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MUNICIPAL MARKET WEEKLY UPDATE

Thursday April 22, 2021

Primary and Secondary Market Recap

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

LARGE DEALS PRICE IN THE PRIMARY MARKET

The Triborough Bridge and Tunnel Authority priced \$1.2 billion in tax-exempt and taxable bonds. On the tax-exempt issue, the 4% coupons were bumped 2 basis points from premarketing to preliminary pricing. After the order period, the bonds were bumped an additional 11 basis points. The taxable transaction did well and was bumped as much as 10 basis points. The State of Connecticut priced \$1 billion in special obligation bonds. The deal garnered \$508 million in retail orders. The deal was oversubscribed after the order period and was bumped as much as 10 basis points. Spreads between 4% and 5% coupons were 10 basis points in the 20-year area. The State of California priced a \$1 billion forward delivery transaction with a settlement date of 9/2/21. The deal had \$5 billion in

orders and was bumped as much as 5 basis points. Pima County, Arizona priced \$300 million in taxable pension obligation bonds. The deal was oversubscribed and spreads were tightened as much as 13 basis points. Charlotte Airport (North Carolina) priced non-AMT and AMT issues. Spreads for the

AMT issue ranged from 9 basis points in the short end to 28 basis points in the 20-year area. Next week, New Jersey Transportation Trust plans to price a \$1.4 billion deal in which Cabrera will serve as co-manager.

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97) Options ▾ 104) Settings		Negotiated Calendar: Deal Details					
CALIFORNIA ST-REF		St CA	Tax FED & ST TAX-EXEMPT	Type NEG	93) Financials	93) Attachments	
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	04/19/21	1)	09/01/2022	4675.0	5.000	0.260 13063DD21	BBG01075ZJY2
Amount	1,076,210,000.00	2)	09/01/2023	120405.0	5.000	0.290 13063DD39	BBG01075ZJZ1
Manager	GOLDMAN SACHS & COMPA...	3)	09/01/2024	74975.0	5.000	0.410 13063DD47	BBG01075ZK06
Bond Type	GO ULT	4)	09/01/2025	58730.0	5.000	0.560 13063DD54	BBG01075ZK15
Dated Date	09/02/21	5)	09/01/2026	47490.0	5.000	0.680 13063DD62	BBG01075ZK24
1st Coupon	03/01/22	6)	09/01/2027	58460.0	5.000	0.820 13063DD70	BBG01075ZK33
Deal number	463895	7)	09/01/2028	81130.0	5.000	0.970 13063DD88	BBG01075ZK42
Rating/Enhancement		8)	09/01/2029	78525.0	5.000	1.080 13063DD96	BBG01075ZK51
Moody's	Aa2	9)	09/01/2030	75810.0	5.000	1.190 13063DE20	BBG01075ZK79
S&P	AA-	10)	09/01/2031	124625.0	5.000	1.270 13063DE38	BBG01075ZK88
Fitch	AA (AA)	11)	09/01/2032	64435.0	5.000	1.350 13063DE46	BBG01075ZK97
KBRA		12)	09/01/2041	286950.0	5.000	1.710 13063DE53	BBG01075ZKB4
Enhancement							
Schedules							
Prem Call							
Par Call	09/01/31						
Other Info							
1st Settle	09/02/21						
Form/Dep	BOOK-ENTRY,DTC						
Price Status	FINAL						
Notes	DENOMS: \$5,000/\$5,000 VARIOUS PURPOSE GO REF BONDS FORWARD DELIVERY						



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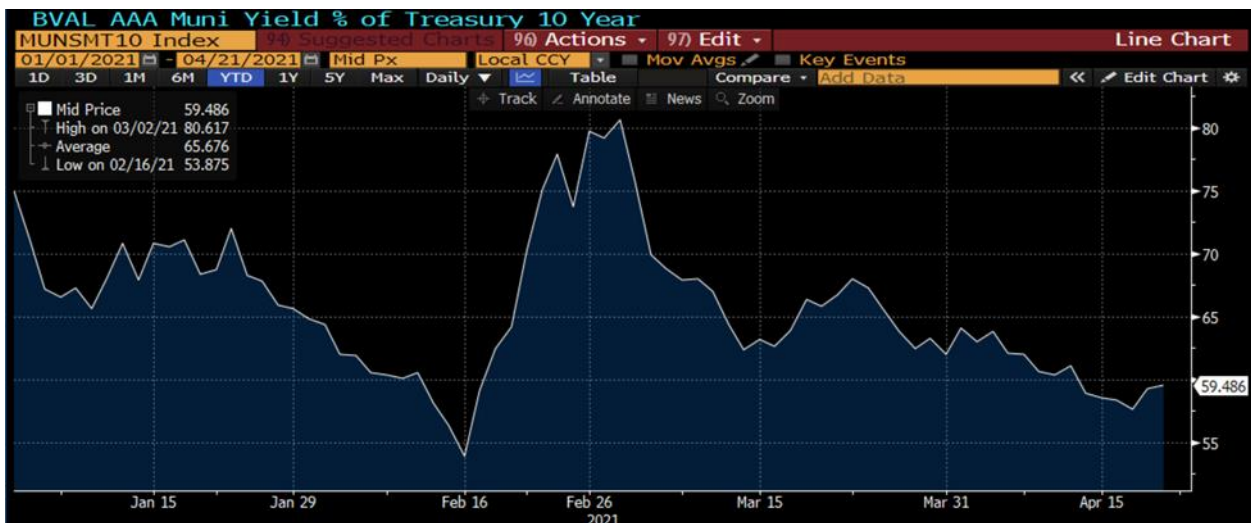
UNCHANGED FROM TOP TO BOTTOM

