



## CABRERA CAPITAL MARKETS LLC

Brea • Chicago • Dallas • Los Angeles • New York • Philadelphia • San Antonio • Tampa

# MUNICIPAL MARKET UPDATE

### Public Finance

Mario Carrasco  
Managing Director & Head of Investment Banking - Public Finance  
(210) 857-8517  
mcarrasco@cabreracapital.com  
Monday, May 22, 2023

### Underwriting

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

## PRIMARY MARKET ACTIVITY

The municipal bond market hit the pause button last week as we had another correction in interest rates. There were many sideshows to the market that played into this challenging week for municipals, which included the debt ceiling discussions ending without any progress late last week, Janet Yellen reportedly stating to bank CEO's that further bank consolidation will be necessary, and Fed Presidents' comments this week in support of more Fed rate hikes. A week ago, the consensus of a no Fed increase on June 14th was well above 90%, but by the end of the week, that number fell to 64%. There was also the matter of this week's jobless claims release, which decreased the most since 2021 after a cloud of suspicion surrounding an increase in fraudulent claims regarding unemployment benefits. These previously mentioned items wreaked havoc on municipal bond deals in the market and rates overall. The 1-year, 5-year, 10-year, 20-year and 30-year benchmark municipal bond rates increased by 27 basis points to 3.26%, increased by 32 basis points to 2.65%, increased by 24 basis points to 2.55%, increased by 18 basis points to 3.30% and increased by 16 basis points to 3.52%, respectively. The municipal yield curve inversion is becoming more prominent by the week and the difference between the 1-year rate and the 30-year rate is only 26 basis points and the highest yield after the 1-year muni benchmark rate (3.26%) is almost 20 years away in 2042 (3.28%). Lastly, weekly SIFMA decreased by 11 basis points to 2.93%, which is an interesting nonevent given the curve steepening. Also, we witnessed the 16th week in a row of municipal bond outflows, at -\$187 million.

Treasury rates increased anywhere from 10-30 basis points across the board this past week with the shorter maturities seeing the largest increases; the 1-year, 5-year, 10-year and 30-year rates ended the week at 5.02%, 3.76%, 3.70% and 3.95%, respectively. The 1-month, 2-month, 3-month and 4-month T-Bill rates ended the week at the sky high levels of 5.62%, 5.27%, 5.29% and 5.46%; the pending debt ceiling uncertainty has elevated the shortest of taxable rates to levels not seen in years if not decades. This week we are expecting approximately \$6.5 billion in primary market issuance from the New Jersey Transportation Trust with a \$674 million transaction (Cabrera Capital Co-Manager), a CPS Energy \$589 million issue, a Los Angeles Department of Water and Power \$485 million deal (Cabrera Capital Co-Manager), a Metropolitan Washington Airport Authority \$433 million transaction, a State of Oregon \$250 million issue, a Fort Bend County \$134 million deal, a \$134 million Iowa Finance Authority transaction, a Fort Bend ISD \$97 million issue (Cabrera Capital Co-Manager), a Tempe, AZ \$72 million deal and a City of El Paso Downtown Development Corporation \$14.7 million transaction (Cabrera Capital Co-Manager) to name a few.

Last week in the primary market, the largest deal of the week was a \$959 million Virginia College Building Authority Tax-Exempt issue, which garnered mixed results. The 10-year part of the curve had to get as much as 10 basis points cheaper while the 15-year part of the curve was bumped as much as 9 basis points. The City of El Paso priced a \$172 million Water and Sewer Revenue Bond issue. The short end had to get as much as 5 basis points cheaper and the long end was restructured using a 5.25% coupon. The Springfield, Missouri School District R-12, priced a \$190 million Tax-Exempt issue. Most of the deal did well with bumps ranging from 2-5 basis points while the 2032 maturity was cut by 2 basis points. The Dormitory Authority of the State of New York priced a \$275 million Tax-Exempt issue for Columbia University. The deal was downsized when they entered the order period to \$150 million, but on the repricing the deal was upsized back to the original \$275 million. They had a 2-basis point bump on the 2034 maturity, otherwise the deal was unchanged. The City of Phoenix Civic Improvement Corporation priced a \$103 million Airport Revenue Bonds AMT issue. The deal was oversubscribed throughout and was bumped 0-10 basis points. This week's calendar is about \$6.5 billion with a \$830 million New Jersey Transportation Trust transaction headlining the calendar.



