



CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday, December 9, 2021

## Primary and Secondary Market Recap

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

### THIS WEEK'S PRIMARY MARKET ACTIVITY

Golden State Tobacco priced \$4.2B of Taxable and Tax-Exempt deals. The \$2.8B Taxable deal received \$9.7B in orders and was oversubscribed throughout. Spreads were bumped 10 basis points and were priced to the tights. Spreads were bumped 15 basis points on the Turbo Redemption bonds. On the Tax-Exempt Capital Appreciation Bonds, spreads were bumped 25 basis points from premarketing to final. The City of Chicago priced \$444M in Tax-Exempt General Obligation bonds (see scale below). The deal needed to get as much as 8 basis points cheaper and there were balances after the repricing. Chicago also priced a \$1.1B Sales Tax Securitization Taxable deal which was restructured and downsized to \$600M. The deal had to get as much as 25 basis points wider. They also priced a \$400M Tax-Exempt deal of the same credit but the Tax-Exempt version experienced stronger demand. The scale was bumped 5 basis points for 2024-2028, while 2029 and 2030 were unchanged. There was an additional 2 basis point bump tightening 2031-2032, 2033 had a 3 basis point bump and 2034 was unchanged.

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CHICAGO -A -REF	St IL	Tax	FED TAX-EXEMPT/ST TAX...	Type	NEG	93 Financials	95 Attachments
<b>Summary</b>			<b>Maturity</b>	<b>Amt(M)</b>	<b>Cpn</b>	<b>P/Y CUSIP</b>	<b>FIGI</b>
Sale Date	12/06/21	1)	01/01/2024	11000.0	5.000	0.620 167486L23	BBG013YVN9L8
Amount	447,260,000.00	2)	01/01/2027	5645.0	5.000	1.050 167486L31	BBG013YVN9M7
Manager	LOOP CAPITAL MARKETS L...	3)	01/01/2028	9700.0	5.000	1.250 167486L49	BBG013YVN9N6
Bond Type	GO ULT	4)	01/01/2029	3670.0	5.000	1.420 167486L56	BBG013YVN9P4
Dated Date	12/22/21	5)	01/01/2030	14285.0	5.000	1.580 167486L64	BBG013YVN9Q3
1st Coupon	07/01/22	6)	01/01/2031	12350.0	5.000	1.640 167486L72	BBG013YVN9R2
Deal number	475104	7)	01/01/2032	72725.0	5.000	1.740 167486L80	BBG013YVN9S1
<b>Rating/Enhancement</b>		8)	01/01/2032	10000.0	4.000	1.840 167486L98	BBG013YVN9T0
Moody's		9)	01/01/2033	114585.0	5.000	1.790 167486M22	BBG013YVN9V7
S&P	BBB+	10)	01/01/2034	103840.0	5.000	1.810 167486M30	BBG013YVN9W6
Fitch	BBB- (BBB-)	11)	01/01/2035	49245.0	4.000	1.970 167486M48	BBG013YVN9X5
KBRA	A	12)	01/01/2036	40215.0	4.000	2.010 167486M55	BBG013YVN9Y4
<b>Enhancement</b>							
<b>Schedules</b>							
<b>Prem Call</b>							
<b>Par Call</b>	01/01/31						
<b>Other Info</b>							
1st Settle	12/22/21						
Form/Dep	BOOK-ENTRY,DTC						
Price Status	REPRICED						
<b>Notes</b>	DENOMS: \$5,000/\$5,000						



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### THIS WEEK'S SECONDARY MARKET ACTIVITY

Issuers came to market with what may amount to 2021's largest amount of issuance to date. As some deals have been re-sized it's not clear exactly what the final tally will be but it's expected to come in in excess of \$15 billion.

#### 30 DAY VISIBLE SUPPLY HITS 2021 HIGH



With trading on the quiet side, municipal yields saw no change in the benchmark maturities.

MMD	12/02/2021	12/09/2021
5-Year	0.60	0.60
10-Year	1.03	1.03
30-Year	1.48	1.48

**Environmental, Social, Governance (ESG):** The Municipal Securities Rulemaking Board (MSRB) has reached out to bond issuers, dealers, and financial advisors as well as the buy side community seeking information on ESG bonds. A 25-question request for information was distributed as the MSRB is trying to learn more about the various criteria each party considers when evaluating bonds issued as ESG.

As it stands now, there is no industry standard to determine exactly what qualifies as an ESG credit. Additionally, when a bond is issued as ESG, there is no uniform standard on what disclosures should be associated with that label.

Investing in environmental or social-related projects is of importance to customers but without clarity around what criteria qualifies a bond as ESG, buyers are forced to make their own determinations. Issuers would like to label many of their credits as ESG to facilitate interest and best



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execution of their deals but they also need a regulatory definition that establishes standards that they can then seek to meet.

**ILLINOIS:** Illinois reported that its pension shortfall has fallen 10%. This last occurred in 2017 and can be attributed to terrific equity returns. The state has five plans that cover teachers, judges, legislators and other state staff. The plans reported returns of more than 20% in fiscal year 2021.

While the unfunded pension liability fell to \$130 billion, the liability still weighs on the state’s credit. Despite the burden, Illinois spreads remain tight and the state is benefitting from strong technical factors in the municipal market.

### ILLINOIS YIELDS REMAIN LOW



There have been many transactions in Illinois and Illinois-related credits that illustrate this tightening. Let’s look at two trades from the State of Illinois. These bonds were issued in mid-March 2021 and the spread is measured against the AAA curve as published by MMD.

Trade Center	Issuer	Coupon	Maturity	Yield	Current Spread	Original Spread	Change
12/01/2021	State of Illinois G.O.	5.00%	03/01/2030	1.50%	+51 bps	+120 bps	69 bps tighter
12/03/2021	State of Illinois G.O.	5.00%	03/01/2037	1.79%	+62 bps	+122 bps	60 bps tighter

As long as technicals remain favorable, credits like Illinois will continue to enjoy strong valuations.

NOTE: Next week will be the last market summary comment of 2021.