



## CABRERA CAPITAL MARKETS LLC

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# MUNICIPAL MARKET UPDATE

### Public Finance

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## PRIMARY MARKET ACTIVITY

After Monday's market close last week, we saw rates increase by 25 basis points throughout the yield curve. This was an extraordinary move that was prompted by the inflation report from Friday June 10th and the subsequent FOMC meeting where the Fed was to announce its rate decision Tuesday and Wednesday of last week. Prior to the CPI/Inflation report on the 10th, the consensus was that the Fed would raise rates by 50 basis points; this consensus quickly changed to 75 basis points early last week, which the FOMC followed through on Wednesday afternoon. That 75 basis point move was the biggest rate hike in 28 years and raises the short term borrowing rate to a range of 1.50% - 1.75%. Economic projections put the year end 2022 short term borrowing rate somewhere in the range of 3% - 3.5%. By Wednesday June 15th, municipal benchmark rates had calmed, however the steep rate increases of the prior week remained. The 5-year, 10-year, 20-year and 30-year benchmark municipal rates ended the week at 2.36%, 2.91%, 3.24% and 3.38%, respectively. Highlighting the impact of the short-term rate increase, the weekly tax exempt SIFMA rate increased from 62 basis points to 97 basis points, a huge jump in what is usually a relatively stable market.

Interestingly, taxable Treasury rates ended the week down anywhere from 3 basis points to 20 basis points, and the 3-7 year Treasury rates are yielding more than the 30-year Treasury. The 5-year, 10-year and 30-year taxable Treasuries are yielding 3.34%, 3.25% and 3.30%, respectively. The two-year Treasury rate has increased 300 basis points in just eight months, an incredible stat that will and has weighed on home mortgage rates. Furthermore, the 30-year municipal/treasury ratio is currently at 103% (3.38% municipal/3.30% treasury), which is the first time this ratio has been above 100% since May. One other noteworthy item which was reflective of the market tone this past week was the \$5.6 billion of municipal fund outflows—the largest weekly fund outflow of the year.

The pending calendar this week stands at approximately \$6.4 billion, which could grow as many deals were pulled last week. A few deals in the \$6.4 billion market this week include the following: a \$1.5 billion City of Los Angeles Tax and Revenue Anticipation Notes deal, a \$390 million Los Angeles Department of Water and Power (Cabrera Co-Manager) (LADWP) Power System Revenue Bonds transaction, a \$300 million Commonwealth of Massachusetts Transportation Fund (Cabrera Co-Manager), a \$273 million Metropolitan Water District of Southern California Water Revenue Refunding Bonds deal (Cabrera Co-Manager), a \$134 million State of Wisconsin General Obligation Floating Rate Notes transaction, a \$56 million City of Mesa, Arizona Utility Systems Revenue Refunding Bonds deal, a \$45 million City of Longview, Texas GO Pension Bonds transaction and a \$19 million Burleson ISD Unlimited Tax Refunding Bonds deal.

Last week's Issuance was already expected to be light with the FOMC set to consider a rate hike on Wednesday but the week became even lighter as several deals were postponed including deals for Nassau County, New York (\$240 million), Virginia Railway (\$120 million) and Melissa ISD, Texas (\$50 million). The City of Salt Lake City, Utah priced the largest deal of the week with a \$329 million Tax-Exempt Public Utility Revenue Bonds deal that priced on Tuesday and whose levels were unchanged. Additionally, the Public Finance Authority for NASA DC Headquarters priced a \$275 million taxable deal. This deal tried to come several weeks ago. The deal was rated Baa2 and priced at +275 basis points over the 7-year for a 2028 maturity. The City of San Mateo, California priced a \$72 million Tax-Exempt Community Facilities District deal. The long end struggled and had to be restructured using 5.25% coupons



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and repriced as much as 10 basis points cheaper. Southern Illinois University priced a \$37 million Tax-Exempt issue, which was oversubscribed through 2034 and was bumped 3-7 basis points.

