



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET WEEKLY UPDATE

Thursday, September 30, 2021

## Primary and Secondary Market Recap

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

### THIS WEEK'S PRIMARY MARKET ACTIVITY

Taxable deals dominated the Primary Market this week. The State of Hawaii priced \$2B in General Obligation Bonds this week. The deal had strong demand throughout the deal and spreads were bumped as much as 16 basis points. The Golden State Tobacco Securitization Corporations priced a \$1.8B Taxable deal this week. The deal was extremely well received and had bumps of 15 to 30 basis points. Corona, California priced a \$276M Taxable Pension Obligation Bond deal with spreads bumped as much as 10 basis points after a successful order period. The City of Philadelphia priced a \$231M Tax-Exempt Water and Wastewater Revenue deal. The 2032-2041 maturities struggled on this loan and had to be restructured with coupon changes and cheapened as much as 5 basis points. Several maturities had to be underwritten on this deal even after the repricing. Next week Cabrera will be Senior Manager on a \$143M Chicago Park District transaction.

**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

PHILADELPHIA-C-REV	St PA	Tax FED & ST TAX-EXEMPT	Type NEG	93 Financials	93 Attachments
<b>Summary</b>		Maturity Amt(M)	Cpn	P/Y CUSIP	FIGI
Sale Date	09/27/21	1) 10/01/2023 4170.0	5.000	0.220 717893U41	BBG012NWK452
Amount	231,930,000.00	2) 10/01/2024 4385.0	5.000	0.310 717893U58	BBG012NWK461
Manager	SAMUEL A RAMIREZ & CO I..	3) 10/01/2025 4610.0	5.000	0.470 717893U66	BBG012NWK470
Bond Type	REVS	4) 10/01/2026 4845.0	5.000	0.630 717893U74	BBG012NWK489
Dated Date	10/07/21	5) 10/01/2027 5095.0	5.000	0.840 717893U82	BBG012NWK498
1st Coupon	04/01/22	6) 10/01/2029 5355.0	5.000	1.130 717893U90	BBG012NWK485
Deal number	472119	7) 10/01/2030 5630.0	5.000	1.250 717893V24	BBG012NWK4C4
<b>Rating/Enhancement</b>		8) 10/01/2031 5920.0	5.000	1.360 717893V32	BBG012NWK4D3
Moody's	A1	9) 10/01/2032 6225.0	5.000	1.450 717893V40	BBG012NWK4F1
S&P	A+	10) 10/01/2033 6540.0	5.000	1.520 717893V57	BBG012NWK4G0
Fitch	A+ (A+)	11) 10/01/2034 6880.0	5.000	1.590 717893V65	BBG012NWK4H9
KBRA		12) 10/01/2035 7195.0	4.000	1.800 717893V73	BBG012NWK4J7
Enhancement		13) 10/01/2036 7490.0	4.000	1.830 717893V81	BBG012NWK4K5
<b>Schedules</b>		14) 10/01/2037 7795.0	4.000	1.860 717893V99	BBG012NWK4L4
Prem Call		15) 10/01/2038 8110.0	4.000	1.890 717893W23	BBG012NWK4M3
Par Call	10/01/31	16) 10/01/2039 2500.0	5.000	1.780 717893W31	BBG012NWK4N2
		17) 10/01/2039 5955.0	4.000	1.930 717893W49	BBG012R65SC1
<b>Other Info</b>		18) 10/01/2040 8815.0	4.000	1.970 717893W56	BBG012NWK4P0
1st Settle	10/07/21	19) 10/01/2041 9175.0	4.000	2.000 717893W64	BBG012NWK4Q9
Form/Dep	BOOK-ENTRY,DTC	20) 10/01/2046 40850.0	5.000	2.000 717893W72	BBG012NWK4R8
Price Status	FINAL	21) 10/01/2051 42170.0	4.000	2.200 717893W80	BBG012NWK4S7
		22) 10/01/2051 32220.0	2.750	2.750 717893W98	BBG012R65SD0
<b>Notes</b>	DENOMS: \$5.000/\$5.000 WATER AND WASTEWATER REV BONDS				

