



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday March 4, 2021

## Primary and Secondary Market Recap

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

### MUNICIPAL MARKET BEGINS TO SETTLE DOWN

After two weeks of volatility, municipals have found some solid ground. The new issues that priced this week were well received. The University of California forward delivery transaction, which was postponed last week, was priced on Tuesday. The largest deal priced this week was \$1.2 billion City of New York general obligation bond transaction. The deal was well received and was bumped as much as 10 basis points. The University of Chicago priced both tax-exempt (forward delivery) and taxable (corporate CUSIP) deals this week. The tax-exempt deal did well, bumping the 2038 maturity 20 basis points from Pre-Marketing to Final Pricing. This deal had a settlement of July 6, 2021. On the taxable deal, instead of pricing as a spread to Treasury, they priced bonds at 3% at par. The deal was done at that level. Next week, the State of California will price \$1.9 billion in general obligation bonds.

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<Back> to Return		Negotiated Calendar: Deal Details					
97) Options ▾ 104) Settings		St CA	Tax FED & ST	TAX-EXEMPT	Type NEGT	Financials	Attachments
UNIV OF CAL REGENTS -S-RE							
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	03/01/21	1	05/15/2023	23630.0	5.000	0.740 91412HLJ0	BBG00ZHSSV1
Amount	411,710,000.00	2	05/15/2024	24825.0	5.000	0.890 91412HLK7	BBG00ZHSSW0
Manager	JEFFERIES LLC	3	05/15/2025	15250.0	5.000	1.050 91412HLL5	BBG00ZHSSX9
Bond Type	REVS	4	05/15/2026	16020.0	5.000	1.180 91412HLM3	BBG00ZHSSY8
Dated Date	02/15/22	5	05/15/2027	16800.0	5.000	1.340 91412HLN1	BBG00ZHSSZ7
1st Coupon	05/15/22	6	05/15/2028	17650.0	5.000	1.480 91412HLP6	BBG00ZHSS03
Deal number	461912	7	05/15/2029	29720.0	5.000	1.620 91412HLQ4	BBG00ZHSS12
Rating/Enhancement		8	05/15/2030	19140.0	5.000	1.760 91412HLR2	BBG00ZHSS21
Moody's	Aa3	9	05/15/2031	20100.0	5.000	1.840 91412HLS0	BBG00ZHSS30
S&P	AA-	10	05/15/2032	22200.0	5.000	1.920 91412HLT8	BBG00ZHSS49
Fitch	AA- (AA-)	11	05/15/2033	23595.0	5.000	1.990 91412HLU5	BBG00ZHSS58
KBRA		12	05/15/2034	24745.0	5.000	2.070 91412HLV3	BBG00ZHSS67
Enhancement		13	05/15/2035	25920.0	5.000	2.130 91412HLW1	BBG00ZHSS76
Schedules		14	05/15/2036	27130.0	5.000	2.170 91412HLX9	BBG00ZHSS85
Prem Call		15	05/15/2037	28415.0	5.000	2.220 91412HLY7	BBG00ZHSS94
Par Call	05/15/32	16	05/15/2038	36775.0	5.000	2.260 91412HLZ4	BBG00ZHSSB1
Other Info		17	05/15/2039	9235.0	5.000	2.310 91412HMA8	BBG00ZHSSC0
1st Settle	02/15/22	18	05/15/2040	9695.0	5.000	2.350 91412HMB6	BBG00ZHSSD9
Form/Dep	BOOK-ENTRY,DTC	19	05/15/2041	10175.0	5.000	2.400 91412HMC4	BBG00ZHSSF7
Price Status	FINAL	20	05/15/2042	10690.0	5.000	2.440 91412HMD2	BBG00ZHSSG6
Notes	DENOMS: \$5,000/\$5,000 Univ of California Regents, FORWARD DELIVERY						



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**MUNICIPAL BOND SECONDARY MARKET SEES RALLY**

The dramatic sell off that the municipal bond market endured the last two weeks of February has seen some retraction during the first few sessions in March.



Prior to the sell off, the belly of the curve had been at all time historical levels of “richness”. While it’s still in the early going, that part of the curve has seen the biggest rally.

Maturity	2/12/2021	3/1/2021	Sell of (bps)	3/4/2021	Rally (bps)
3 year	0.10	0.33	-23	0.26	6
5 year	0.20	0.57	-37	0.50	7
7 year	0.38	0.81	-43	0.77	4
10 year	0.69	1.15	-46	1.12	3
20 year	1.15	1.60	-45	1.57	3
30 year	1.34	1.80	-46	1.77	3

Much of this reversal is tied to ratios. The measure of tax-free yields versus their Treasury counterpart is a key metric in determining the relative value of the municipal market at any given time. The change in the front end of the curve is quite impressive and also explains why the longer end of the market is lagging/underperforming. As you can see from the chart below, the front end of the curve suffered the biggest pull back in terms of value from its highs on Feb 12<sup>th</sup>. It only makes sense that the front end sees the biggest rally from its lows on 3/1/2021.

