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MUNICIPAL MARKET UPDATE

Public Finance

Mario Carrasco
Managing Director & Head of Investment Banking - Public Finance
(210) 857-8517
mcarrasco@cabreracapital.com
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Underwriting

Merita Kulpinski
Senior Vice President - Lead Municipal Underwriter
(312) 931-6654
mkulpinski@cabreracapital.com

PRIMARY MARKET ACTIVITY

Last week was one of the most challenging weeks witnessed in a few months; municipal benchmark rates were up substantially, deals had trouble clearing the market, more positive economic news was released, and the yield curve began to steepen further. Tax-exempt rates in years 2024 (3.05%) through 2028 (2.47%) were up 35-44 basis points, years 2033, 2043 and 2053 were up 25 basis points (2.49%), 22 basis points (3.30%) and 22 basis points (3.50%), respectively. The dichotomy of decreasing inflation with surging retail sales, strong PPI and a strong jobs report is not making the Fed's job easy, it has also created an illiquid municipal market that has come to a momentary halt. A lot of transactions last week were pulled from the calendar Wednesday-Thursday, and the ones that did get done had to widen pricing spreads substantially to clear. The weekly tax-exempt short-term SIFMA rate reset upwards of 24 basis points to 3.98%, this is also adding to the short-end pressure. Tax-exempt fund flows were unsurprisingly negative again last week as well. Moreover, Municipal/Treasury ratios increased this week as a result of the municipal pullback in rates; in fact, the 1-year Treasury closed on Friday at 5%, a number not seen in many years. The 5-year, 10-year and 30-year taxable Treasury rate ended the week at 4.03%, 3.82% and 3.88%, respectively. The taxable Treasury curve 5 years and longer were all up last week by approximately 10 basis points. From the FOMC's standpoint, what was once a near end to their rate increases has turned into an uncertain prolonged term of rate hikes – the market dislikes uncertainty.

This week we are expecting FOMC minutes to be released on Wednesday, Jobless claims on Thursday, New Home Sales on Friday and Consumer Sentiment on Friday. As always, but especially in times like these, economic releases are key market movers so we will keep you up to date. The municipal calendar this week is approximately \$3.5 billion with a City of New York \$677 million transaction (Cabrera Co-Manager), a Tarrant County Hospital \$428 million deal, a Racine USD \$122 million issue and a Pickerington Local School District \$89 million transaction, amongst others.

Last week in the primary market, the University of California priced Taxable and Tax-Exempt issues. The Taxable issue did well with spreads tightening 12.5 basis points from Indications of Interest to Final Pricing. Retail pricing went well on the Tax-Exempt issue with \$962 million in orders. On Wednesday, the market saw significant pressure and the Institutional pricing struggled. After adjusting spreads 5-7 basis points before entering the institutional order period, yields had to be adjusted again another 15-24 basis points on the repricing to get the deal done. Additionally, Prosper ISD, Texas priced a \$247 million PSF Tax-Exempt issue. The issue did fairly well in a tough market. Yields were cheapened by as much as 3 basis points and \$19 million bonds were underwritten. The City of Dallas, Texas priced a \$167 million Tax-Exempt Water and Sewer revenue bond issue. The deal was 2-8x oversubscribed and bumped as much as 8 basis points. Houston ISD, Texas priced a \$104 million Tax-Exempt issue. The deal had to get 6 basis points cheaper to get done. They also priced a 2025 put deal. After getting significantly cheaper post premarketing, the deal was 5x oversubscribed and bumped 5 basis points. Several deals were pulled or postponed such as Lubbock, Texas, and Tarrant County Hospital District. This week's calendar is about \$3.5 billion with a \$567 million City of New York transaction headlining the calendar.



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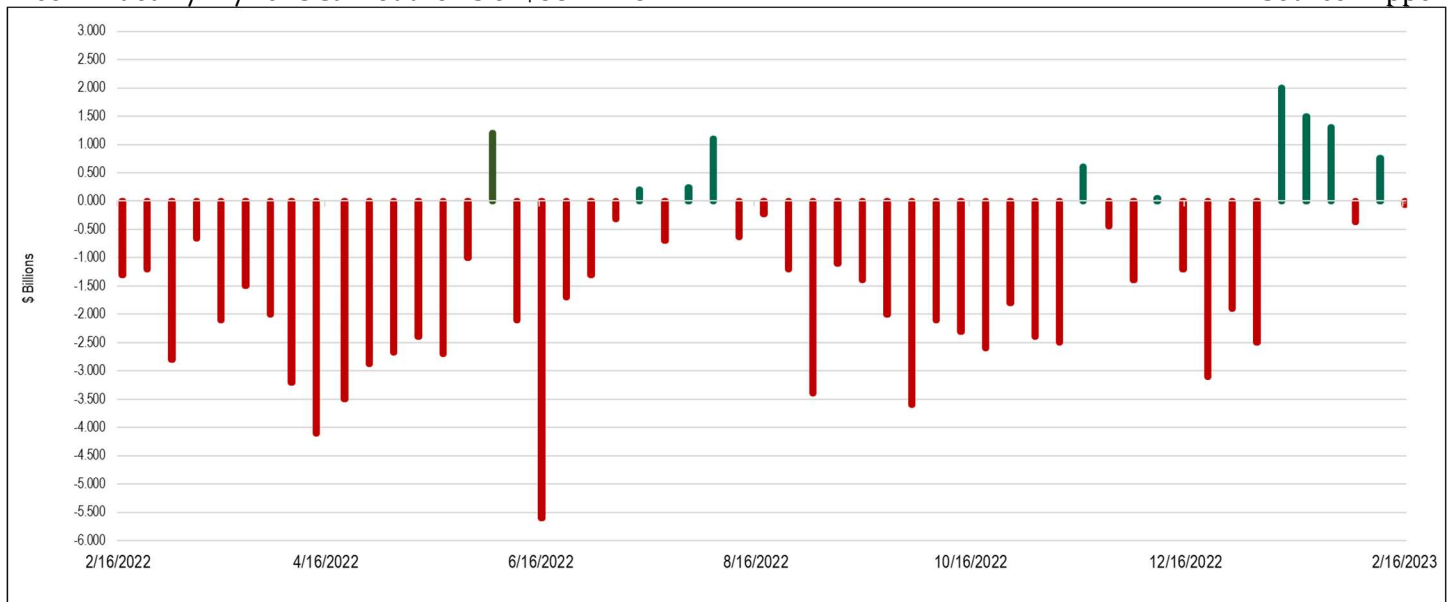
INTEREST RATE SNAPSHOT

