



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, August 1, 2022

Underwriting

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

PRIMARY MARKET ACTIVITY

Last week was another great week for municipal bonds with a rally and another week of yield decreases across the board. Transactions in the municipal market continued to be oversubscribed as the positive dynamic of low volume and a significant amount of investor money kept demand high and rates low. As a result, municipal pricing spreads continued to decline, we witnessed this development in both the primary and secondary markets. The 5-year, 10-year, 20-year and 30-year MMD yields dropped by 14 basis points to 1.84%, 18 basis points to 2.21%, 10 basis points to 2.75% and 10 basis points to 2.89%, respectively. When you compare the municipal yield curve to the Treasury curve, municipals look steep, primarily on the front end; with that said, anything looks steep in comparison to the Treasury curve. Municipal demand on the front end has continued to be extremely robust over the course of the last few weeks, another reason for the front-end municipal curve steepening. Moreover, the Treasury curve continued to flatten last week, and taxable Treasuries flattened as the month of July progressed. As an example, the 1-month Treasury rate started July at 1.27% and ended the month at 2.22%, the 3-month Treasury rate started the month at 1.73% and ended July at 2.41%. Meanwhile, the 10-year and 30-year Treasury rates ended July down 21 and 11 basis points respectively at 2.67% and 3.00%, with the yield curve remaining inverted – the 1-year Treasury rate is yielding 2.98% as an example – which is good news for the investment side of the book. Another anomaly last week was SIFMA resetting at 133 basis points! That was an incredible jump of 68 basis points for the normally relatively stable weekly metric that is essentially a benchmark for tax exempt commercial paper. Last week and the prior week SIFMA reset at 65 and 69 basis points, respectively.

Inflows returned at \$236 million, which is not a huge number but the amount of positive inflows is frankly irrelevant; what is important is seeing inflows at any level which is reflective of the positive market. Lastly, it is another light week in the negotiated municipal markets at approximately \$3.5 billion. Deals in the market this week include a Port of Seattle \$806 million transaction, a Forney ISD, TX \$283 million issue, a Galveston ISD, TX \$250 million deal, a City of Midland, TX \$250 million (taxable/tax-exempt) transaction, a Florence ISD, TX \$45 million issue, a Boerne ISD, TX \$45 million (put/fixed) deal, a City of Kyle, TX \$38 million transaction, a Pflugerville ISD, TX \$26 million issue, a City of Schertz, TX \$40 million deal and a Denton County, TX \$9 million transaction, amongst others – as you can see, while a light week nationally it is a heavier Texas calendar this week.

There were only 3 deals over \$100 million priced last week. Pinal County, Arizona priced a \$116 million Taxable transaction with a 2026 call and the deal was oversubscribed throughout. Spreads were tightened 8-10 basis points and the deal was launched at the tights. Belton Independent School District in Texas priced a \$166 million Tax-Exempt deal. The deal was oversubscribed and bumped as much as 15 basis points. Hays Unified School District 489 in Kansas also priced a \$143 million Tax-Exempt deal. This deal was 6-14 times oversubscribed and was bumped 7-10 basis points. This week's calendar continues to be light at \$3.5 billion expected to price.



