



CABRERA CAPITAL MARKETS LLC

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MUNICIPAL MARKET WEEKLY UPDATE

Thursday, September 24, 2020

Primary and Secondary Market Recap

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

CHICAGO ENTERS THE PRIMARY MARKET WITH TWO SIGNIFICANT TRANSACTIONS.

Chicago Park District and Chicago O'Hare Airport priced deals this week. Park District priced earlier in the week and did well with spreads being bumped anywhere from 3-9 bps. 4% coupons did well on this loan and spreads between 4% and 5% coupons narrowed to about 16 bps. Spreads on this deal were as much as 45 bps through the deal that came in May and that deal was insured. Spreads continued to be wider than the general market because of the "Illinois Penalty" in the market. O'Hare Airport priced both Taxable and Tax-Exempt deals this week. The Taxable deal did well and was about 5.7x oversubscribed. Spreads were tightened as much as 20 bps. The deal ended up 8 bps wider in spread in 10 years than A1/A Houston Airport which was priced last week. The Tax-Exempt deal did well. Spreads were tightened as much as 8 bps.

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CHICAGO PK DT - F-2 -REF	St IL	Tax	FED TAX-EXEMPT/ST TAX...	Type	NEGT	93 Financials	95 Attachments
Summary			Maturity	Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	09/21/20	1)	01/01/2023	350.0	5.000	1.210 167615E82	BBG00XK477B1
Amount	103,970,000.00	2)	01/01/2024	365.0	5.000	1.280 167615E90	BBG00XK477C0
Manager	BANK OF AMERICA MERRILL	3)	01/01/2025	3300.0	5.000	1.370 167615F24	BBG00XK477D9
Bond Type	GO ULT	4)	01/01/2026	3555.0	5.000	1.520 167615F32	BBG00XK477F7
Dated Date	10/06/20	5)	01/01/2027	3825.0	5.000	1.740 167615F40	BBG00XK477G6
1st Coupon	01/01/21	6)	01/01/2028	4115.0	5.000	1.940 167615F57	BBG00XK477H5
Deal number	453371	7)	01/01/2029	4410.0	5.000	2.120 167615F65	BBG00XK477J3
Rating/Enhancement		8)	01/01/2030	5830.0	5.000	2.260 167615F73	BBG00XK477K1
Moody's		9)	01/01/2031	6215.0	5.000	2.330 167615F81	BBG00XK477L0
S&P	AA-	10)	01/01/2032	6625.0	5.000	2.400 167615F99	BBG00XK477M9
Fitch	AA- (AA-)	11)	01/01/2033	6955.0	5.000	2.500 167615G23	BBG00XK477N8
KBRA	AA	12)	01/01/2034	7300.0	4.000	2.750 167615G31	BBG00XK477P6
Enhancement		13)	01/01/2035	7590.0	5.000	2.630 167615G49	BBG00XK477Q5
Schedules		14)	01/01/2036	7975.0	4.000	2.840 167615G56	BBG00XK477R4
Prem Call		15)	01/01/2037	8290.0	5.000	2.710 167615G64	BBG00XK477S3
Par Call	01/01/30	16)	01/01/2038	8710.0	4.000	2.910 167615G72	BBG00XK477T2
		17)	01/01/2039	9055.0	5.000	2.780 167615G80	BBG00XK477V9
Other Info		18)	01/01/2040	9505.0	5.000	2.820 167615G98	BBG00XK477W8
1st Settle	10/06/20						
Form/Dep	BOOK-ENTRY,DTC						
Price Status	FINAL						
Notes	DENOMS: \$5,000/\$5,000						

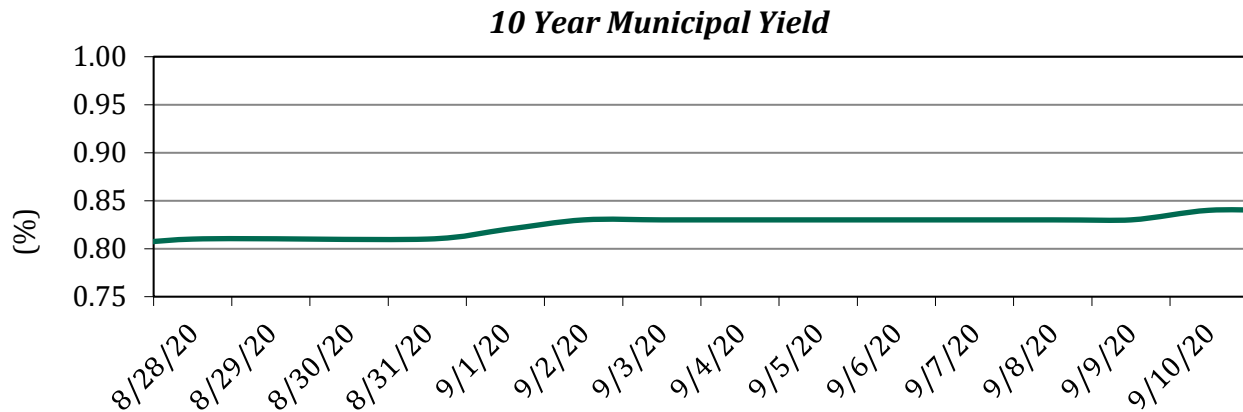


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STEADY AS SHE GOES

The widely accepted benchmark for municipal bond rates is Thompsons Municipal Market Data which is commonly referred to as MMD. This benchmark curve has gone through 18 sessions dating back to late August with just a basis point shift in 10 years. August 28th MMD checked in at 0.81. We opened September 24 at 0.83.