## CABRERA CAPITAL MARKETS LLC

Brea • Chicago • Dallas • Los Angeles • New York • Philadelphia • San Antonio • Tampa

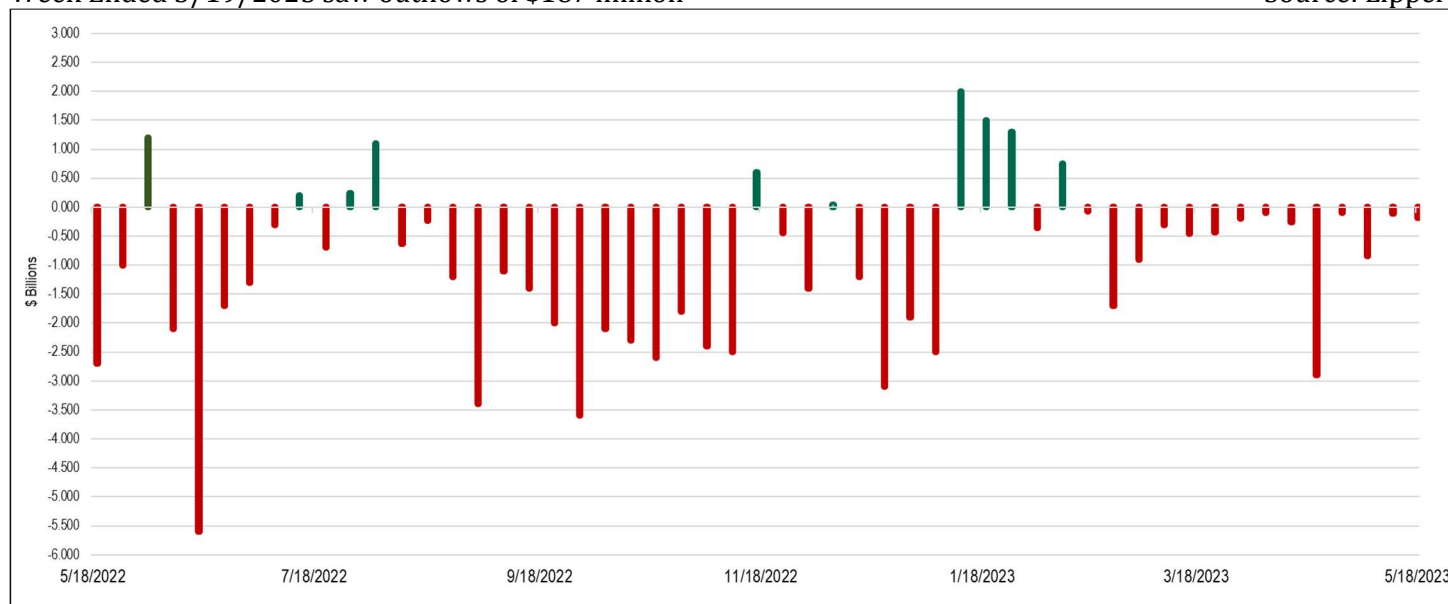
### INTEREST RATE SNAPSHOT

Benchmark	Maturity	5/19/2023 AAA MMD	Change from Last Week (bps)	5/19/2023 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	3.26	+27	5.02	+27	64.94%	5/19/2023	2.93	(\$187)	5.15	5.39
2	2025	3.05	+36	4.28	+30	71.26%	5/12/2023	3.04	(\$102)	5.11	5.27
3	2026	2.86	+36	3.98	+33	71.86%	5/5/2023	3.45	(\$846)	5.10	5.26
5	2028	2.65	+32	3.76	+31	70.48%					
10	2033	2.55	+24	3.70	+24	68.92%					
20	2043	3.30	+18	4.07	+20	81.08%					
30	2053	3.52	+16	3.95	+17	89.11%					