CABRERA CAPITAL MARKETS LLC

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

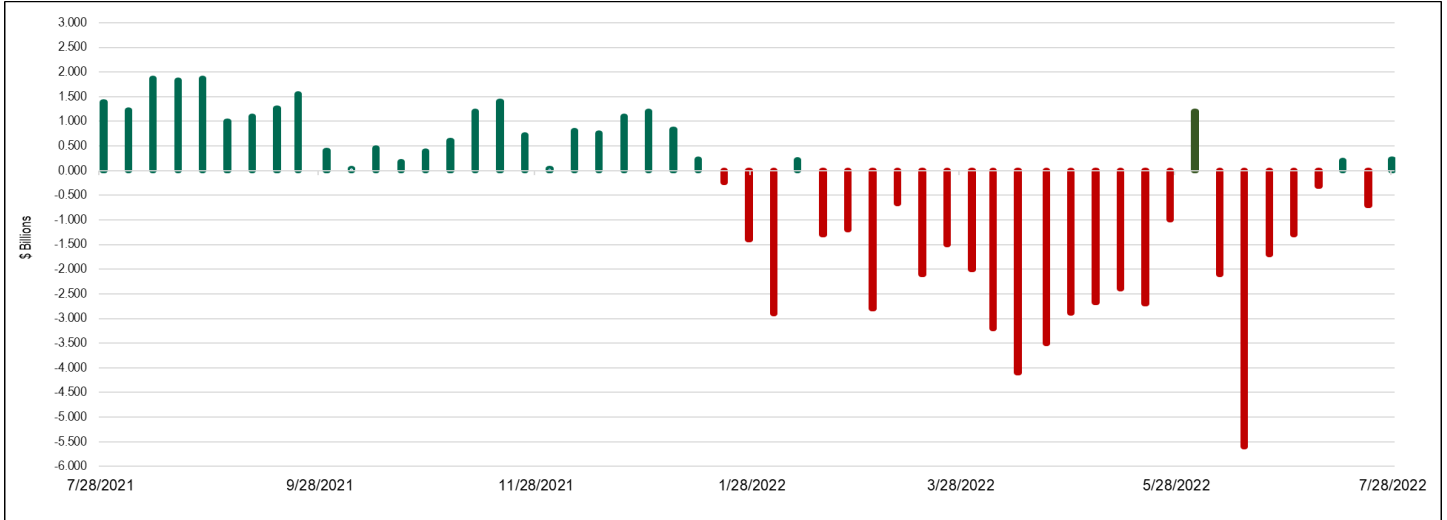
INTEREST RATE SNAPSHOT

Benchmark	Maturity	7/29/2022 AAA MMD	Change from Last Week (bps)	7/29/2022 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	1.38	-2	2.98	-3	46.31%	7/29/2022	1.33	\$236	2.37	3.76
2	2024	1.60	-10	2.89	-9	55.36%	7/22/2022	0.65	(\$699)	2.26	3.92
3	2025	1.67	-13	2.83	-10	59.01%	7/15/2022	0.69	\$206	2.16	3.98
5	2027	1.80	-14	2.70	-17	66.67%					
10	2032	2.21	-18	2.67	-10	82.77%					
20	2042	2.75	-10	3.20	-3	85.94%					
30	2052	2.89	-10	3.00	0	96.33%					

MUNICIPAL FUND FLOWS

Week Ended 7/28/2022 saw inflows of \$236 million, 1st Consecutive Week of Inflows

Source: Lipper



UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
806.915	Port of Seattle	WA	Intermediate Lien Revenue Refunding Bonds
323.615	Tarrant County Culture Education Facilities Finance Corp.	TX	Revenue Refunding Bonds
283.785	Forney Independent School District	TX	Unlimited Tax School Building Bonds
250.000	Galveston Independent School District	TX	Unlimited Tax School Building Bonds
225.000	Aubrey Independent School District	TX	Unlimited Tax School Building Bonds
157.050	City of Midland	TX	General Obligation Refunding Bonds
121.695	Sanger Independent School District	TX	Unlimited Tax School Building Bonds
98.365	City of Midland	TX	General Obligation Refunding Bonds
77.495	City of Grand Prairie	TX	General Obligation Pension Bonds
76.430	Forest Preserve District of Cook County	IL	General Obligation Limited Tax Refunding Bonds
48.935	Florence Independent School District	TX	Unlimited Tax School Building Bonds
45.000	Boerne Independent School District	TX	Fixed/Variable Rate Unlimited Tax School Building Bonds
38.000	City of Kyle	TX	General Obligation Bonds
25.970	Pflugerville Independent School District	TX	Unlimited Tax Refunding Bonds
9.105	Denton County	TX	Tax Notes



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

	Belton Independent School District				Hays Unified School District #489				Pinal County			
Issuer	Belton Independent School District				Hays Unified School District #489				Pinal County			
State	TX				KS				AZ			
Call	2/15/2031				9/1/2031				8/1/2026			
Tax Status	Tax-Exempt				Tax-Exempt				Taxable			
Size (\$mm)	166.230				143.500				115.655			
Ratings	AAA				A+				AA-/AA-			
	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
	2023-2036	5.00	1.44-2.88	14-32	2024-2047	5.00	1.79-3.69	13-80	2023-2052	3.071-5.738	3.071-5.738	15-270
	2037-2052	4.00	3.36-3.94	77-100	2052	4.00	4.19	125				

ECONOMIC CALENDAR (ALL TIMES IN ET)

Monday	Tuesday	Wednesday	Thursday	Friday
1-Aug	2-Aug	3-Aug	4-Aug	5-Aug
9:45 AM S&P U.S. Manufacturing PMI (Final)	10:00 AM Job Openings	9:45 AM S&P U.S. Services PMI (Final)	8:30 AM Initial Jobless Claims	8:30 AM Unemployment Rate
	10:00 AM Quits		8:30 AM Continuing Jobless Claims	
8-Aug	9-Aug	10-Aug	11-Aug	12-Aug
11:00 AM NY Fed 3-Year Inflation Expectations	6:00 AM NFIB Small-Business Index	8:30 AM Consumer Price Index	8:30 AM Initial Jobless Claims	10:00 AM Umich 5-Year Inflation Expectations (Preliminary)
			8:30 AM Continuing Jobless Claims	