



## CABRERA CAPITAL MARKETS LLC

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### MUNICIPAL MARKET UPDATE

#### Public Finance

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### PRIMARY MARKET ACTIVITY

From the Cabrera Capital Markets team, we wish you and your families a safe and happy holiday and look forward to a prosperous 2023!

Last week, municipal market rates continued to drift lower as a result of the continued supply/demand imbalance, but more impactful last week was the CPI/Inflation report that was released on Tuesday. In a matter of two weeks the 1-year municipal benchmark rate is up 27 basis points, resulting in a municipal yield curve inversion. Weekly tax exempt SIFMA spiked on Wednesday to reset last week at 3.73%, a 152 basis point increase. A few reasons for the increase include year-end selling, continued outflows are forcing sales of short-term investments, ratios, and significant variable rate demand selling in the secondary. To put the municipal inverted yield curve into perspective, the 1-year municipal rate is currently at 2.66% and the 10-year municipal benchmark is at 2.47%, the 20-year and 30-year municipal benchmarks are at 3.21% and 3.42% respectively. Moreover, the 1-year to 30-year Treasuries were down across the board; the 1-year, 5-year, 10-year and 30-year Treasury rates ended the week at 4.61%, 3.61%, 3.48% and 3.53%, respectively.

On Wednesday, December 14<sup>th</sup>, Cabrera successfully lead managed a \$37 million two-part transaction for the City of Liberty Hill, TX (Water & Sewer/Wastewater Treatment Facility A+ underlying with Assured Guaranty insurance). The transactions were priced in a difficult market environment between both the CPI release on Tuesday morning and the FOMC rate decision on Wednesday afternoon. With that said, the market timing ended up being optimal for the City of Liberty Hill as the market cooperated after the CPI release. In total we were able to garner \$44 million in total orders from 17 different investors. Cabrera committed \$6.7 million of the firm's capital to get under bond balances and maintained spreads/rates after the order period for the benefit of the City.

The Inflation/CPI report showed encouraging signs of inflationary pressure easing, for the fifth straight month. While year-over-year inflation rate is still elevated at 7.1%, we are certainly headed in the right direction and below the peak rate of 9.1% we witnessed this past summer – the Fed's target annual inflation rate is 2%. On Wednesday the Fed, unsurprisingly, increased the Fed Funds rate by 50 basis points to a range of 4.25%-4.50%, making a 5%+ Fed funds rate within 12 months a near certainty. In other positive economic news, the U.S. average for a gallon of gas has dropped from \$5 in the summer to \$3.21, and most supply chain backups have been cleared or are actively being cleared, hence reducing the price of most goods.

In the primary market last week, the Pennsylvania Economic Development Authority priced \$1.7 billion in AMT bonds for the PENNDOT Major Bridges One Project. The bonds were rated Baa2 by Moody's and BBB- by Fitch. Insurance was used on 3 maturities and was about a 20-25 basis point benefit on the yield. The deal did very well with yields bumped as much as 10 basis points. The Port of New York and New Jersey also priced \$400 million in AMT and Non-AMT bonds. In 10 years, the AMT cost was 86 basis points, 53 basis points in 20 years, and 45 basis points in 30 years. This week's calendar stands at about \$300 million as the year winds down. Happy Holidays!



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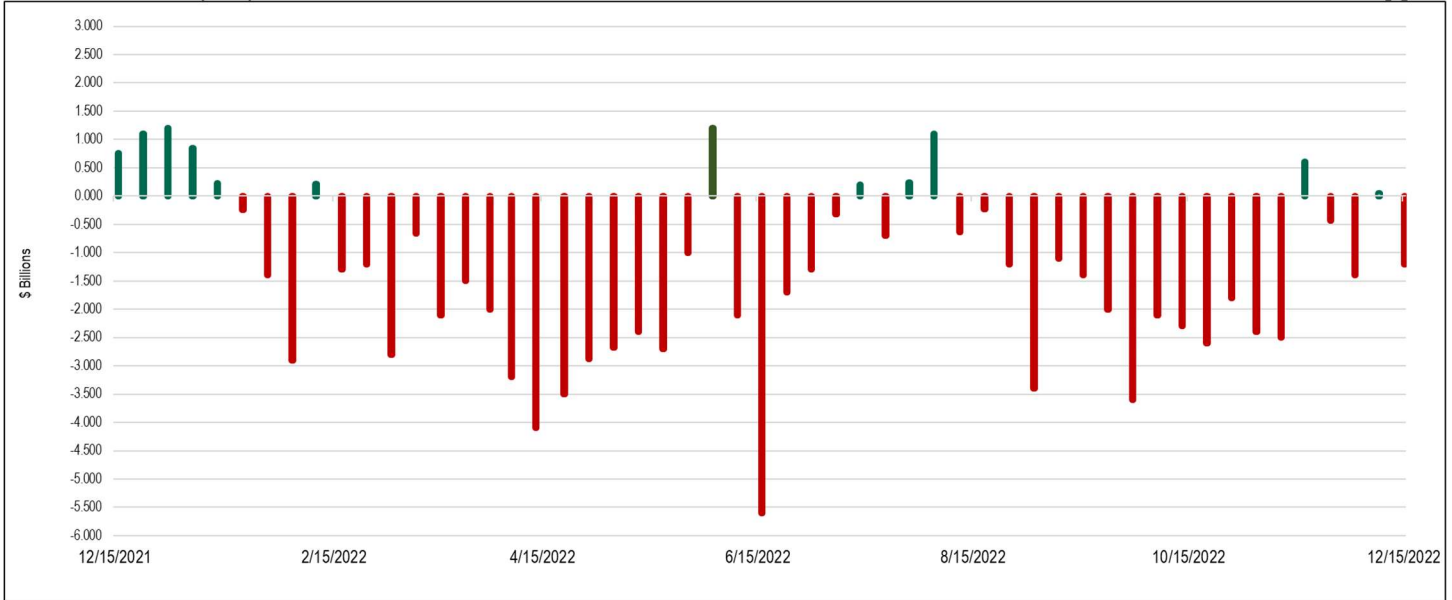
### INTEREST RATE SNAPSHOT

