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MUNICIPAL MARKET WEEKLY UPDATE

Thursday April 1, 2021

Primary and Secondary Market Recap

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

PRIMARY MARKET SEES REDUCTION IN DEMAND

Pennsylvania Turnpike priced $250 million in tax-exempt revenue bonds. The deal was well received, and levels were bumped as much as 14 basis points. The spreads were the tightest Pennsylvania Turnpike has seen since 2019. San Antonio Electric and Gas priced $330 million in tax-exempt bonds. The deal was bumped as much as 15 basis points on the repricing. Golden State Tobacco priced a $437 million taxable refunding. The premarketing spread was +125 basis points on the 2038 maturity but had to be widened 15 basis points to +140 to get the deal done. Advocate Aurora Health reopened two corporate CUSIPs in 2028 and 2049. Demand in 2049 allowed the spread to be tightened from +85 to +80, while the spread in 2028 had to be widened by 12 basis points from +55 to +67, due to lack of demand.

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97) Options ▾ 104) Settings — Negotiated Calendar: Deal Details

SAN ANTONIO-A-REV St TX Tax FED TAX-EXEMPT Type NEGT 93) Financials 95) Attachments

Summary

Sale Date	03/29/21
Amount	330,700,000.00
Manager	BARCLAYS CAPITAL INC
Bond Type	REVS
Dated Date	03/01/21
1st Coupon	08/01/21
Deal number	462974
Rating/Enhancement	
Moody's	Aa2
S&P	A+
Fitch	AA- (AA-)
KBRA	
Enhancement	
Schedules	
Prem Call	
Par Call	02/01/31
Other Info	
1st Settle	04/08/21
Form/Dep	BOOK-ENTRY,DTC
Price Status	FINAL

	Maturity	Amt(M)	Cpn	P/Y	CUSIP	FIGI
1)	02/01/2031	10830.0	5.000	1.340	79625GDJ9	BBG00ZSLZ2B0
2)	02/01/2032	11370.0	5.000	1.440	79625GDK6	BBG00ZSLZ2C9
3)	02/01/2033	11940.0	5.000	1.500	79625GDL4	BBG00ZSLZ2D8
4)	02/01/2034	12535.0	5.000	1.560	79625GDM2	BBG00ZSLZ2F6
5)	02/01/2035	13165.0	5.000	1.610	79625GDN0	BBG00ZSLZ2G5
6)	02/01/2036	13820.0	5.000	1.650	79625GDP5	BBG00ZSLZ2H4
7)	02/01/2037	14510.0	5.000	1.730	79625GDQ3	BBG00ZSLZ2K0
8)	02/01/2038	15235.0	5.000	1.780	79625GDR1	BBG00ZSLZ2M8
9)	02/01/2039	16000.0	5.000	1.830	79625GDS9	BBG00ZSLZ2P5
10)	02/01/2040	16800.0	5.000	1.880	79625GDT7	BBG00ZSLZ2Q4
11)	02/01/2041	17640.0	5.000	1.900	79625GDU4	BBG00ZSLZ2R3
12)	02/01/2046	102335.0	5.000	2.060	79625GDV2	BBG00ZSLZ2S2
13)	02/01/2049	74520.0	5.000	2.110	79625GDW0	BBG00ZSLZ2T1

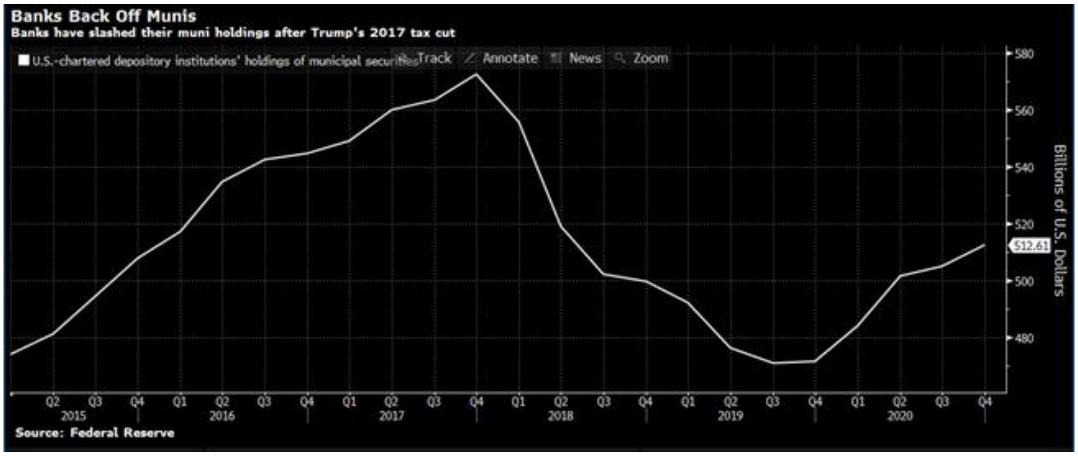
Notes DENOMS: $5,000/$5,000 ELECTRIC AND GAS SYSTEMS
JUNIOR LIEN -INTEREST TO ACCRUE FROM THE CLOSING DATE

INFRASTRUCTURE

After winning congressional approval of a $1.9 trillion economic rescue package, President Joe Biden introduced his $2.25 trillion plan on Wednesday, March 31st. The plan is to not only address aging infrastructure throughout the US but to also put Americans to work. Job creation has stagnated as the country continues to reel from pandemic fallout. Jobless claims unexpectedly rose this morning to 719k (from a projected 675k) which is a step backward from the previous 658k number.

Friday's employment report is expected to show 650,000 people were added to payrolls in March, which would be the most in five months. While that is excellent news for an economy set to heat up, full employment is still down 9.5 million from its pre-pandemic peak of 152.5 million in February of last year.

The infrastructure plan will be funded by a proposed tax increase on corporations and individuals alike. This could lead to continued strength for municipal bonds which could be a driver of performance despite Treasury yield fluctuations. After former President Trump rolled back taxes in 2017, banks reduced their holdings of municipal bonds by more than $100 billion thru September of 2020 with insurance companies also reducing their holdings by $39 billion. That trend is now set to reverse.



In addition to potential tax bracket changes supporting the municipal market, there is also an influx of cash into the economy in the form of stimulus payments and the infrastructure plan, which together support the perception of municipal credit strength across all sectors. Sectors ranging from healthcare to higher education and transportation have seen ratio compression. Below is an example of spreads in arguably one of the most challenged sectors (transportation) recovering to pre-pandemic ratios. This is a common theme throughout the market.

States are also experiencing improvement not only in credit perception but also in actual credit quality. Connecticut had its bond rating upgraded by Moody's for the first time in two decades to a rating of Aa3 due to better-than-expected tax revenues. This was an improvement from their previous A1 rating.

NOTABLE AWAY PRINTS

Size ($m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
Illinois							
500	COOK CNTY IL	4.00	12/01/2038	1.28	-15	12/01/2026	None
5000	ILLINOIS ST GO	5.00	03/01/2046	2.70	100	03/01/2031	None
1825	ILLINOIS ST GO	4.00	06/01/2035	2.34	103	06/01/2026	None
California							
5000	CSCDA CMNTY IMPT AUTH	5.00	07/01/2051	3.21	146	07/01/2031	None
4800	CA CMNTY HSG AGY	5.00	08/01/2049	3.22	149	08/01/2029	None
1665	CA VAR PURP GO	5.00	12/01/2032	0.80	-40	06/01/2026	None
Transportation							
710	PA TPK COM	5.00	12/01/2026	0.71	16	Non-Callable	None

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

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