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MUNICIPAL MARKET UPDATE

Public Finance

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PRIMARY MARKET ACTIVITY

This past week was a very challenging market with high volume, yield curve inversions, significant rate increases and widening pricing spreads, again. The short-end of the tax-exempt municipal yield curve was tested and saw a lot of selling, which resulted in unprecedented rate increases on the short-end, and for a few days (Tuesday-Thursday) the short selling created an inverted municipal curve (the 1-year was yielding higher than the 6-year municipal benchmark rate). On Friday, the yield curve normalized, but not without massive increases in rates (cuts) especially on the short-end; last week rates in the first 5 years increased 38-41 basis points, and years 6-30 rates increased 18-25 basis points. To put the rate increases in perspective, in the past month, the 1-year and 2-year MMD have increased 77 and 56 basis points to 2.15% and 2.16%, respectively. Additionally, over the past month the 5-year, 10-year, 20-year and 30-year MMD rates are up 40 basis points (2.40%), up 27 basis points (2.48%), up 24 basis points (2.99%) and up 22 basis points (3.11%), respectively. The toughest day of the week was without question Wednesday where rates increased anywhere from 10-16 basis points. The day was highlighted and initiated by increased Treasuries due to higher than expected inflation in the UK, and the FOMC minutes release, which stated that inflation is well above FOMC's target and their stance will remain to "promote maximum employment and price stability". Moreover, Cabrera was Joint Bookrunner (Ramirez on books) on a AAA rated Dallas County transaction that was certainly a challenge due to the choppy market waters, as were many other deals in the market that day. At the end of the order period, Cabrera and Ramirez committed to take down \$30 million in balances in a market that was very soft to limit additional increases in yield and risk to the County - ultimately Cabrera and Ramirez ended up taking down about \$8 million in balances after the pricing adjustments.

Furthermore, Treasuries 5 years and out were up 10-20+ basis points last week and the taxable Treasury yield curve still remains inverted. Treasury investments look very attractive however with the 1-month to 1-year Treasury ranging from 2.23% to 3.26% - a year ago that same 1-month to 1-year range was 0.03% to 0.07% - pretty amazing what inflation can do to short term rates. We also saw another week of outflows, \$229 million to be exact, after \$635 million of outflows two weeks ago. Weekly SIFMA reset this past week at 1.79%, only 4 basis points lower from the prior week and reflective of our consistent short term market theme. This week we are expecting approximately \$6.7 billion in volume, down from \$10+ billion last week. Some of the deals in the market this week include a New York City TFA \$987 million deal (Co-Manager), a Del Valle ISD, TX \$280 million transaction, an Alamo Community College District, TX \$244 million issue, a Pennsylvania Housing Finance Agency \$201 million deal, a Sacramento County, CA \$121 million issue, a City of Kerrville, TX \$44 million transaction and a City of Aurora, CO \$31 million deal.

Last week in the primary markets, the Commonwealth of Massachusetts priced a \$2.6 billion Taxable deal. Spreads had to get as much as 20 basis points wider on the short end while the long end had good success and was priced 3 basis points tighter. The University of California priced Tax-Exempt, Taxable and a Tax-Exempt forward delivery issues. The \$700 million Tax-Exempt issue had \$689 million in retail orders mostly in the 10-year maturity and levels were unchanged after the order period. The \$65 million Taxable issue had good results. The deal had a Make Whole Call and was priced to the tights which was 15 basis points tighter than the preliminary indications. The \$300 million



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Tax-Exempt forward delivery transaction had mixed results. The short end was cheapened by as much as 2 basis points and the intermediate and long end were bumped by as much as 2 basis points. In addition, the City of New York priced a \$950 million Tax-Exempt transaction; the deal garnered \$312 million in retail orders. The deal was repriced 5-15 basis points cheaper and was restructured using more 5.25% coupons on the long end. In Texas, Dallas County priced a \$130 million Tax-Exempt deal. The deal struggled in a challenging market and was repriced 6-15 basis points cheaper. Lastly, Eagle Mountain ISD in Texas priced a \$187 million Tax-Exempt deal with good success. Levels were bumped as much as 2 basis points. This week's calendar is about \$7 billion with a \$1 billion New York City Transitional Finance Authority headlining the calendar.

