



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday April 15, 2021

## Primary and Secondary Market Recap

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

### PRIMARY MARKET SEES STRONG TAX-EXEMPT SUPPLY

Tax-exempt new issues reaped the benefits of the market rally this week. California Public Works priced a \$350 million tax-exempt issue. The deal was oversubscribed and was bumped 2-15 basis points with the largest bumps 15 years and longer. Deschutes Public Library in Oregon priced a \$195 million tax-exempt issue that was 3-5x oversubscribed. The deal was bumped 0-5 basis points. Pennsylvania Economic Development priced a \$827 million taxable deal with mixed results. Most of the deal did well with bumps as much as 7 basis points, but the 2033 maturity did have to be cut 2 basis points. Next week, the State of California is expected to price a \$1.1 billion general obligation tax-exempt issue with a forward delivery of 9/2/21.

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97) Options		104) Settings		Negotiated Calendar: Deal Details								
CA	ST	PUB	WKS	BOARD-REV-B	St CA	Tax	FED & ST	TAX-EXEMPT	Type	NEGT	Financials	Attachments
Summary						Maturity	Amt(M)	Cpn	P/Y	CUSIP	FIGI	
Sale Date	04/12/21	1)	05/01/2022	8190.0	5.000	0.060	13068XAX7	BBG0100RQP95				
Amount	350,865,000.00	2)	05/01/2023	8995.0	5.000	0.160	13068XAY5	BBG0100RQP82				
Manager	LOOP CAPITAL MARKETS L...	3)	05/01/2024	9445.0	5.000	0.260	13068XAZ2	BBG0100RQPC1				
Bond Type	REVS	4)	05/01/2025	9910.0	5.000	0.400	13068XBA6	BBG0100RQPF8				
Dated Date	04/22/21	5)	05/01/2026	10405.0	5.000	0.530	13068XBB4	BBG0100RQPH6				
1st Coupon	11/01/21	6)	05/01/2027	10935.0	5.000	0.680	13068XBC2	BBG0100RQPJ4				
Deal number	463704	7)	05/01/2028	11480.0	5.000	0.810	13068XBD0	BBG0100RQPK2				
Rating/Enhancement		8)	05/01/2029	12045.0	5.000	0.930	13068XBE8	BBG0100RQPM0				
Moody's	Aa3	ERP	9)	05/01/2030	12650.0	5.000	1.040	13068XBF5	BBG0100RQPN9			
S&P	A+		10)	05/01/2031	13285.0	5.000	1.140	13068XBG3	BBG0100RQPP7			
Fitch	AA- (AA-)		11)	05/01/2032	13955.0	5.000	1.210	13068XBH1	BBG0100RQPQ6			
KBRA			12)	05/01/2033	14640.0	5.000	1.310	13068XBJ7	BBG0100RQPR5			
Enhancement			13)	05/01/2034	15380.0	5.000	1.360	13068XBK4	BBG0100RQPS4			
Schedules			14)	05/01/2035	16150.0	5.000	1.410	13068XBL2	BBG0100RQPT3			
Prem Call			15)	05/01/2036	16960.0	4.000	1.520	13068XBM0	BBG0100RQPW9			
Par Call	05/01/31		16)	05/01/2037	13865.0	4.000	1.560	13068XBN8	BBG0100RQPX8			
			17)	05/01/2038	14415.0	4.000	1.600	13068XBP3	BBG0100RQPY7			
Other Info			18)	05/01/2039	14995.0	4.000	1.660	13068XBQ1	BBG0100RQPZ6			
1st Settle	04/22/21		19)	05/01/2040	15590.0	4.000	1.700	13068XBR9	BBG0100RQQ02			
Form/Dep	BOOK-ENTRY,DTC		20)	05/01/2041	16220.0	4.000	1.740	13068XBS7	BBG0100RQQ11			
Price Status	FINAL		21)	05/01/2046	91355.0	4.000	1.890	13068XBT5	BBG0100RQQ20			
Notes	DENOMS: \$5,000/\$5,000 Various Capital Projects											



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**ILLINOIS BOND SPREADS TIGHTEN**

Illinois GOs have fared well in the secondary following their last debt offering in March. Initially, Illinois GOs sold off a handful of basis points but much of that was related to the overall market suffering a 10 basis point sell off on March 18<sup>th</sup>. If you recall, the State of Illinois came to market March 15-16<sup>th</sup>.

