
Amount	1,089,260,000.00	2)	07/01/2027	8110.0	5.000	1.050 79739GND4	
Manager	BANK OF AMERICA MERRILL	3)	07/01/2028	8520.0	5.000	1.240 79739GNE2	
Bond Type	REVS	4)	07/01/2029	8945.0	5.000	1.390 79739GNF9	
Dated Date	12/08/21	5)	07/01/2030	9385.0	5.000	1.500 79739NGG7	
1st Coupon	07/01/22	6)	07/01/2031	14180.0	5.000	1.570 79739GNH5	
Deal number	474614	7)	07/01/2032	15640.0	5.000	1.640 79739GNJ1	
Rating/Enhancement		8)	07/01/2033	16205.0	5.000	1.690 79739GNK8	
Moody's	A2	9)	07/01/2034	17950.0	5.000	1.760 79739GNL6	
S&P		10)	07/01/2035	22085.0	4.000	1.910 79739GNM4	
Fitch	A+ (A+)	11)	07/01/2036	22515.0	4.000	1.930 79739GNN2	
KBRA		12)	07/01/2037	22945.0	5.000	1.840 79739GNP7	
Enhancement		13)	07/01/2038	23600.0	5.000	1.870 79739GNQ5	
Schedules		14)	07/01/2039	24265.0	4.000	2.030 79739GNR3	
Prem Call		15)	07/01/2040	24695.0	4.000	2.080 79739GNS1	
Par Call	07/01/31	16)	07/01/2041	14575.0	4.000	2.090 79739GNT9	
Other Info		17)	07/01/2046	81530.0	5.000	2.090 79739GNU6	
1st Settle	12/08/21	18)	07/01/2046	75000.0	4.000	2.230 79739GNV4	
Form/Dep	BOOK-ENTRY,DTC	19)	07/01/2051	124670.0	5.000	2.170 79739GNX0	
Price Status	FINAL	20)	07/01/2051	125000.0	4.000	2.330 79739GNW2	
		21)	07/01/2056	261720.0	5.000	2.280 79739GNY8	
		22)	07/01/2056	160000.0	4.000	2.460 79739GNZ5	
Notes	DENOMS: \$5,000/\$5,000 -AUTH-AMT SUBORDINATE AIRPORT REV BONDS PRIVATE ACTIVITY/AMT						



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### THIS WEEK'S SECONDARY MARKET ACTIVITY

Over the last 7 trading sessions, U.S. Treasury yields have risen on inflation and taper fears. Municipals have followed suit but to a lesser degree. These slight variances may appear small when looked at over a one-week time period but over time this growing divergence has ramifications in the market.

TSRY	11/01/2021	11/17/2021	Change
10-Year	1.55%	1.60%	5 bps
30-Year	1.97%	2.00%	3 bps

MUNI	11/01/2021	11/17/2021	Change
10-Year	1.22%	1.11%	-11 bps
30-Year	1.69%	1.56%	-13 bps



Since early November, municipals and treasuries have reversed directions. Municipal rates have dropped (prices rose) while Treasury rates have risen (prices dropped). While this is not unheard of, historically it's more common for municipals and treasuries to have some type of correlation. That is, while both markets rarely move in exact parity, they do tend to move in unison. A consequence of this split is muni ratios (blue line) have pushed lower making an already aggressively priced market more challenging for buyers.



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MUNI/TREAS	CURRENT	11/01/2021
3-Year/3-Year	40.20%	47.10%
10-Year/10-Year	69.96%	78.10%
30-Year/30-Year	79.10%	86.20%

Despite the market being squeezed, the technical outlook in the muni space remains constructive. Inflows are still positive with Lipper reporting \$1.4 billion coming into the market and there is the expectation that primary market issuance will diminish as we move into the holiday season. Factors like these give dealers the confidence to continue to bid on and position bonds aggressively.

### IN THE MUNI NEWS

- The City of Chicago will be sending JPMorgan \$225 million on November 22nd. This is the final installment of a \$450 million loan taken last year to compensate for lost revenues due to COVID.
- The State of Illinois will be issuing \$400 million in tax-exempt general obligation debt on December 1st. The bond will be priced through a competitive bidding process.
  - The structure will consist of \$200 million maturing in 1 to 20 years with a 10-year call option.
  - \$325 million will be used for capital projects with the remainder dedicated to the state's accelerated pension benefit buyout program.
- S&P raised Illinois' outlook to positive from stable and affirmed their BBB long-term rating.