



CABRERA CAPITAL MARKETS LLC

Brea • Chicago • Los Angeles • New York • Philadelphia • San Antonio • Tampa

MUNICIPAL MARKET WEEKLY UPDATE

Thursday, March 24, 2022

Primary and Secondary Market Recap

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

THIS WEEK'S PRIMARY MARKET ACTIVITY

As volatility continues in the market, new issues continue to move around. New York City typically runs a two-day Retail order period but shifted to one day this time on their \$875M Tax-Exempt General Obligation Bond deal. The deal received \$185M in retail orders of which \$64M were in 2022. The deal was cheapened after the retail order period and had good success during the Institutional order period; it was bumped as much as 4 basis points. The Chicago Transit Authority priced a \$350M Tax-Exempt issue. The issue received good interest and was unchanged from the Preliminary scale; 24 different investors participated in the transaction. The Illinois Finance Authority for Northshore-Edward Elmhurst Hospital priced a \$594M deal this week. As market conditions continued to deteriorate, the deal was delayed, downsized, and restructured. The deal ended up at \$344M and had to restructure using more 5% coupons and get as much as 10 basis points cheaper. Next week's calendar features a \$1B Taxable California No Place Like Home issue and a \$1B New York Transitional Finance Authority Tax-Exempt issue.

Brian King, Managing Director
Public Finance Investment Banking
(312) 931-6680
bking@cabreracapital.com

John Kozak, Managing Director
Municipal Sales and Trading
(312) 931-6686
jkozak@cabreracapital.com

Merita Kulpinski, Senior Vice-President
Lead Municipal Underwriter
(312) 931-6654
mkulpinski@cabreracapital.com

CHICAGO TRANSIT AUTH -A	St IL	Tax	FED TAX-EXEMPT/ST TAX...	Type	NEGT	Financials	Attachments
Summary		Maturity	Amt(M)	Cpn	P/Y	Sprd CUSIP	FIGI
Sale Date	03/21/22	1) 12/01/2046	93800.0	5.000	3.280	86 16772PDK9	BBG01615NRB5
Amount	350,000,000.00	2) 12/01/2049	57690.0	4.000	3.670	122 16772PDL7	BBG01615NRC4
Manager	CABRERA CAPITAL MKTS L...	3) 12/01/2052	65535.0	5.000	3.500	104 16772PDM5	BBG01615NRF1
Bond Type	REVS	4) 12/01/2057	132975.0	5.000	3.600	114 16772PDN3	BBG01615NRK5
Dated Date	03/31/22						
1st Coupon	12/01/22						
Deal number	479381						
Rating/Enhancement							
Moody's							
S&P	A+						
Fitch							
KBRA	AA-						
Enhancement	BAM						
Schedules							
Prem Call							
Par Call	12/01/31						
Other Info							
1st Settle	03/31/22						
Form/Dep	BOOK-ENTRY,DTC						
Price Status	FINAL						
Notes	DENOMS: \$5,000/\$5,000 -Second Lien Sales Tax Receipts Revenue Bonds only 2046 maturity is BAM insured						



CABRERA CAPITAL MARKETS LLC

Brea • Chicago • Los Angeles • New York • Philadelphia • San Antonio • Tampa

THIS WEEK'S SECONDARY MARKET ACTIVITY

Muni Yields Continue to Climb: On March 22nd, MMD reported that municipal yields rose by 12 basis points making it the biggest one-day adjustment since the pandemic crash in April of 2020.



The first quarter is shaping up to be the worst performing since 1994. Bloomberg is reporting a 5.5% decline YTD. The market is being battered on multiple fronts this week.

