



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday March 11, 2021

## Primary and Secondary Market Recap

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

### DEMAND SURGES FOR PRIMARY OFFERINGS

The primary market saw incredible demand again. Even with outflows last week, there was money to be spent on new issues. New York City Municipal Water Authority priced a \$574 million issue. The deal garnered \$987 million in retail orders alone. The spreads were tightened by as much as 17 basis points from the retail order period to final pricing. The Massachusetts Port Authority priced \$405 million of AMT and Non-AMT bonds. The spread between AMT and Non-AMT was 23 basis points in 5 years, 25 basis points in 10 years and 24 basis points in 30 years. The State of California priced a \$1.9 billion tax-exempt issue, which included a few maturities with 5-year calls. These maturities saw strong demand during the retail and institutional order periods and were bumped as much as 25 basis points. The spread between a 10-year non call and a 5-year call was 42 basis points. The rest of the California deal also did extremely well with significant bumps throughout the curve. Next week the State of Illinois is expected to price a \$1.2 billion tax-exempt deal.

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97) Options ▾		104) Settings		Negotiate			
CALIFORNIA ST				St CA	Tax FED & ST TAX-EXEMPT	Type NEG	93) P
Summary		Maturity	Amt(M)	Cpn	P/Y	CL	
Sale Date	03/08/21	1.	12/01/2022	104400.0	4.000	0.140	
Amount	881,905,000.00	2.	12/01/2024	45810.0	4.000	0.350	
Manager	BANK OF AMERICA MERRILL	3.	12/01/2031	41670.0	5.000	0.770	
Bond Type	GO ULT	4.	12/01/2032	41665.0	5.000	0.780	
Dated Date	03/23/21	5.	12/01/2034	41665.0	5.000	0.840	
1st Coupon	06/01/21	6.	12/01/2034	93900.0	5.000	1.350	
Deal number	461862	7.	12/01/2035	93900.0	5.000	1.390	
Rating/Enhancement		8.	12/01/2036	93895.0	5.000	1.430	
Moody's	Aa2	9.	12/01/2043	50000.0	5.000	1.690	
S&P	AA-	10.	12/01/2043	25000.0	3.000	2.190	
Fitch	AA (AA)	11.	12/01/2043	50000.0	2.375	2.470	
KBRA		12.	12/01/2046	50000.0	5.000	1.760	
Enhancement		13.	12/01/2046	75000.0	3.000	2.280	
Schedules		14.	12/01/2049	25000.0	3.000	2.310	
Prem Call	SEE NOTES	15.	12/01/2049	50000.0	2.500	2.560	
Par Call							
Other Info							
1st Settle	03/23/21	WI					
Form/Dep	BOOK-ENTRY,DTC						
Price Status	REPRICED						
Notes	DENOMS: \$5,000/\$5,000 VARIOUS PURPOSE						



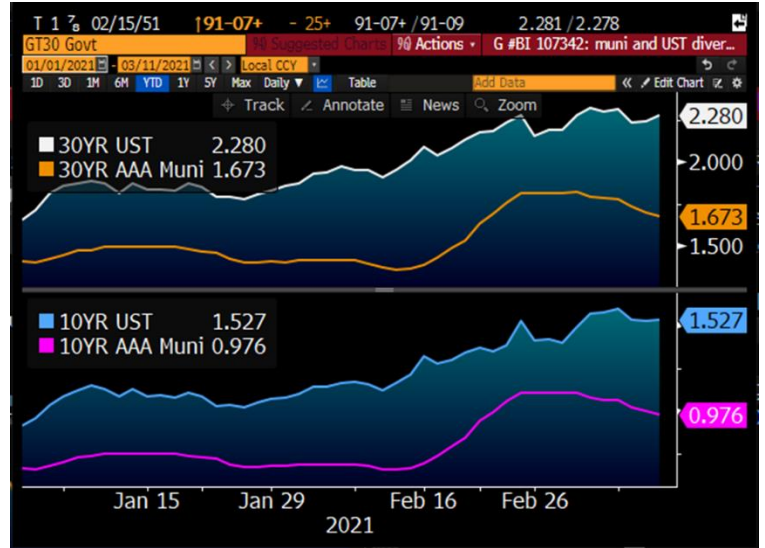
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**BACK AGAIN**

Municipal bonds are outperforming Treasuries at a rapid clip. This retracement over the past 8 sessions is remarkable considering how quickly things unwound in late February. If you recall, municipals were at/near their all-time “richness” compared to Treasuries at that time. When Treasuries began to backslide, municipals were caught up in the draft and suffered a 40+ basis sell off over a period of days.

Muni/TRSY	2/12/2021 (high)	3/01/2021 (low)	3/11/2021 (today)
3yr/3yr	51.8%	123.1%	67.1%
5yr/5yr	41.2%	80.7%	55.3%
7yr/7yr	45.2%	72.1%	56.0%
10yr/10yr	57.5%	79.9%	66.8%
20yr/20yr	57.4%	72.3%	63.6%
30yr/30yr	66.9%	81.3%	72.3%



Since things bottomed out at the beginning of March, municipals have experienced a double-digit basis point rally.