Benchmark	Maturity	12/16/2022 AAA MMD	Change from Last Week (bps)	12/16/2022 U.S. Treasury	Change from Last Week (bps)	Muni/UST Ratio	Date of Week End	SIFMA Index	Municipal Fund Flow (in Millions)	1-Month BBA LIBOR	12-Month BBA LIBOR
1	2023	2.66	+17	4.61	-11	57.70%	12/16/2022	3.73	(\$1,200)	4.34	5.47
2	2024	2.49	+5	4.17	-16	59.71%	12/9/2022	2.21	\$47	4.27	5.50
3	2025	2.42	0	3.91	-16	61.89%	12/2/2022	1.85	(\$1,400)	4.17	5.50
5	2027	2.43	-4	3.61	-14	67.31%					
10	2032	2.47	-4	3.48	-9	70.98%					
20	2042	3.21	-4	3.73	-9	86.06%					
30	2052	3.42	-4	3.53	-3	96.88%					

### MUNICIPAL FUND FLOWS

Week Ended 12/16/2022 saw outflows of \$1.2 billion

Source: Lipper



### UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
71.820	Town of Hempstead Local Development Corporation	NY	General Obligation Bonds
71.665	City of Rockwall	TX	Combination Tax and Limited Revenue Certificates of Obligation
65.090	Memphis Center City Revenue Finance Corporation	TN	Economic Development Revenue Bonds
33.755	Los Angeles County Development Authority	CA	Multifamily Housing Revenue Bonds
25.895	Great Pond Improvement District	CT	Special Obligation Revenue Bonds
19.150	City of Greensburg	IN	Building Corporation Lease Rental Revenue Bonds
16.000	Jersey City Redevelopment Agency	NJ	Project Notes, Bayfront Redevelopment Project, Federally Taxable
11.000	Dallas County	AR	Taxable Economic Development Revenue Bonds
3.575	City of Goddard	KS	General Obligation Temporary Notes



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**NOTABLE FIXED DEALS FROM LAST WEEK**

**Notable Fixed-Rate Negotiated Municipal New Issue Results from Last Week**

	Pennsylvania Economic Development Financing Authority				Port Authority of New York and New Jersey				Rio Hondo Community College District			
Issuer	PA				NY				CA			
State	PA				NY				CA			
Call	12/31/2032				1/15/2033				N/A			
Tax Status	Tax-Exempt, AMT				Tax-Exempt, AMT				Tax-exempt			
Size (\$mm)	1,759.135				300.000				160.890			
Ratings	Baa2/BBB-				Aa3/AA-/AA-				AA			
	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
	2029-2034	5.00	3.81-4.23	132-158	2033-2052	5.00	3.44-4.50	96-108	2042-2047	5.00	4.90-5.00	165-161
	2035-2036	5.25	4.34-4.48	154								
	2037-2043	5.50	4.58-4.90	155-162*								
	2048	5.75	5.04	162								
	2053	5.25	5.30	184								
	2057	5.00	5.08	162*								
	2061	6.00	5.33	187								
	2062	5.75	5.16	170*								

\*Maturities 2042, 2057, and 2062 are insured

**ECONOMIC CALENDAR (ALL TIMES IN ET)**

Monday	Tuesday	Wednesday	Thursday	Friday
19-Dec	20-Dec	21-Dec	22-Dec	23-Dec
10:00 AM NAHB Home Builders' Index	8:30 AM Building Permits (SAAR)	8:30 AM Current Account Deficit	8:30 AM Initial Jobless Claims	8:30 AM PCE Price Index
	8:30 AM Housing Starts (SAAR)	10:00am Consumer Confidence Index	8:30 AM Continuing Jobless Claims	8:30 AM Durable Goods Orders
				10:00 AM Umich Consumer Sentiment Index (late)
26-Dec	27-Dec	28-Dec	29-Dec	30-Dec
Nothing Scheduled- Christmas Holiday	8:30 AM Trade in Goods, Advance Report	10:00 AM Pending Home Sales Index	8:30 AM Initial Jobless Claims	9:45 AM Chicago PMI
	9:00 AM S&P Case-Shiller U.S. Home Price Index (SAAR)		8:30 AM Continuing Jobless Claims	
	9:00 AM FHFA U.S. Home Price Index (SAAR)			