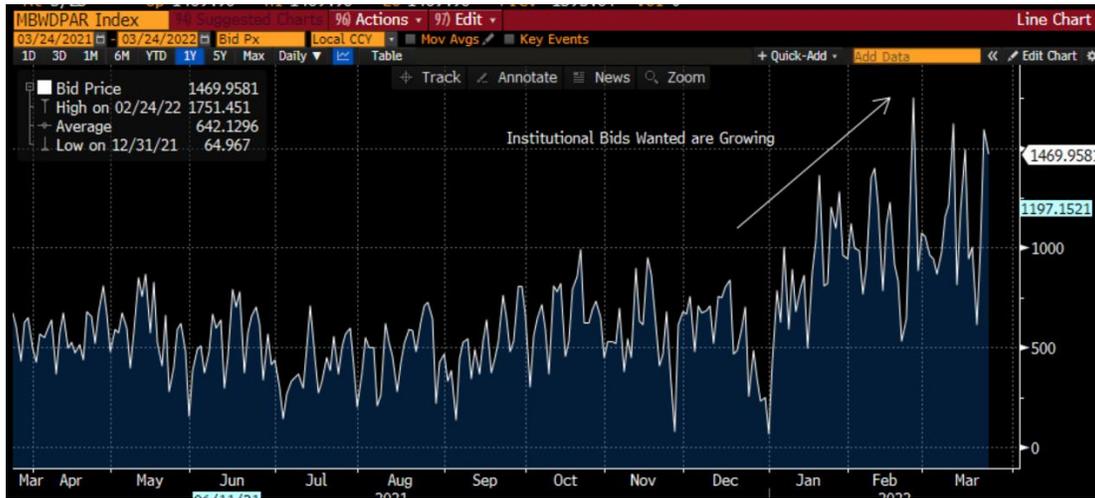
Federal Reserve Chairman Jerome Powell's repeated commentary on the Fed's willingness to aggressively raise rates started things off early in the week. Inflation is running at a 40-year high. Hearing the frustration of U.S. consumers, politicians are scrambling to find ways to alleviate the strain. The latest is from the California governor who is proposing an \$11 billion package to offset the impact of higher gas prices.

Outflows have been consistent. At the time of this writing Lipper has not reported this week's number but it's expected to be negative and is on the heels of last week's staggering \$2.1 billion in outflows. These outflows create a lot of pressure in the market creating a heavy amount of supply being put into the market. Dealers can only take on so much and with buyers scarce, the bid side has no choice but to fall.

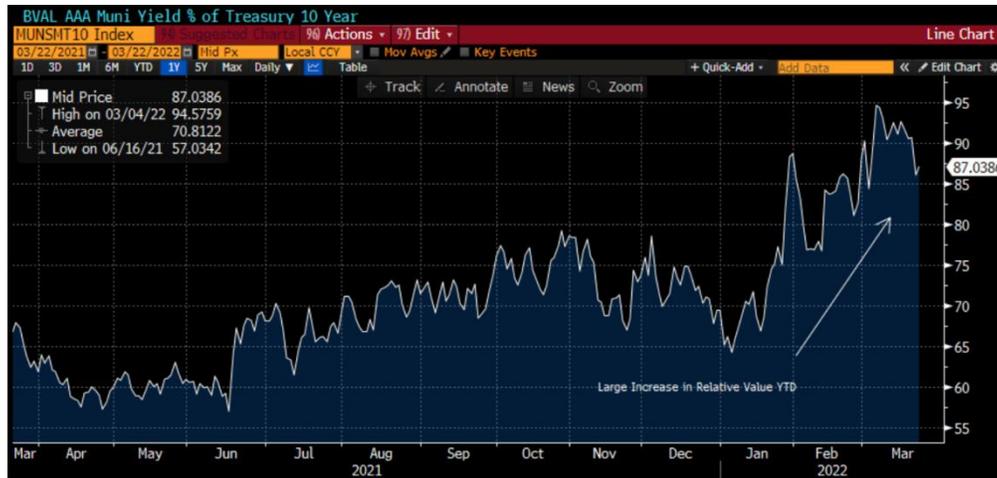


CABRERA CAPITAL MARKETS LLC

Brea • Chicago • Los Angeles • New York • Philadelphia • San Antonio • Tampa



Where there is volatility, there is opportunity. The selloff in municipals has created a significant jump in relative value and for some, represents a buying opportunity. Long municipal yields are now 100% of their U.S. Treasury counterparts. The front end of the curve also offers value purely from a real yield perspective. Short term municipals are approaching 2% tax free when just last summer they were coming in the 0.25% range. Buyers with cash to put to work are able to canvass a wide spectrum of the bid wanted market and set their own prices.



At some point, the relative value of municipals will become overly compelling and there will be an opinion of the market being “oversold”. No one can say when that will occur but when it does, things will likely reverse in a dramatic fashion.