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MUNICIPAL MARKET WEEKLY UPDATE

Thursday, March 17, 2022

Primary and Secondary Market Recap

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

THIS WEEK'S PRIMARY MARKET ACTIVITY

The largest deal of the week, a \$2.4B Dormitory Authority of New York Tax-Exempt issue, was subscribed for but at much wider spreads than expected. The deal received \$277M in retail orders. The deal was cheapened by as much as 20 basis points (10 by MMD cut and 10 by spread) from Retail to Institutional pricing. The \$588M Taxable Dormitory Authority of New York issue was oversubscribed in spots and spreads were tightened by as much as 13 basis points on the short end and 5 basis points on long end and were priced to the tights. The \$380M Los Angeles Wastewater Revenue Bonds Tax-Exempt issue struggled to get done. The deal received \$48M in retail orders. From retail to institutional pricing the deal had to cut levels 15-18 (10 cut MMD/5-8 spread) basis points. After the Institutional order period, the short end had to get as much as 5 basis points cheaper, 2027-2028 were bumped 2 basis points, and the remainder of the scale was unchanged. The City of New York leads the calendar next week with an \$875M Tax-Exempt deal.

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Summary		Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI	
Sale Date	03/14/22	3)	03/15/2025	60665.0	5.000	1.74064990FV27	BBG01602V791
Amount	2,422,335,000.00	4)	03/15/2026	71645.0	5.000	1.88064990FV35	BBG01602V788
Manager	JP MORGAN SECURITIES LLC	5)	03/15/2027	70280.0	5.000	1.98064990FV43	BBG01602V7C7
Bond Type	REVS	6)	03/15/2028	98345.0	5.000	2.11064990FV50	BBG01602V7D6
Dated Date	03/25/22	7)	03/15/2029	89590.0	5.000	2.23064990FV68	BBG01602V7F4
1st Coupon	09/15/22	8)	03/15/2030	76040.0	5.000	2.33064990FV76	BBG01602V7G3
Deal number	479316	9)	03/15/2031	63135.0	5.000	2.39064990FV84	BBG01602V7H2
Rating/Enhancement		10)	03/15/2032	46235.0	5.000	2.45064990FV92	BBG01602V7J0
Moody's		11)	03/15/2033	42250.0	5.000	2.57064990FW26	BBG01602V7K8
S&P	AA+	12)	03/15/2034	44380.0	4.000	2.80064990FW34	BBG01602V7L7
Fitch	AA+ (AA+)	13)	03/15/2035	46175.0	4.000	2.88064990FW42	BBG01602V7N5
KBRA		14)	03/15/2036	48040.0	5.000	2.82064990FW59	BBG01602V7P3
Enhancement		15)	03/15/2037	50455.0	5.000	2.86064990FW67	BBG01602V7R1
Schedules		16)	03/15/2038	109040.0	4.000	3.11064990FW75	BBG01602V7T9
Prem Call		17)	03/15/2039	113395.0	4.000	3.16064990FW83	BBG01602V7W5
Par Call	03/15/32	18)	03/15/2040	117930.0	4.000	3.18064990FW91	BBG01602V808
		19)	03/15/2041	122645.0	5.000	3.00064990FX25	BBG01602V817
Other Info		20)	03/15/2042	128775.0	4.000	3.22064990FX33	BBG01602V844
1st Settle	03/25/22	21)	03/15/2043	77880.0	4.000	3.24064990FX41	BBG01602V871
Form/Dep	BOOK-ENTRY,DTC	22)	03/15/2046	255335.0	5.000	3.11064990FX58	BBG01602V880
Price Status	FINAL	23)	03/15/2049	292690.0	4.000	3.38064990FX66	BBG0162HXP94
		24)	03/15/2052	327610.0	3.500	3.71064990FX74	BBG0162HXPB1



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THIS WEEK'S SECONDARY MARKET ACTIVITY

TURN OF THE TIDE? Municipals finally caught a bid on Thursday (3/17/22). This ended what has amounted to an 11-week rout of the asset class. What remains to be seen is if this uptick in valuation is sustainable or if it's just a pause in the larger trend to higher interest rates.



The market “bounced” twice in February only to see a larger/steeper decline immediately following. The difference between those rallies and the current rally is that we have the Fed’s much anticipated rate hike behind us. Seeing the Fed do what they said they would do has spurred more confidence in the market. After closing at a 2.50 on Tuesday, 30-year government bonds are trending toward a 2.45 close this afternoon.





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As municipals have done a fairly decent job of keeping up with US Treasury activity, the amount of relative value that municipals offer is at or near its highest point of any time during the past 12 months.

04/01/21 to 03/16/2022

MUNICIPALS/TREASURIES	CURRENT %	HIGH % (CHEAP)	LOW % (RICH)
5-year	77	83.9	43.2
10-year	90.5	95.1	56.7
30-year	97.2	97.2	63.5



At the time of this writing, Lipper reported outflows of \$2.1 billion. So, despite the increase in relative value and the recent uptick in US Treasury bonds, the municipal market still has to contend with some negative technical factors such as outflows and heavy customer bids wanted. These considerations have yet to be worked out and it will take a few days of stability in the market to give market participants additional confidence.