ILLINOIS ST -A	St IL	Tax	FED TAX-EXEMPT/ST TAX...	Type	NEGT	93 Financials	99 Attachments
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	03/15/21	1)	03/01/2022	34000.0	5.000	0.690 452153AA7	BBG00ZNLTR6
Amount	850,000,000.00	2)	03/01/2023	34000.0	5.000	0.820 452153AB5	BBG00ZNLTT55
Manager	MORGAN STANLEY & CO LLC	3)	03/01/2024	34000.0	5.000	1.090 452153AC3	BBG00ZNLTT4
Bond Type	GO ULT	4)	03/01/2025	34000.0	5.000	1.300 452153AD1	BBG00ZNLTV1
Dated Date	03/24/21	5)	03/01/2026	34000.0	5.000	1.510 452153AE9	BBG00ZNLTTW0
1st Coupon	09/01/21	6)	03/01/2027	34000.0	5.000	1.700 452153AF6	BBG00ZNLTTX9
Deal number	462302	7)	03/01/2028	34000.0	5.000	1.870 452153AG4	BBG00ZNLTTY8
Rating/Enhancement		8)	03/01/2029	34000.0	5.000	2.010 452153AH2	BBG00ZNLTTZ7
Moody's	Baa3	9)	03/01/2030	34000.0	5.000	2.140 452153AJ8	BBG00ZNLTV00
S&P	BBB-	10)	03/01/2031	34000.0	5.000	2.220 452153AK5	BBG00ZNLTV19
Fitch	BBB- (BBB-)	11)	03/01/2032	34000.0	5.000	2.290 452153AL3	BBG00ZNLTV28
KBRA		12)	03/01/2033	34000.0	5.000	2.330 452153AM1	BBG00ZNLTV37
Enhancement		13)	03/01/2034	34000.0	5.000	2.380 452153AN9	BBG00ZNLTV46
Schedules		14)	03/01/2035	34000.0	5.000	2.430 452153AP4	BBG00ZNLTV55
Prem Call		15)	03/01/2036	34000.0	5.000	2.470 452153AQ2	BBG00ZNLTV64
Par Call	03/01/31	16)	03/01/2037	34000.0	5.000	2.510 452153AR0	BBG00ZNLTV73
Other Info		17)	03/01/2038	34000.0	4.000	2.710 452153AS8	BBG00ZNLTV82
1st Settle	03/24/21	18)	03/01/2039	34000.0	4.000	2.750 452153AT6	BBG00ZNLTV91
Form/Dep	BOOK-ENTRY,DTC	19)	03/01/2040	34000.0	4.000	2.790 452153AU3	BBG00ZNLTV88
Price Status	FINAL	20)	03/01/2041	34000.0	4.000	2.810 452153AV1	BBG00ZNLTVD6
		21)	03/01/2046	170000.0	5.000	2.750 452153AW9	BBG00ZNLVJ0
Notes	DENOMS: \$5,000/\$5,000 GEN OBLIG BONDS, SERIES OF MARCH 2021 A						

Looking back to just one year ago, IL GOs have come a long way as illustrated by the following graph, which indicates where 10 year IL GOs have been trading in relation to the **Bloomberg** AAA curve. Last spring there was a severe dislocation when the pandemic caused the municipal bond market to stop working in an efficient manner for a short period of time.

Once the market stabilized and gained some footing, Illinois bonds began the trek to tighter spreads. From the fourth quarter of 2020 through to the present, IL GOs have hovered in the +100 - +150 bp range over both the Bloomberg and MMD AAA curve, creating a well-defined market.





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The State of Illinois expects to see overall improvement of its finances due to stimulus plan funds from the US Government.

**March 9, 2021:** S&P upgraded the State of Illinois credit outlook to STABLE from NEGATIVE.

**March 11, 2021:** The American Rescue Plan Act of 2021 became law. This \$1.9 trillion COVID-related bill will support the economy of Illinois through direct checks issued to residents as well as tax breaks on unemployment benefits and child care. These checks are on top of the \$600 checks issued to residents in December.

The bill also designated \$350 billion for states & cities to be used for COVID-related expenses, school support and housing.

**Current:** The White House is pressing Congress to pass a \$2 trillion infrastructure & climate plan that is designed to invest in projects including (but not limited to) 20,000 miles of roads and 10,000 bridges, while also addressing climate change and racial inequities. Creating jobs by moving away from fossil fuels and into a new economy should help the finances of Illinois along with much of the U.S.

### NOTABLE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
<b>Illinois</b>							
5000	SALES TAX SECURITIZA	4.00	01/01/2048	2.14	57	01/01/2028	None
1750	ILLINOIS ST GO	5.00	03/01/2037	2.22	98	03/03/2031	None
5000	ILLINOIS ST GO	4.00	03/01/2040	2.55	119	03/01/2031	None
5000	CHICAGO IL BOE UNLTD	5.00	12/01/2030	1.84	90	12/01/2027	None
1250	EVANSTON IL ED FAC	4.63	04/01/2051	4.63	303	04/01/2029	None
<b>California</b>							
540	DIXON CA SPL TAX BDS	5.00	09/01/2049	1.90	32	09/01/2026	None
2500	SAN FRANCISCO CA CIT	5.00	05/01/2034	1.28	15	05/01/2031	None
750	CA HLTH REF BDS STAN	5.00	11/15/2033	0.83	-29	11/15/2027	None
830	METROPOLITAN WTR DIS	5.00	10/01/2031	0.83	-17	10/01/2029	None
5000	CA PUB WKS BRD LEASE	5.00	05/01/2034	1.36	23	05/01/2031	None
1070	CA VAR PURP GO BDS	5.00	12/01/2034	0.73	-41	06/01/2026	None
500	SANDIEGO CNTY CA REG	5.00	04/01/2040	1.47	11	04/01/2031	None
1000	LOS ANGELES CNTY CA	5.00	07/01/2035	1.10	-6	07/01/2031	None
5000	LOS ANGELES CNTY CA	5.00	07/01/2038	1.27	-1	07/01/2031	None
<b>Transportation</b>							
3850	LOS ANGELES CA DEPT	5.00	07/01/2041	1.42	2	07/01/2030	None

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