



# CABRERA CAPITAL MARKETS LLC

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## MUNICIPAL MARKET WEEKLY UPDATE

Thursday, April 28, 2022

### Primary and Secondary Market Recap

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

#### THIS WEEK'S PRIMARY MARKET ACTIVITY

The City of Phoenix, Arizona priced \$146M Tax-Exempt General Obligation Bonds. The deal was well received and bumped as much as 7 basis points. The City and County of San Francisco priced a \$327M Tax-Exempt General Obligation deal. It was 4.5x oversubscribed overall and was bumped 4-9 basis points. The Intermountain Power Agency in Utah priced a \$550M Tax-Exempt deal. This deal did very well and was bumped as much as 12 basis points and upsized to \$735M. The Hampton Roads Transportation Authority in Virginia priced a \$408M Tax-Exempt issue. Maturities 2027-2047 saw good interest which resulted in bumps of as much as 10 basis points, while the discounts out long remained unchanged. The City of Austin priced a \$416M AMT Airport deal. The deal did well with bumps from 0-9 basis points. The Regents of the University of California priced Tax-Exempt and Taxable deals for their Medical Center Pooled Revenue credit. \$1.5B Tax-Exempt bonds did well with 2-3 basis point bumps in the 2033-2035 maturities, the remainder was unchanged, but the deal was upsized to almost \$1.9B. The Taxable deal of \$1.1B was oversubscribed and tightened 2.5-5 basis points. Next week's calendar will be headlined by a \$885M Triborough Bridge and Tunnel Authority deal.

**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

UNIV OF CA REGENTS -P	St CA	Tax	FED & ST TAX-EXEMPT	Type	NEG	Financials	Attachments
Summary							
Sale Date	04/25/22	1	05/15/2033	49310.0	5.000	3.200913366KF6	BBG0172ZXD35
Amount	1,895,550,000.00	2	05/15/2034	51855.0	5.000	3.280913366KG4	BBG0172ZXD44
Manager	BARCLAYS CAPITAL INC	3	05/15/2035	54540.0	5.000	3.390913366KH2	BBG0172ZXD53
Bond Type	REVS	4	05/15/2036	57345.0	5.000	3.480913366KJ8	BBG0172ZXD62
Dated Date	05/11/22	5	05/15/2037	60285.0	5.000	3.520913366KK5	BBG0172ZXD71
1st Coupon	11/15/22	6	05/15/2038	62280.0	5.000	3.560913366KL3	BBG0172ZXD80
Deal number	481034	7	05/15/2039	100000.0	5.000	3.610913366KM1	BBG0172ZXD99
Rating/Enhancement		8	05/15/2040	68085.0	5.000	3.620913366KN9	BBG0172ZXD86
Moody's	Aa3	ERP	05/15/2041	71585.0	5.000	3.630913366KP4	BBG0172ZXD85
S&P	AA-		05/15/2042	75265.0	5.000	3.650913366KQ2	BBG0172ZXD84
Fitch	AA- (AA-)		05/15/2043	120000.0	4.000	4.070913366KR0	BBG0172ZXD82
KBRA			05/15/2047	500000.0	5.000	3.780913366KS8	BBG0172ZXD81
Enhancement			05/15/2053	500000.0	4.000	4.180913366KT6	BBG0172ZXD80
Schedules			05/15/2054	125000.0	3.500	4.180913366KU3	BBG0172ZXD88
Prem Call							

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2022 Bloomberg Finance L.P.  
 SN 890862 EDT GMT-4:00 H428-2474-173 28-Apr-2022

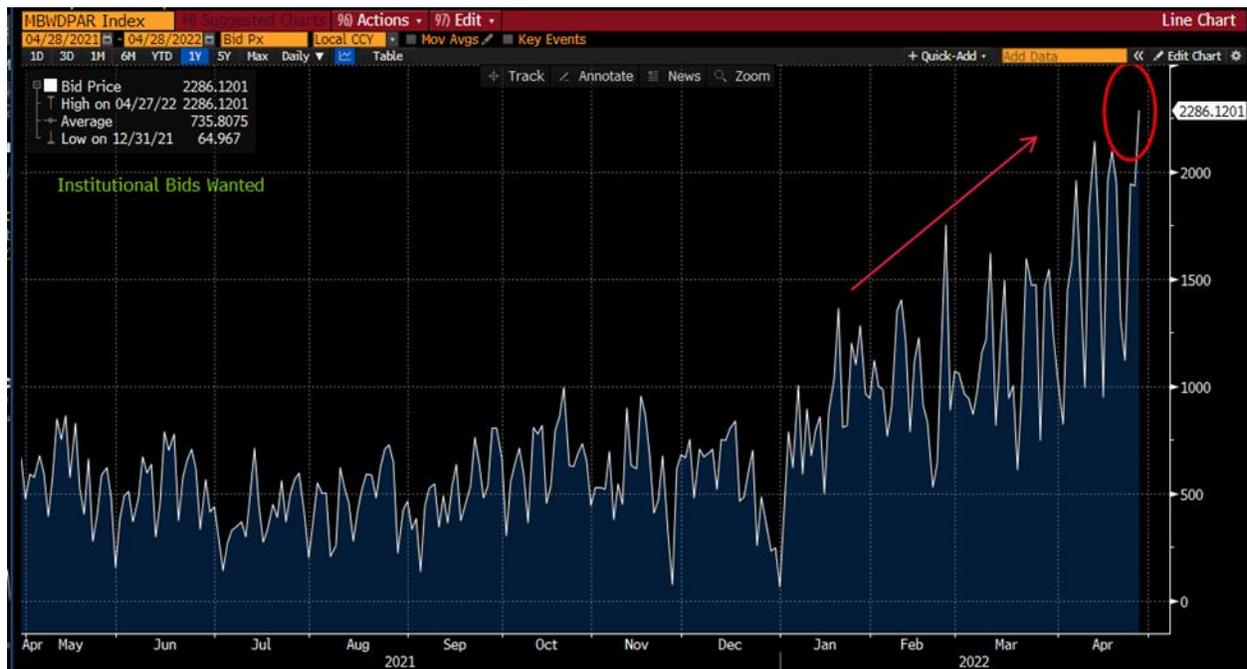


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### THIS WEEK'S SECONDARY MARKET ACTIVITY

