



## CABRERA CAPITAL MARKETS LLC

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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

While last week proved to be another challenging week for rates, municipal deals in the market performed rather well given the weaker tone in rates, albeit at slightly wider spreads. The dynamic of increasing rates and strong deal performance is also a function of the buy side demand as a result of bond and coupon redemptions. Municipal rates increased last week anywhere from 5 basis points to 19 basis points, with the first ten years experiencing most of those sizable increases. The municipal yield curve inversion continues to strengthen with the 1-year to 30-year differential only 31 basis points; that same differential on 4/1/23 was 89 basis points. Since 5/1/23 the 1-year, 5-year, 10-year, 20-year and 30-year rates have increased by 31 bps, 45 bps, 36 bps, 23 bps and 23 bps, respectively; current yields for those respective maturities are at 3.31%, 2.83%, 2.72%, 3.40% and 3.62%. Moreover, debt ceiling discussions continued to improve over the weekend with a deal in sight – on Friday Janet Yellen moved the deadline back to June 5th which gives the US Congress less than a week to agree on a final debt ceiling compromise. Another aspect that is and will continue to play into the current market challenge is the push and pull of the economy and the strong releases we continue to witness. This past week income reports, spending and core Personal Consumption Expenditures (PCE) were all very strong leading most to believe there is a way to go before the economy cools off. Two Fed Presidents, Mester and Waller, made comments this past week stating that inflation is still too strong and that they would not be in favor of stopping rate hikes yet until there is clear evidence of the economy nearing its 2% inflation objective. Weekly SIFMA reset this past week at 3.41%, unsurprisingly up 48 basis points from the prior week. We also saw another municipal fund outflow week of negative \$847 million, which marks over 4 months in a row of straight outflows.

Treasuries this past week increased with the 1-month T-Bill crossing over the 6% range and settling at 6.02% on Friday; this morning the 1 month T Bill has settled significantly. The 30-year Treasury rate however, was relatively stable setting at 3.96%, down only 1 basis point from the prior week; again, further highlighting the weakness of the short-end of the curve as a result of both the economic releases and the ongoing debt ceiling discussions. The 2 month-to-1 year T-Bill's range from 5.25% to 5.47%; the 5-year and 10-year Treasury rates closed Friday at 3.92% and 3.80%, respectively. This week's municipal primary calendar is manageable with transactions from City of New York at \$1.6 billion (Cabrera Co-Manager), a Riverside County \$360 million deal, a State of Connecticut \$360 million (Cabrera Co-Manager) issue, a Raleigh, North Carolina \$289 million transaction, an Iowa Finance Authority \$220 million issue and a Fort Bend County \$135 million transaction, just to name a few.

Last week in the Primary Market, the Los Angeles Department of Water and Power priced a \$495 million issue. The deal received almost \$300 million in retail orders. The institutional order period was spotty, so instead of changing price, they restructured the deal moving par amounts around, downsizing the maturities in the 10-year part of the curve and moving them out to the 15-20 year part of the curve. The Metropolitan Washington Airports Authority priced a \$436 million AMT issue. The deal was oversubscribed throughout and was bumped as much as 13 basis points. The City of San Antonio, TX priced a \$647 million Tax-Exempt Revenue issue for CPS Energy. The deal had mixed results with some maturities being cheapened as much as 5 basis points while other maturities were bumped as much as 3 basis points. The New Jersey Transportation Trust Fund Authority priced a \$692 million Tax-Exempt issue. The spreads were bumped 5 basis points before entering the order period. After the order period, the deal was oversubscribed throughout and bumped as much as 15 basis points. The State of Oregon priced a \$215 million Tax-Exempt issue for the Department of Transportation. The deal was bumped 0-5 basis points. Pflugerville, Texas priced a \$150 million Certificate of Obligation issue. Most of the deal was unchanged, but there were some maturities that tightened spreads by 1-5 basis points. The Fort Bend ISD, Texas priced a \$97 million Tax-Exempt issue. The deal was oversubscribed and bumped as much as 5 basis points. This week's calendar stands at \$7 billion with the \$1.6 billion City of New York deal headlining the calendar.