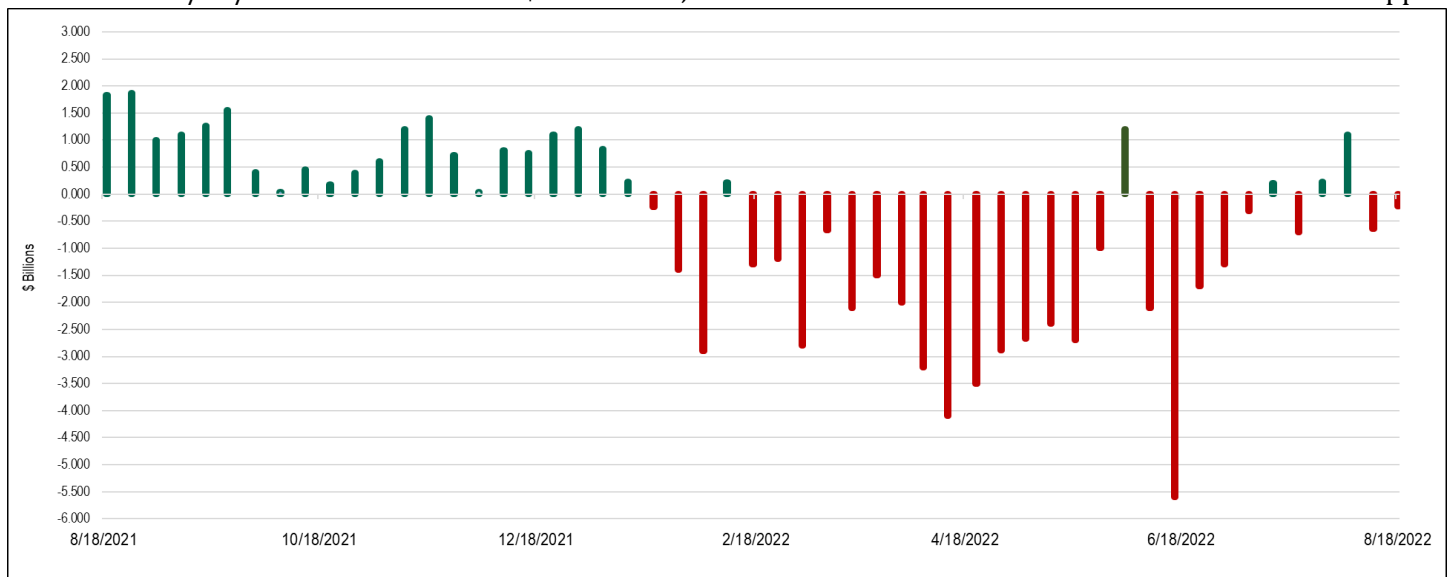
INTEREST RATE SNAPSHOT

| Benchmark | Maturity | 8/19/2022 AAA MMD | Change from Last Week (bps) | 8/19/2022 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 | 2.15 | +41 | 3.26 | - | 65.95% | 8/19/2022 | 1.79 | (\$229) | 2.37 | 4.00 |
| 2 | 2024 | 2.16 | +41 | 3.25 | - | 66.46% | 8/12/2022 | 1.83 | (\$635) | 2.39 | 3.93 |
| 3 | 2025 | 2.17 | +42 | 3.28 | +10 | 66.16% | 8/5/2022 | 1.68 | \$1,100 | 2.37 | 3.88 |
| 5 | 2027 | 2.20 | +38 | 3.11 | +14 | 70.74% | | | | | |
| 10 | 2032 | 2.48 | +24 | 2.98 | +14 | 83.22% | | | | | |
| 20 | 2042 | 2.99 | +20 | 3.44 | +10 | 86.92% | | | | | |
| 30 | 2052 | 3.11 | +18 | 3.22 | +10 | 96.58% | | | | | |

MUNICIPAL FUND FLOWS

Week Ended 8/18/2022 saw outflows of \$229 million, 2nd Consecutive Week of Outflows