**Secondary Supply Continues to Grow:** On Wednesday, April 28<sup>th</sup> Bloomberg reported institutional bids at \$2.3 billion. This is the largest amount of bids wanted year-to-date. In fact, bids wanted on Bloomberg's platform have only exceeded \$2 billion three times in 2022. All took place in April, further illustrating the recent increase in liquidity needs by market participants. To date, the dealer community has been able to satisfy those demands but there is some concern that, should liquidity demands remain at these elevated levels (or grow), the municipal market could see further weakness persist.

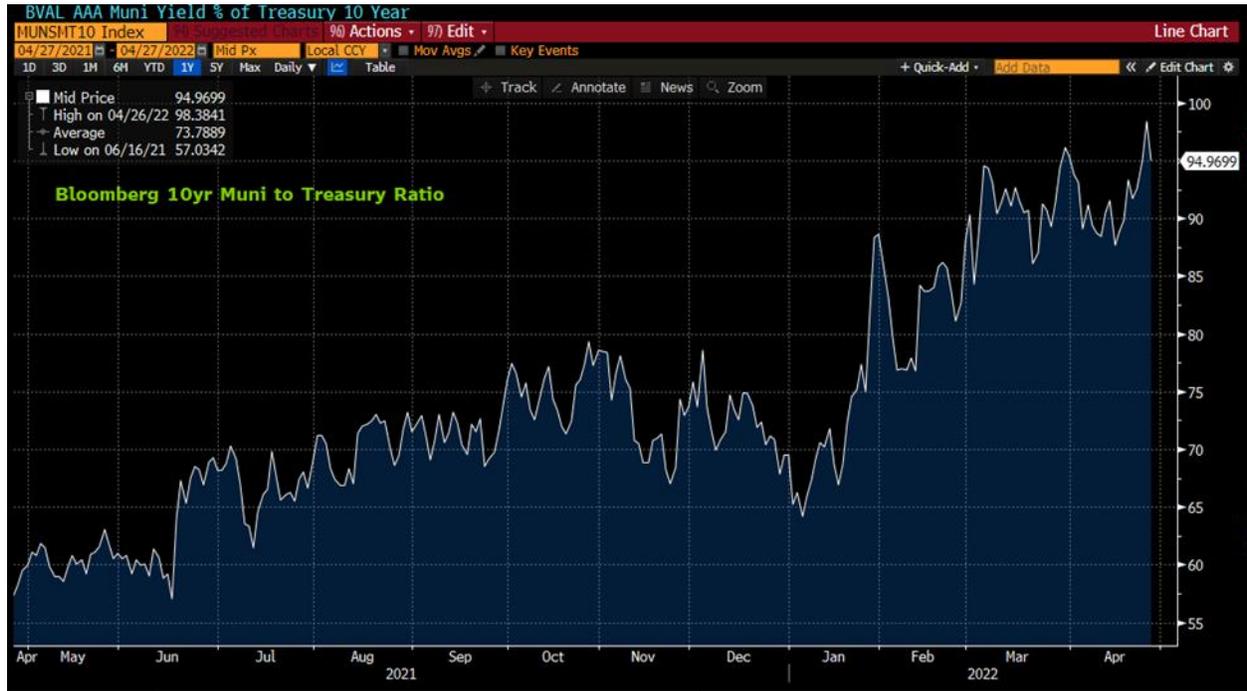


**Relative Value Increases:** Currently, 10-year municipal bonds yield around 95% of their U.S. Treasury counterpart. This is the highest (cheapest) municipals have been since late 2020. In 2021, Bloomberg reported that 10-year ratios averaged 74%. This recent rise in relative value should attract investors into the space but so far, they have been reluctant. Investors are focused on inflation themes and the constant reiteration by pundits that rates are moving higher. While that possibility remains, it's also worth considering that municipal yields have already moved up more than 175 basis points in some maturities and municipals present an opportunity. With tax season behind us and the market's strong belief that inflation will ultimately be contained, there is some hope that the buy side will improve.



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**Credit Strength Remains:** In a report issued by Moody's, default rates for municipal issuers remained rare throughout the pandemic. Among the state and local bonds that Moody's rates, there were zero defaults in 2021 (which doesn't suggest there weren't some challenges). Rating changes have been more volatile in the past, with more credits seeing adjustments in their rating and/or rating outlook. Taking Puerto Rico out of the equation, charter schools, hospitals and housing projects make up the bulk of defaults over the past five years.

**Technically, all is well:** While the first four months of the year have been extremely difficult, the technical outlook for municipals is expected to improve in May. While March and April had negative cashflow, May is projected to be positive with coupon payments exceeding issuance by \$10 billion. Should that money find its way back into the municipal market, the month may start off with some much needed stability.