### MUNICIPAL FUND FLOWS

Week Ended 5/19/2023 saw outflows of \$187 million

Source: Lipper



### UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
674.000	The New Jersey Transportation Trust Fund Authority*	NJ	Transportation Program Bonds
589.995	City of San Antonio	TX	Electric and Gas System Revenue Refunding Bonds
485.475	Los Angeles Department of Water and Power	CA	Water System Revenue Bonds
433.115	Metropolitan Washington Airports Authority	DC	Airport System Revenue and Refunding Bonds
387.270	Pennsylvania Housing Finance Agency	PA	Single Family Mortgage Revenue Bonds
262.780	The New Jersey Transportation Trust Fund Authority*	NJ	Transportation System Bonds
210.640	State of Oregon	OR	Department of Transportation Highway User Tax Revenue Bonds
210.000	Fremont Union High School District	CA	General Obligation Bonds
153.000	City of Pflugerville	TX	Combination Tax and Limited Revenue Certificates of Obligation
134.090	Fort Bend County	TX	General Obligation Bonds
130.750	Iowa Finance Authority	IA	Single Family Mortgage Bonds
100.300	City of San Antonio	TX	Electric and Gas System Variable Rate Revenue Refunding Bonds
97.940	Fort Bend ISD*	TX	Unlimited Tax School Building and Refunding Bonds
71.120	City of Tempe	AZ	General Obligation Refunding Bonds
14.723	City of El Paso Downtown Development Corporation*	TX	Special Revenue Refunding Bonds

\*Cabrera will serve as Co-Manager



## CABRERA CAPITAL MARKETS LLC

Brea • Chicago • Dallas • Los Angeles • New York • Philadelphia • San Antonio • Tampa

### NOTABLE FIXED DEALS FROM LAST WEEK

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

Issuer	Virginia College Building Authority				Springfield School District				City of El Paso*			
State	VA				MO				TX			
Call	2/1/2033				3/1/2032				3/1/2033			
Tax Status	Tax-exempt				Tax-exempt				Tax-exempt			
Size (\$mm)	618.815				190.000				171.925			
Ratings	Aa1/AA+/AA+				AA+				AA+/AA+			
	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
	2024-2041	5.00	3.11-3.43	8-39	2024-2040	5.00	3.10-3.46	7-45	2024-2041	5.00	3.14-3.47	11-43
	2042	5.25	3.41	34	2041-2043	4.00	4.00-4.5	96-93	2042-2044	4.00	3.95-4.08	88-90
	2043	4.00	4.08	96					2049	5.25	3.82	50

\*Cabrera Served as Co-Manager

### ECONOMIC CALENDAR (ALL TIMES IN ET)

Monday	Tuesday	Wednesday	Thursday	Friday
22-May	23-May	24-May	25-May	26-May
None Scheduled	8:30 AM S&P Flash U.S Services PMI	2:00 PM Minutes of Fed's May FOMC Meeting	8:30 AM Initial Jobless Claims	8:30 AM Durable Goods Orders
	8:30 AM S&P Flash U.S Manufacturing PMI		8:30 AM GDP (Second Reading)	8:30 AM Personal Income (Nominal)
				8:30 AM PCE Index
				10:00 AM Consumer Sentiment (Final)

29-May	30-May	31-May	1-Jun	2-Jun
Memorial Day	9:00 AM S&P Case-Shiller Home Price Index	8:15 AM ADP Employment	8:30 AM Initial Jobless Claims	8:30 AM U.S Employment Report
	10:00 AM Consumer Confidence	10:00 AM Job Openings	8:30 AM Continuing Jobless Claims	8:30 AM U.S Hourly Wages
			8:30 AM U.S Productivity	