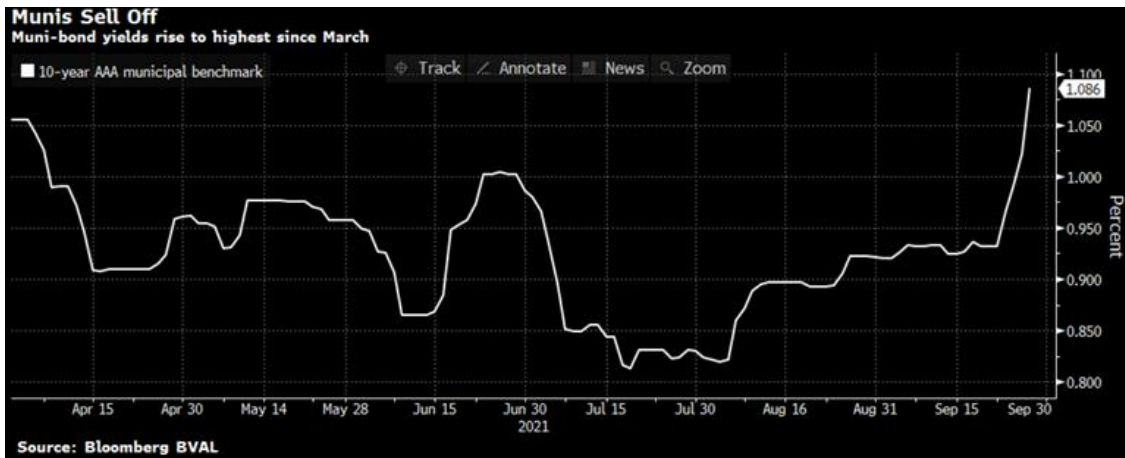


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### THIS WEEK'S SECONDARY MARKET ACTIVITY

Municipals finally experienced a meaningful move this week. The gravitational pull of a sliding Treasury market was the trigger for municipal rates to reach their highest levels since March, as measured by Bloomberg (BVAL):

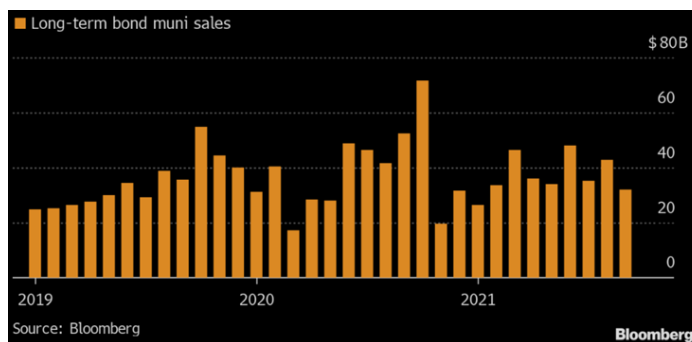


Municipals have by and large maintained their relative value versus treasuries. That is they didn't under or outperform during this recent bout of volatility. Despite low real rates and some concern over the Fed initiating taper, the lack of tax-free paper in the municipal market is providing a strong level of support.

MUNI/TREAS	9/29/2021	9/22/2021
5yr/5yr	49.4	47.3
10yr/10yr	73.1	70.8
30yr/30yr	79.7	83.4

SOURCE: Refinitive TM3 / MMD

Muni issuance as a whole still has the potential to surpass 2020's \$455 billion number but it will take a large fourth quarter to get there. As you can see in the following chart, October 2020 saw the market flooded with issuance. Issuers raced to get to the market before the November Presidential election. Currently, the prospect of rising rates, the impact of the COVID delta variant on various economies, the scale and nuances of the President's multi-trillion dollar infrastructure plan and whether or not tax-exempt advance refundings are re-enacted are all giving pause to market issuance.





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### THIS WEEK IN THE NEWS

**New York's Metropolitan Transportation Authority Raising Alarm Bells:** New York's MTA Comptroller issued a report detailing the mass-transit system will use all of its \$14.5 billion in federal aid by 2025. Ridership is still hovering around 50% of 2019 levels.

**New Jersey Scoring Gains:** N.J.'s pension fund returned 28.63% during its past fiscal year ending June 30<sup>th</sup>. That is the highest return in 20 years. The pension fund now sits at \$94.4 billion.

**Pennsylvania Adds to Reserves:** Pennsylvania State Treasurer, Stacy Garrity, announced a \$2.6 billion transfer to the state's rainy-day fund. This was a planned transfer as part of the state's budget and means that the rainy-day fund now provides more than 25 days of general-fund spending should the state fall under fiscal duress.

**Prospects for COVID Declining in a Majority of U.S.:** One way to project virus growth (or retracement) is through an effective reproduction factor referred to as an RT number. This is the measure of average new infections from one newly infected person. Ideally, to show an improvement, this number needs to be below the level of 1. 42 states are now reporting RT numbers below 1 whereas just a week ago, only nine states were below that key level.

While this data indicates the latest wave has likely peaked, that doesn't mean the pandemic as a whole has. Uncertainty around the longevity of the effectiveness of an immunization as well as the possibility for new variants to emerge are just two of many considerations that will determine how long the pandemic persists.