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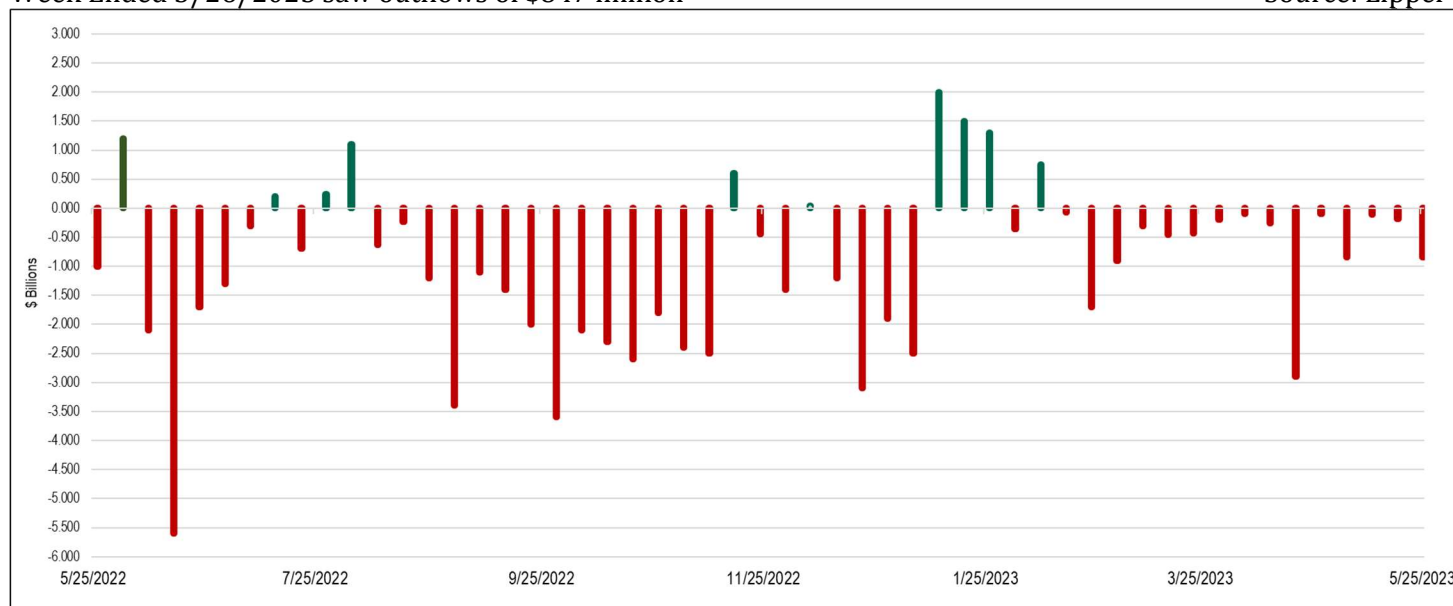
### INTEREST RATE SNAPSHOT

Benchmark	Maturity	5/26/2023 AAA MMD	Change from Last Week (bps)	5/26/2023 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	3.31	+5	5.25	+23	63.05%	5/26/2023	3.41	(\$847)	5.16	5.62
2	2025	3.15	+10	4.54	+26	69.38%	5/19/2023	2.93	(\$187)	5.15	5.39
3	2026	3.02	+16	4.23	+25	71.39%	5/12/2023	3.04	(\$102)	5.11	5.27
5	2028	2.83	+18	3.92	+16	72.19%					
10	2033	2.72	+17	3.80	+10	71.58%					
20	2043	3.40	+10	4.13	+6	82.32%					
30	2053	3.62	+10	3.96	+1	91.41%					

### MUNICIPAL FUND FLOWS

Week Ended 5/26/2023 saw outflows of \$847 million

Source: Lipper



### UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
<b>1,415.645</b>	<b>The City of New York*</b>	<b>NY</b>	<b>General Obligation Bonds</b>
750.000	Sutter Health	CA	Taxable Bonds
360.000	County of Riverside	CA	2023 Tax and Revenue Anticipation Note
<b>360.000</b>	<b>State of Connecticut*</b>	<b>CT</b>	<b>General Obligation Bonds</b>
352.700	Massachusetts Educational Finance Authority	MA	Education Loan Revenue Bonds
<b>350.000</b>	<b>State of Connecticut*</b>	<b>CT</b>	<b>Taxable General Obligation Bonds</b>
325.510	Irvine Facilities Financing Authority	CA	Lease Revenue Bonds
289.690	City of Raleigh	NC	Combined Enterprise System Revenue and Refunding Bonds
233.980	Maryland Stadium Authority	MD	Revenue Bonds
187.215	Iowa Finance Authority	IA	State Revolving Fund Revenue Bonds
163.195	Utah Board of Higher Education	UT	General Revenue Bonds
155.000	Nebraska Public Power District	NE	General Revenue Bonds
<b>151.415</b>	<b>The City of New York*</b>	<b>NY</b>	<b>General Obligation Bonds</b>
134.090	Fort Bend County	TX	General Obligation Bonds
112.340	Massachusetts Educational Finance Authority	MA	Education Loan 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

Issuer	New Jersey Transportation Trust*				Los Angeles Department of Water and Power*				City of San Antonio CPS Energy			
State	NJ				CA				TX			
Call	6/15/2033				7/1/2033				8/1/2033			
Tax Status	Tax-exempt				Tax-exempt				Tax-exempt			
Size (\$mm)	692.905				495.530				459.450			
Ratings	A2/A-/A/A				Aa2/AA+/AA				Aa2/AA-/AA-			
	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
	2024-2040	5.00	3.71-4.30	40-98	2023-2049	5.00	3.30-3.94	0-36	2027-2039	5.00	3.56-3.80	22-52
	2044	4.25	4.59	115					2040-2043	5.25	3.87-4.00	55-60
									2046	5.25	4.11	60
									2050	5.50	4.19	60

\*Cabrera Served as Co-Manager

### ECONOMIC CALENDAR (ALL TIMES IN ET)

Monday	Tuesday	Wednesday	Thursday	Friday
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	
5-Jun	6-Jun	7-Jun	8-Jun	9-Jun
10:00 AM Factory Orders	None Scheduled	8:30 AM U.S. Trade Deficit	8:30 AM Initial Jobless Claims	None Scheduled
10:00 AM ISM Services		3:00 AM Consumer Credit	10:00 AM Wholesale Inventories	