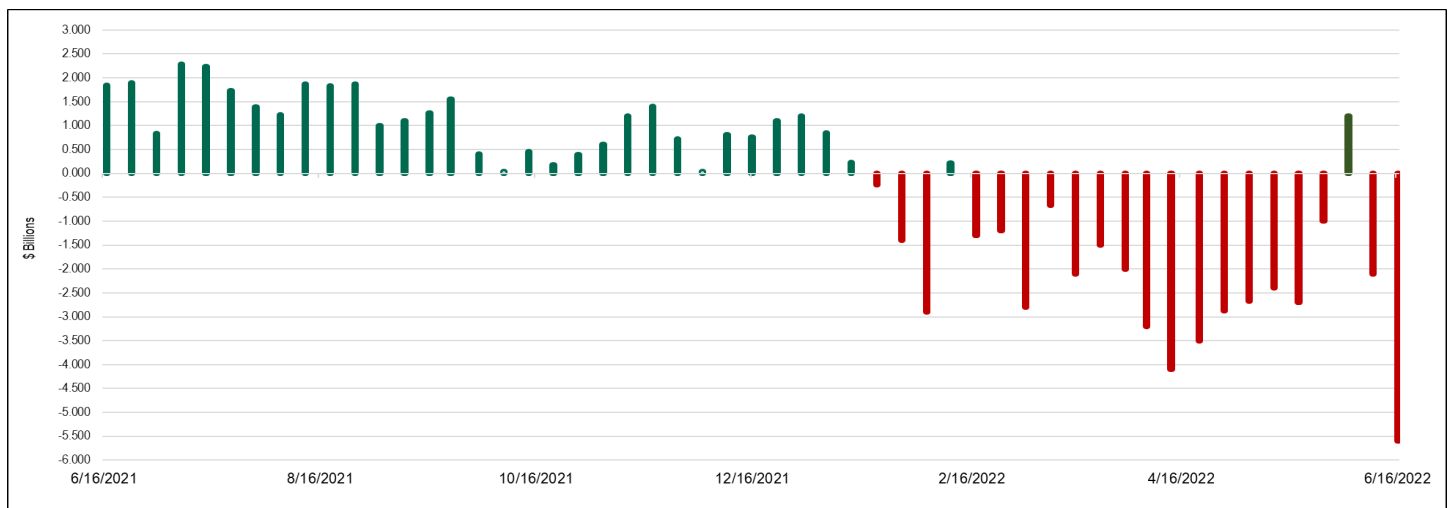
### INTEREST RATE SNAPSHOT

Benchmark	Maturity	6/17/2022 AAA MMD	Change from Last Week (bps)	6/17/2022 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	1.72	+31	2.86	+34	60.14%	6/17/2022	0.97	(\$5,600)	1.60	3.67
2	2024	2.06	+31	3.17	+12	64.98%	6/10/2022	0.62	(\$2,100)	1.26	2.96
3	2025	2.21	+31	3.33	+10	66.37%	6/3/2022	0.68	\$1,200	1.12	2.78
5	2027	2.36	+31	3.33	+8	70.87%					
10	2032	2.91	+33	3.24	+9	89.81%					
20	2042	3.24	+31	3.55	+10	91.27%					
30	2052	3.38	+31	3.29	+9	102.74%					

### MUNICIPAL FUND FLOWS

Week Ended 6/16/2022 saw outflows of \$5.60 billion, 2<sup>nd</sup> Week of Outflows

Source: Lipper



### UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
1,571.980	City of Los Angeles	CA	Tax and Revenue Anticipation Notes
465.000	California Community Housing Agency	CA	Essential Housing Revenue Bonds
390.085	Department of Water & Power of the City of LA	CA	Power System Revenue Bonds
313.122	National Finance Authority	NH	Municipal Certificates Class A (Social)
313.122	National Finance Authority	NH	Municipal Certificates Class X (Social)
300.000	Fred Hutchinson Cancer Center	Corporate	Taxable Bonds
300.000	Commonwealth Transportation Fund	VI	Revenue Bonds
273.730	The Metropolitan Water District of Southern California	CA	Water Revenue Refunding Bonds
164.745	Palm Beach County Health Facilities Authority	FL	Hospital Revenue Bonds
163.005	The Aurora Highlands Community Authority Board	CO	Special Tax Revenue Bonds
160.000	Gallatin County	MT	Industrial Development Revenue and Refunding Bonds
134.370	State of Wisconsin	WI	General Obligation Floating Rate Notes
56.300	City of Mesa	AZ	Utility Systems Revenue Refunding Obligations
45.600	City of Longview	TX	General Obligation Pension Bonds
19.685	Burleson Independent School District	TX	Unlimited Tax Refunding Bonds



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**NOTABLE FIXED DEALS FROM LAST WEEK**

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

	Salt Lake City				Public Finance Authority				*San Mateo			
Issuer	Salt Lake City				Public Finance Authority				*San Mateo			
State	UT				WI				CA			
Call	2/1/2032				8/1/2025				9/1/2032			
Tax Status	Tax-Exempt				Taxable				Tax-Exempt			
Size (\$mm)	329.025				275.000				72.345			
Ratings	Aa1/AAA				Baa2				BBB (AA BAM Insured)			
	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
	2025-2036	5.00	2.20-3.46	4-36	2028	6.145	6.145	275	2023-2032	5.00	2.08-3.74	32-90
	2037-2039	4.00	4.00-4.05	88-89					2035	5.25	4.05	105
	2040-2042	4.50	3.88-3.98	69-74					2035	5.00	4.10	110
	2052	5.00	3.89	51					2037-2044	5.25	4.20-4.42	115-120
	2052	4.375	4.42	104								

\*Cabrera Served as Co-Manager

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

Monday	Tuesday	Wednesday	Thursday	Friday
20-Jun	21-Jun	22-Jun	23-Jun	24-Jun
Juneteenth None Scheduled	10:00 AM Existing Home Sales (SAAR)	None Scheduled	8:30 AM Initial Jobless Claims	10:00 AM Umich Consumer Sentiment Index (Final)
			8:30 AM Continuing Jobless Claims	10:00 AM 5-Year Inflation Expectations (Final)
				10:00 AM New Home Sales (SAAR)
27-Jun	28-Jun	29-Jun	30-Jun	1-Jul
10:00 AM Pending Home Sales Index	10:00 AM Consumer Confidence Index	8:30 AM Gross Domestic Income Revision (SAAR)	8:30 AM Initial/Continuing Jobless Claims	9:45 AM S&P Global U.S. Manufacturing PMI (Final)
			8:30 AM PCE Inflation (year- over-year)(monthly)	
			8:30 AM Real Disposable Income/Real Consumer Spending	