



CABRERA CAPITAL MARKETS LLC

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MUNICIPAL MARKET WEEKLY UPDATE

Thursday, November 5, 2020

Primary and Secondary Market Recap

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

ELECTION WEEK SEES LOW MUNICIPAL BOND ISSUANCE

After weeks of historic issuance, this week's supply was under \$500 million. Only one deal was priced over \$100 million. Next week's calendar is likely to be muted as well due to the mid-week Veteran's Day holiday.

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<Back> to Return		Negotiated Calendar: Deal Details								
97) Options ▾ 100) Settings		ME	St	Tax	FED & ST	TAX-EXEMPT	Type	NEG	93) Financials	93) Attachments
ME TURNPIKE AUTH										
Summary										
Sale Date	11/02/20	1)			07/01/2026	2900.0		5.000	0.560 560551QH9	BBG00Y041KN5
Amount	130,000,000.00	2)			07/01/2027	3045.0		5.000	0.750 560551QJ5	BBG00Y041KP3
Manager	BANK OF AMERICA MERRILL	3)			07/01/2028	3195.0		5.000	0.940 560551QK2	BBG00Y041KQ2
Bond Type	REVS	4)			07/01/2029	3355.0		5.000	1.100 560551QL0	BBG00Y041KR1
Dated Date	11/18/20	5)			07/01/2030	3520.0		5.000	1.220 560551QM8	BBG00Y041KT9
1st Coupon	07/01/21	6)			07/01/2031	3700.0		5.000	1.330 560551QN6	BBG00Y041KV6
Deal number	457041	7)			07/01/2032	3885.0		5.000	1.420 560551QP1	BBG00Y041KW5
Rating/Enhancement		8)			07/01/2033	4080.0		5.000	1.500 560551QQ9	BBG00Y041KX4
Moody's	Aa3	9)			07/01/2034	4280.0		5.000	1.600 560551QR7	BBG00Y041KY3
S&P	AA-	10)			07/01/2035	4495.0		5.000	1.650 560551QS5	BBG00Y041KZ2
Fitch	AA- (AA-)	11)			07/01/2036	4720.0		5.000	1.720 560551QT3	BBG00Y041L08
KBRA		12)			07/01/2037	4955.0		4.000	1.960 560551QU0	BBG00Y041L17
Enhancement		13)			07/01/2038	5155.0		3.000	2.230 560551QV8	BBG00Y041L26
Schedules		14)			07/01/2039	5310.0		3.000	2.270 560551QW6	BBG00Y041L35
Prem Call		15)			07/01/2040	5470.0		3.000	2.310 560551QX4	BBG00Y041L44
Par Call	07/01/30	16)			07/01/2045	30500.0		4.000	2.280 560551QY2	BBG00Y041L53
Other Info		17)			07/01/2050	16250.0		5.000	2.130 560551QZ9	BBG00Y2J18V8
1st Settle	11/18/20	18)			07/01/2050	21185.0		4.000	2.330 560551RA3	BBG00Y041L62
Form/Dep	BOOK-ENTRY,DTC									
Price Status	FINAL									
Notes	DENOMS: \$5,000/\$5,000									

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2020 Bloomberg Finance L.P.
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ELECTION BRINGS FLATTENER

Municipal bond yields saw their biggest drop since April following the November 3rd election as uncertainty over the presidential race spurred a flight to safety. US Treasury prices surged higher in early trading, and municipals followed suit with a rally of their own. Municipal yields, as measured by Municipal Markets Data (MMD), indicated as much as a 10 basis point rally. It was expected that post-election rates would steepen, but with an apparent Republican-led Senate and Democratic-led House, any stimulus plan that lands on the President's desk will likely be smaller than if a strong blue wave had swept the country.

In addition to a firm market in rates, municipals are also benefitting from the massive drop in supply in comparison to the previous four weeks. Approximately \$70 billion in issuance came to market in October, and as mentioned in our Primary Market comment, forward looking supply is sparse.