Benchmark	Maturity	2/17/2023 AAA MMD	Change from Last Week (bps)	2/17/2023 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	2024	3.05	+44	5.00	+11	61.00%	2/17/2023	3.98	(\$68)	4.60	5.57
2	2025	2.79	+44	4.60	+10	60.65%	2/10/2023	3.74	\$755	4.57	5.46
3	2026	2.60	+39	4.33	+14	60.05%	2/3/2023	1.87	(\$362)	4.58	5.28
5	2028	2.47	+35	4.03	+10	61.29%					
10	2033	2.49	+25	3.82	+8	65.18%					
20	2043	3.30	+22	4.01	+5	82.29%					
30	2053	3.50	+22	3.88	+5	90.21%					

MUNICIPAL FUND FLOWS

Week Ended 2/17/2023 saw outflows of \$68 million

Source: Lipper



UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
677.840	*The City of New York	NY	General Obligation Bonds
428.250	Tarrant County Hospital District	TX	Limited Tax Bonds
344.825	Pasco County	FL	Cigarette Tax Allocation Bonds
272.615	Renton School District, No. 403	WA	Unlimited Tax General Obligation Bonds
233.998	Worthington City School District	OH	School Facilities Bonds
140.317	David Douglas School District, No. 40	OR	General Obligation Bonds
122.450	Racine Unified School District	WI	General Obligation Refunding Bonds
95.000	Massachusetts Housing Finance Agency	MA	Single Family Housing Revenue Bonds
89.930	Pickerington Local School District	OH	School Facilities Constructions and Improvement Bonds
75.000	Rhode Island Housing and Mortgage Finance Corporation	RI	Homeownership Opportunity Bonds
61.355	Massachusetts Housing Finance Agency	MA	Single Family Housing Revenue Bonds, Taxable
42.500	Waushara County	WI	Note Anticipation Notes
34.735	Bristol Township School District	PA	General Obligation Bonds
33.380	City of Florence	AL	General Obligation Warrants
32.345	Passaic County Improvement Authority	NJ	Charter School Revenue Bonds

*Cabrera will serve as Co-Manager



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NOTABLE FIXED DEALS FROM LAST WEEK

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

	*Regents of the University of California				Salt River Project Agricultural Improvement and Power District				Propser ISD			
	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
Issuer	CA				AZ				TX			
State	CA				AZ				TX			
Call	5/15/2033				1/1/2033				2/15/2033			
Tax Status	Tax-exempt				Tax-exempt				Tax-exempt			
Size (\$mm)	1,771.690				500.000				247.710			
Ratings	Aa2/AA/AA				Aa1/AA+				Aa3 (AAA) / AA- (AAA) , PSF			
	2023-2039	5.00	2.99-3.47	0-50	2029-2050	5.00	2.28-3.75	13-48	2024-2043	5.00	2.81-3.45	15-37
	2040	5.50	3.42	51					2048-2053	4.00	4.13-4.20	90-92
	2041-2044	5.00	3.56-3.65	52								

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ECONOMIC CALENDAR (ALL TIMES IN ET)

Monday	Tuesday	Wednesday	Thursday	Friday
20-Feb	21-Feb	22-Feb	23-Feb	24-Feb
Presidents Day Holiday	9:45 AM S&P Global Manufacturing PMI Flash	2:00 PM FOMC Minutes of 2/1 Meeting	8:30 AM Initial Jobless Claims	10:00 AM New Home Sales
	10:00 AM Existing Home Sales (Month-Over-Month)		8:30 AM GDP	10:00 AM Consumer Sentiment (Final)

27-Feb	28-Feb	1-Mar	2-Mar	3-Mar
8:30 AM Durable Goods Orders	8:30 AM Advanced Retail Inventories	10:00 am Construction Spending	8:30 AM Initial Jobless Claims	10:00 AM ISM Services
8:30 AM Core Orders	10:00 AM Consumer Confidence			