Source: Lipper





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UPCOMING NEGOTIATED CALENDAR

| Size (\$mm) | Issuer | State | Description |
|-------------|---|-------|--|
| 987.250 | *New York Transitional Finance Authority | NY | Future Tax Secured Subordinate Bonds |
| 491.225 | The Black Belt Energy Gas District | AL | Gas Project Revenue Bonds |
| 467.030 | City of Charlotte | NC | Water and Sewer System Revenue Bonds |
| 385.595 | Minneapolis-St. Paul Metropolitan Airports Comission | MN | Subordinate Airport Revenue Bonds |
| 280.000 | Del Valle Independent School District | TX | Unlimited Tax School Building Bonds |
| 244.170 | Alamo Community College District | TX | Maintenance Tax Notes |
| 201.945 | Pennsylvania Housing Finance Agency | PA | Single Family Mortgage Revenue Bonds |
| 160.000 | South Carolina State Housing Fin. & Development Auth. | SC | Mortgage Revenue Bonds |
| 160.000 | Economic Development Authority of Loudoun County | VA | Revenue Bonds |
| 156.285 | City of Richmond | VA | Taxable Pension Refunding Bonds |
| 121.210 | Metro Air Park Community Facilities District #2000-1 | CA | Special Tax Bonds |
| 111.795 | Dormitory Authority of the State of New York | NY | School District Rev. Bond Financing Program Rev. Bonds |
| 98.875 | Clifton Higher Education Finance Corporation | TX | Education Revenue Bonds |
| 98.720 | Maryland Department of Housing & Community Develop. | MD | Residential Revenue Bonds |
| 44.690 | City of Kerrville | TX | General Obligation Bonds |
| 31.765 | City of Aurora | CO | Certificates of Participation |

***Cabrera will serve as Co-Manager**

NOTABLE FIXED DEALS FROM LAST WEEK

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

| Issuer | Commonwealth of Massachusetts | | | | *City of New York | | | | *University of California Regents | | | |
|-------------|-------------------------------|---------------|--------------|---------------|-------------------|---------------|--------------|---------------|-----------------------------------|---------------|--------------|---------------|
| State | MA | | | | NY | | | | CA | | | |
| Call | Make Whole Call | | | | 9/1/2032 | | | | 5/15/2032 | | | |
| Tax Status | Taxable | | | | Tax-Exempt | | | | Tax-Exempt | | | |
| Size (\$mm) | 1,996.515 | | | | 950.000 | | | | 702.330 | | | |
| Ratings | Aa1/AAA/AAA | | | | Aa2/AA/AA-/AA+ | | | | Aa2/AA/AA | | | |
| | Maturity | Coupon | Yield | Spread | Maturity | Coupon | Yield | Spread | Maturity | Coupon | Yield | Spread |
| | 2023-2031 | 3.564-3.881 | 3.564-3.881 | 30-107 | 2024-2039 | 5.00 | 2.10-3.54 | 19-85 | 2032 | 5.00 | 2.42 | 13 |
| | | | | | 2040-2041 | 5.25 | 3.53-3.60 | 80 | 2052 | 5.00 | 3.58 | 60 |
| | | | | | 2041 | 5.00 | 3.65 | 85 | | | | |
| | | | | | 2042 | 5.25 | 3.64 | 80 | | | | |
| | | | | | 2042 | 5.00 | 3.69 | 85 | | | | |
| | | | | | 2043 | 5.25 | 3.66 | 80 | | | | |
| | | | | | 2046 | 4.00 | 4.28 | 128 | | | | |

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ECONOMIC CALENDAR (ALL TIMES IN ET)

| Monday | Tuesday | Wednesday | Thursday | Friday |
|--|---|--|--------------------------------------|---|
| 22-Aug | 23-Aug | 24-Aug | 25-Aug | 26-Aug |
| 8:30 AM Chicago FED National Activity Index | 9:45 AM S&P US Manufacturing/ Services PMI (Flash) | 8:30 AM Durable Goods Orders | 8:30 AM Initial Jobless Claims | 8:30 AM PCE Price Index Monthly |
| | 10:00 AM New Home Sales (SAAR) | 10:00 AM Pending Home Sales Index | 8:30 AM Continuing Jobless Claims | 8:30 AM Real Consumer Spending/Real Disposable Incomes |
| | | | | 10:00 AM Umich 5-Year Inflation Expectations (Final) |
| 29-Aug | 30-Aug | 31-Aug | 1-Sep | 2-Sep |
| None Scheduled | 10:00 AM Consumer Confidence Index | 8:00 AM Cleveland Fed President Loretta Mester Speaks | 8:30 AM Initial Jobless Claims | 8:30 AM Unemployment Rate |
| | 11:00 AM New York Fed President John Williams Speaks | 6:30 PM Atlanta Fed President Raphael Bostic Speaks | 8:30 AM Continuing Jobless Claims | |