The lack of volatility in the secondary has severely curtailed the activity of customers for a couple of reasons. First off, the lack of muni bond rate movement degrades a sense of urgency by customers to participate (see chart). With an unshifting yield curve, customers can be patient and wait for capitulation by some dealers to move bonds or be overly selective and patient waiting for the “perfect” bond to show up on an offering run. Secondly, because muni yields are unchanged, traders have gained the confidence to grind spreads tighter on general market items. This has homogenized a sizeable portion of the market with varying names trading nearly on top off each other with little relative value opportunity. The action currently directed to the primary market where yield compression has given way to price discovery. In particular, unique names in the negotiated market are providing opportunity for customers to acquire favorably structured bonds with some incremental yield.

Slow Secondary Market

- Lack of Volatility
- Spread Compression
- Primary Market Opportunity

While the market remains stable, I would describe an underlying tone of fragility related to the lack of dealer liquidity. As a whole, the dealer community is light and while there is capacity to add inventory, the above listed conditions aren’t creating the desired dynamic to stock bonds. Should there be a large influx of secondary bonds through bid wanted or perhaps consecutive weeks of outflows there would be some pressure on munis to cheapen. For now however, the current status quo will likely continue as we move closer toward Election Day.



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NOTABALE AWAY PRINTS

Size (\$m)	Issuer	Coupon	Maturity	Yield	Spread
600	CHICAGO IL MET WTR	5.00	12/01/2021	0.44	32
1000	CHICAGO IL TRAN AUTH	5.25	12/01/2049	1.77	20
525	ILLINOIS ST TOLL HWY	4.00	01/01/2044	2.23	73
5MM	SALES TAX SECURITIZA	5.00	01/01/2032	2.16	122
1750	ILLINOIS FIN AUTH BD	5.00	11/01/2049	4.45	288
660	ILLINOIS FIN AUTH	5.00	10/01/2026	1.27	92
500	COOK CNTY IL GO REF	5.00	11/15/2023	0.97	83
5000	ILLINOIS ST GO BDS	4.25	12/01/2040	4.25	288
1005	CHICAGO IL GO BDS	6.00	01/01/2038	4.14	285
1000	MOUNT VERNON IL GO	4.00	12/15/2029	1.45	71
1000	ILLINOIS ST GO BDS	5.00	11/01/2029	3.63	289
4500	CHICAGO IL TRAN AUTH	4.00	12/01/2050	2.90	132
1000	ILLINOIS ST GO REF	5.00	02/01/2029	3.28	257
1260	BRIDGEVIEW IL GO REF	5.50	12/01/2043	5.88	441
4095	CA VAR PURP GO REF	5.00	11/01/2032	1.21	22
4785	CA GO BDS UT	5.00	08/01/2026	0.51	16
1000	CA VAR PURP GO BDS	5.00	11/01/2025	0.43	18
1550	CA PUB WKS BRD LEASE	5.00	12/01/2027	0.29	-21
5MM	SUCCESSOR AGY PITTSBURG	5.00	09/01/2026	0.69	34
1815	SAN DIEGO CNTY CA WTR	5.00	05/01/2028	0.30	-30
5000	CA CMNTY HSG AGY ESSENTIAL	5.00	02/01/2050	3.50	192
1500	SOUTH PLACER WASTEWATER	5.00	11/01/2034	1.56	45
1450	CA MUN FIN AUTH STUD	5.00	05/15/2041	2.38	97
1500	GOLDEN ST TOB SECURITIZATION	5.00	06/01/2028	1.35	75
1810	CA MUN FIN AUTH SR	5.00	05/15/2031	1.26	37
1175	SAN DIEGO CA USD GO	5.00	07/01/2041	1.30	-11
2000	CA VARIOUS PURP GO	5.00	10/01/2029	0.89	16
1000	UNIV CA GEN BDS 2020	5.00	05/15/2042	1.64	20
1000	CA CDA STATEWIDE CMN	5.00	09/02/2034	2.66	155
2395	CA VARIOUS PURP GO	5.00	04/01/2032	1.20	24
700	CT ST GO BDS 2019 A	5.00	04/15/2025	0.53	31
3000	SAN JOSE CA ARPT REF	5.00	03/01/2035	1.75	59
635	LOS ANGELES CA DEPT	5.00	05/15/2033	1.50	45