Maturity	03/01/2021	03/11/2021	Bps Change
3 year	0.33	0.21	-11
5 year	0.57	0.43	-13
7 year	0.81	0.67	-14
10 year	1.15	1.02	-13
20 year	1.60	1.45	-15
30 year	1.80	1.65	-15

The rally is primarily technical. There is ample cash available in the market chasing a lack of issuance. Lipper has reported inflows 17 out of the past 18 weeks. In terms of supply, there has been a relatively light primary market calendar and secondary bids wanted (as measured by Bloomberg) has also been easy to digest. Bids wanted have exceeded \$1 billion just two times in 2021 with a typical day being just \$500-\$700 million. Lipper reported inflows today of \$1.1 billion. This follows last week’s small outflow of \$605 million. The outflow was seemingly in response to the wild market gyrations that municipals experienced in late February. Once the market settled down, investor confidence also returned.

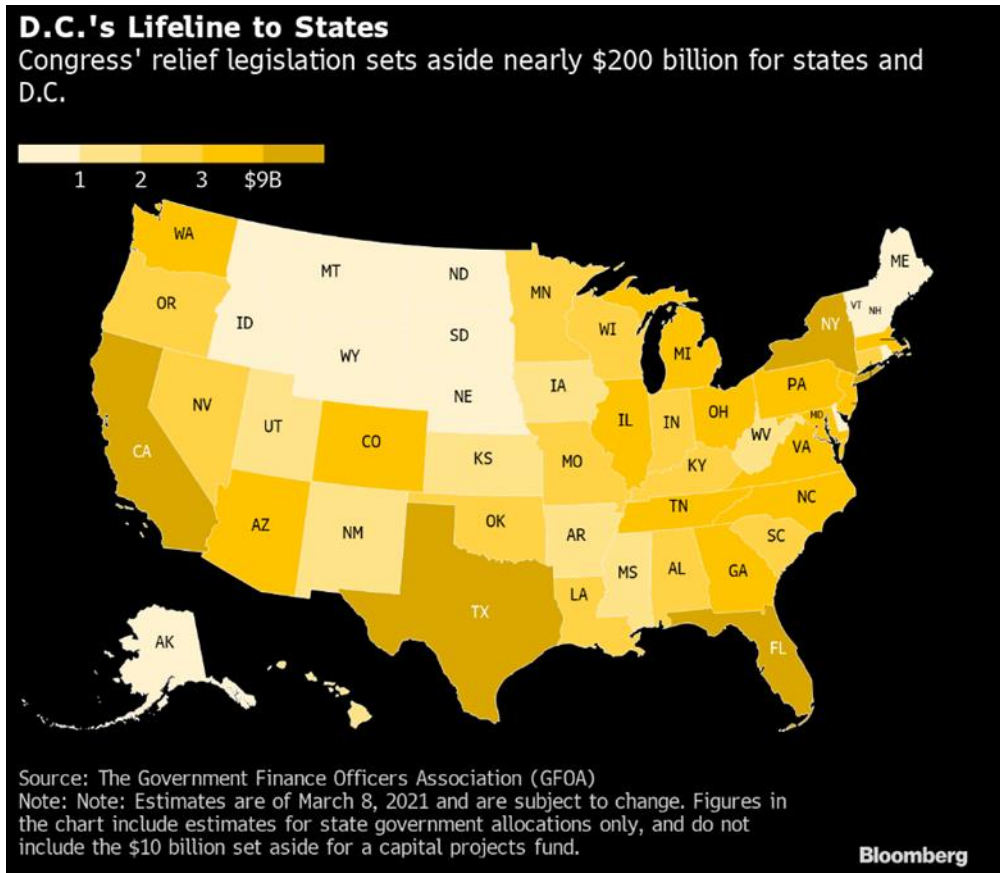
Joe Biden’s stimulus plan also put the market at ease in terms of credit risk. The plan’s intention is to lessen the financial pressure on states and cities. The outlook for related public agencies is also



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improved. Airports, mass-transit, higher education, hospitals, and other municipal related debt should benefit. Approximately \$360 billion of the \$1.9 trillion plan is being allocated to states and local governments as direct aid.





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### NOTABLE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
<b>California</b>							
2000	TURLOCK CA IRR DIST	5.00	01/01/2036	1.27	-2		None
5000	CA VAR PURP GO	5.00	08/01/2030	0.84	-15		None
3740	LODI CA USD GO	4.00	08/01/2041	1.36	-13		None
1645	UNIV CA GEN BDS	5.00	05/15/2043	1.55	-1		None
2185	CA PUB WKS BRD LEASE	5.00	11/01/2030	1.04	3		None
1000	CA GO BDS	5.00	09/01/2036	0.90	-38		None
1035	CA HLTH BDS PROVIDEN	4.00	10/01/2047	1.49	-15		None
675	GILROY CA USD	4.00	08/01/2034	1.30	10		None
1505	UNIV CA LTD PROJ	5.00	05/15/2048	1.40	-25		None
2185	GILROY CA USD	4.00	08/01/2044	1.73	14		None
500	SAN MATEO FOSTER	4.00	08/01/2044	1.73	14		None
1515	SOUTHERN CA WTR REPL	5.00	08/01/2048	1.45	-20		None
4830	SANDIEGO CA USD GO	4.00	07/01/2050	1.85	18		None
<b>Transportation</b>							
1910	CHICAGO IL O'HARE	5.00	01/01/2046	1.33	-30		None
500	CHICAGO IL O'HARE	5.00	01/01/2047	1.66	2		None
550	HOUSTON TX ARPT SYS	5.00	07/01/2025	0.56	20		None
695	ST LOUIS MO ARPT REF	5.00	07/01/2029	1.33	46		None
565	LOS ANGELES CA DEPT	5.00	07/01/2032	0.57	-54		None

\*Only includes bonds with call dates greater than or equal to 5 years from today