The municipal bond market has been stuck. There has been no notable change in muni market activity since last week's writing. The previous notable movement was a series of BUMPS by MMD on April 14th and 15th. The chart below gives the reader a nice snapshot of muni rates as measured by Bloomberg. There were significant pullbacks in late February and another sharp downward movement on March 18th. Subsequent to the latest sell off, municipals have steadily grinded higher in price until just last week, where we have seemingly stalled.



Source: Bloomberg

The concern for market players (both issuers and buyers alike) is that the strong demand for tax-free bonds has created another "ratio bubble". That is, municipals have outperformed TRSY's dating back to the March 18th selloff which translates into "rich" valuations. The chart below illustrates how ratios have continued to grind lower since mid-March.



Source: Bloomberg



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The last time this occurred was late 2020 thru early February 2021. During that time period, buyers reluctantly added to their portfolios despite low absolute yields and poor relative value. The backdrop for this activity was slow volume as buyers became more selective and added to their portfolios only when necessary. That same tenor is currently in the market as volumes have once again slowed and commentary is decidedly pessimistic on the valuation of the municipal bond market. One trader likened the secondary market to a very slow game of hot potato. As time goes on, the probability of another February-like sell off seems likely. Mathematically, municipal bond ratios at these levels have not historically been sustainable and any meaningful backup in US Treasury rates will likely be the catalyst for a backup in municipal bond yields.

Muni/Treasury	Current %	Prev. 3 Month Avg.
1yr/1yr	79.4%	120.6%
3yr/3yr	43.8%	75.5%
5yr/5yr	44.6%	56.7%
10yr/10yr	59.4%	66.0%
30yr/30yr	68.4%	72.8%



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NOTABLE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread	Call Date	Insurance
Illinois							
5000	ILLINOIS ST GO	5.00	03/01/2046	2.38	88	03/01/2031	None
4060	ILLINOIS ST GO	4.00	03/01/2041	2.47	111	03/01/2031	None
4000	ILLINOIS ST GO	4.00	03/01/2041	2.47	111	03/01/2031	None
2500	ILLINOIS ST GO	4.00	03/01/2039	2.40	112	03/01/2031	None
1000	ILLINOIS ST GO	4.00	03/01/2041	2.48	112	03/01/2031	None
California							
3080	CHAFFEY CA UNHIGH SD	5.25	08/01/2047	0.82	-69	02/01/2027	None
5000	CHINO VY USD CA ELEC	5.00	08/01/2055	1.71	16	08/01/2030	None
730	LOS ANGELES CNTY	5.00	07/01/2046	1.53	3	07/01/2031	None
1000	RIVERSIDE CA ELEC	5.00	10/01/2037	0.99	-21	04/01/2029	None
3625	SAN FRANCISCO CA	5.00	04/01/2030	0.80	-5	04/01/2029	None
New York							
1915	NYC GO BDS	5.00	08/01/2033	1.69	63	08/01/2030	None
1000	NYC GO BDS	5.00	03/01/2050	1.94	40	03/01/2031	None
5000	NYC TFA FUTURE TAX	5.00	11/01/2026	0.44	4	Non-Callable	None
3745	NYC TFA FUTURE TAX	5.00	11/01/2033	1.31	23	11/01/2030	None
2020	NYC WTR WTR SWR SY	5.00	06/15/2031	1.01	7	Non-Callable	None
1500	NYC WTR WTR SWR SY	5.00	06/15/2031	1.01	7	Non-Callable	None
5000	NYS DORM AUTH ST PER	5.00	02/15/2025	0.32	9	Non-Callable	None
2200	NYS DORM AUTH ST PER	5.00	03/15/2032	1.28	28	03/15/2031	None
3495	NYS URBANDEV CORP	5.00	03/15/2025	0.32	8	Non-Callable	None
Transportation							
885	AUSTIN-BERGSTROM LAN	5.00	10/01/2036	2.31	115	10/01/2027	None
5000	CHARLOTTE NC ARPT	4.00	07/01/2051	1.87	32	07/01/2031	None
1270	CHICAGO IL O'HARE	5.00	01/01/2025	0.43	21	Non-Callable	None
500	LOS ANGELES CA DEPT	5.00	05/15/2032	1.08	7	05/15/2030	None
5000	LOS ANGELES CA DEPT	5.00	05/15/2032	1.08	7	05/15/2030	None
835	LOS ANGELES CA DEPT	5.00	05/15/2045	1.67	18	05/15/2031	None
500	METROPOLITAN WA DC	5.00	10/01/2022	0.17	11	Non-Callable	None
2000	NY TRANSNDEV CORP	5.00	12/01/2027	0.95	39	Non-Callable	None
2085	NY TRANSNDEV CORP	4.00	12/01/2042	2.00	60	12/01/2030	None
1865	PA TPK COM	5.00	12/01/2028	0.84	15	12/01/2027	None

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