Maturity	2/12/2021 (high)	3/1/2021 (low)	3/4/21 (today)
3yr/3yr	51.8%	123.1%	84.1%
5yr/5yr	41.2%	80.7%	64.9%
7yr/7yr	45.2%	72.1%	63.5%
10yr/10yr	57.5%	79.9%	72.4%
20yr/20yr	57.4%	72.3%	68.3%
30yr/30yr	66.9%	81.3%	77.0%



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### IN OTHER NEWS

- Illinois's February General Fund Revenue was up by 12.8% to \$2.9 billion in February from a year earlier. This increase is attributed to increases in collections of personal and corporate income taxes as well as sales taxes.
- Two U.S. Lawmakers Introduce a Bill for Puerto Rico Statehood. Representative Jennifer Gonzalez (PR non-voting delegate) and Congressman Darren Soto (FL) introduced a bill on Tuesday that could be the catalyst to lead Puerto Rico to becoming the 51<sup>st</sup> state.
- U.S. Infrastructure Graded "C- ". The American Society of Civil Engineers' assessment on roads, bridges and sewers in the U.S. got an average rating. This is an improvement from the "D+" rating they issued in their most recent analysis in 2017. Infrastructure has been a focus of the Biden administration and will play a role in the upcoming stimulus plan.

### TEXAS FREEZE FALLOUT

Unprecedented electrical grid failures in Texas due to extreme weather have left several utility companies and municipalities in the cold. As much as \$129 billion in economic losses have been incurred by the state as more than 4 million homes and businesses were left without power for several days. The following is just a partial recap of some of the rating changes as this is a constantly evolving situation. In addition to the news below, at least a dozen electric utilities in the state have had their rating outlook changed to "negative".

- Brazos Electric Power Cooperative filed for Chapter 11. This is the largest power generation and transmission coop in the state.
- Denton, TX credit rating was cut to "A+" from "AA-" by S&P.
- San Antonio's municipal-owned utility announced it may take decades for residents to pay off the estimated \$1 billion in energy costs they incurred due to the storm.
- Rayburn County Electric Cooperative had its credit rating cut to "CC" from "A-" by S&P. The rating agency announced a default is a "virtual certainty".
- The Georgetown, TX operated utility had its credit rating cut just one degree to A+.



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### NOTABLE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
<b>Illinois</b>							
3490	ILLINOIS ST GO	4.00	10/01/2032	2.63	140	10/01/2030	None
5000	CHICAGO IL BOE	5.00	12/01/2034	3.66	234	12/01/2030	None
3000	ILLINOIS ST GO	5.00	11/01/2029	2.50	150	11/01/2027	None
2890	CHICAGO IL BOE	5.00	12/01/2031	2.44	125	12/01/2030	None
5000	CHICAGO IL BOE	5.00	12/01/2032	2.49	125	12/01/2030	None
<b>California</b>							
1000	LONG BEACH CA HBR	5.00	05/15/2036	1.39	-1	05/15/2029	None
1425	CONTRA COSTA CA CMNT	4.00	08/01/2032	1.20	-2	08/01/2030	None
1465	TURLOCK CA IRR DIST	5.00	01/01/2036	1.42	2	01/01/2030	None
4000	UNIV CA LTD PROJ	5.50	05/15/2058	1.83	3	05/15/2028	None
500	CA VAR PURP GO	4.00	10/01/2039	1.20	-32	04/01/2026	None
500	GILROY CA USD	4.00	08/01/2044	1.96	25	08/01/2028	None
2500	ORANGE CNTY CA LOC	5.00	02/15/2037	1.38	-6	02/15/2029	None
5000	UNIV CA LTD PROJ	4.00	05/15/2051	2.21	41	05/15/2031	None
2855	MONTEREY PENINSULA	4.00	08/01/2038	1.65	17	08/01/2028	None
800	UNIV CA LTD PROJ	5.00	05/15/2058	1.66	-14	05/15/2028	None
625	BEVERLY HILLS CA USD	4.00	08/01/2032	1.10	-12	08/01/2027	None
1000	UNIV CA LTD PROJ	5.00	05/15/2058	1.90	10	05/15/2028	None
685	TURLOCK CA IRR DIST	5.00	01/01/2035	1.37	1	01/01/2030	None
840	CA UNIV SYSTEMWIDE	5.00	11/01/2032	1.28	4	11/01/2030	None
5000	SUNNYVALE CA FING	4.00	04/01/2050	2.18	39	04/01/2030	None
<b>Transportation</b>							
1000	METROPOLITAN NASHVILLE	5.00	07/01/2049	2.18	40	07/01/2030	None
1000	LOS ANGELES CA DEPT	5.00	05/15/2036	1.50	10	11/15/2029	None
540	LOS ANGELES CA DEPT	5.00	05/15/2025	0.48	3	Non-Callable	None
2000	PA TPK COM	5.00	12/01/2049	2.14	36	12/01/2029	None
1260	ILLINOIS ST TOLL HWY	5.00	01/01/2040	2.02	46	01/01/2031	None

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