Final MMD Read 11/4/20 (5% Coupon)

2021 - 2023:	3bp bump
2024:	4bp bump
2025:	5bp bump
2026:	6bp bump
2027:	8bp bump
2028-2050:	10bp bump

Long US TRSY Yields Plummet



Notable factors that could sway muni yields over the next few days:

- Presidential race outcome
- Employment data (11/6)
- Fund Flows (11/5)



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ILLINOIS REJECTS TAX HIKE

Illinois voters rejected an amendment that would have changed the State's tax policy by removing Illinois' "flat tax" in favor of the more widely used graduated income tax scale that increases with a taxpayer's income. While the amendment itself did not specify proposed tax rates, Governor J.B. Pritzker's plan targeted the state's wealthier residents. Had the amendment been approved, it was expected that new legislation would have raised state income tax rates on incomes over \$250,000.

Illinois bonds in the market reacted by trading down in value. Pre-election Illinois GO's in the 10-year space were trading around 300 basis points over the AAA muni curve. While there has not been an abundance of prints to report at this time, the few transactions that have occurred indicate a 25-50 basis point widening depending on the bond structure. This is as much as a 7% decline in bond valuation.

The rating agencies have yet to make any downgrades at this time, as it seems they are waiting to see what backup plan the governor proposes before issuing commentary. The result of the election puts the state's investment grade rating (Baa3/BBB-) under severe pressure. Pursuing strategies such as deferring pension contributions and deficit spending will be viewed as credit negative. However, the state does have options. It can propose raising revenues through an increase in the state sales tax, raising the flat tax, and make significant cuts to expenses. A second trip to the Federal Reserve's Municipal Liquidity Facility is also possible.

The state currently has \$137 billion in unfunded pensions and more than \$8.3 billion in unpaid bills. Bloomberg reported that the state has only \$68,459 in its rainy day fund. Unfortunately for Springfield, it looks like rain is in the forecast.



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SECONDARY MARKET RECAP - NOTABALE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
<u>Illinois</u>							
875	CHICAGO IL PK DIST	5.00	01/01/2030	1.90	113		Insured
<u>California</u>							
5000	CABRILLO CA USD ELEC	5.00	08/01/2050	1.62	1	08/01/2028	
4000	CA GO REFUNDING	5.25	08/01/2032	1.38	38	02/01/2017	Insured
2000	CA CDA BDS LOMA LIND	5.50	12/01/2054	3.25	164	12/01/2024	
1695	LOS ANGELES CA DEPT	5.00	07/01/2040	1.47	8	07/01/2030	
1500	HASTINGS CAMPUS HFA	5.00	07/01/2061	4.67	306	07/01/2030	
1265	CA PUB WKS BRD LEASE	5.00	11/01/2027	0.70	19	11/01/2030	
1075	LOS ANGELES CNTY	5.00	07/01/2044	1.54	1	07/01/2028	
1065	CA DEPT WTR RES CENT	5.00	12/01/2023	0.26	6	06/01/2024	
1040	SAN FRANCISCO CA BAY	5.00	08/01/2024	0.25	3	08/01/2023	
1000	CA GO REFUNDING	5.25	08/01/2032	1.38	38	02/01/2017	Insured
955	CA PUB WKS BRD LEASE	5.00	11/01/2027	0.70	19	11/01/2030	
900	SOUTH PLACER WASTEWA	5.00	11/01/2032	1.37	36		
850	HAYWARD CA USD ELECT	5.00	08/01/2033	1.40	32	08/01/2029	Insured
<u>Connecticut</u>							
1225	LOUISIANA ST GO	5.00	08/01/2022	0.26	4	08/01/2022	
<u>Airports</u>							
1165	PHILADELPHIA PA ARPT	5.00	07/01/2030	1.72	90	07/01/2030	
1110	PHILADELPHIA PA ARPT	5.00	07/01/2029	1.57	85		
600	RALEIGH-DURHAM	5.00	05/01/2026	0.89	53	05/01/2030	