Mischler Muni Market Update

August 1, 2016

Comments:

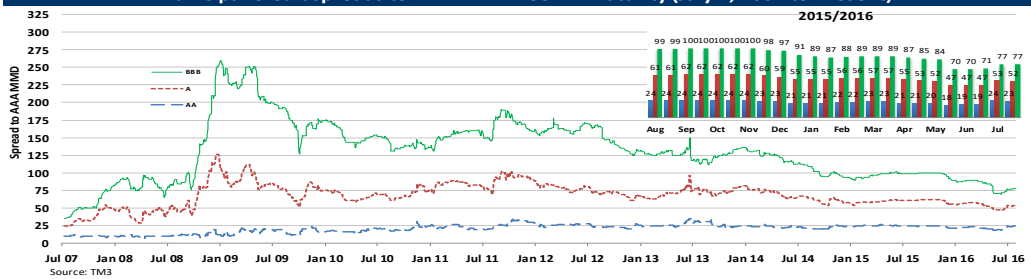
- Last week muni volume was $5.7 billion. This week volume is expected to be $11.9 billion. The negotiated market is led by $855.6 million GOs for The City of New York. The competitive market is led by $780.4 million for the State of Minnesota on Tuesday with 3 bids.
- Last week credit spreads were unchanged.
- Muni bond mutual funds experienced inflows of $782.9 million for the week ending July 27 after inflows of $1.0 billion the previous week. Flows have been positive for the last 43 weeks.
- From Friday to Friday, MMD yields decreased 4-6 bps through 15 years and 3 bps for 20 to 30 years as the curve steepened for the third week in a row. Muni/Treasury ratios for 10 and 30 year maturities ended the week at 96.1% and 97.0%, respectively, both higher than the week before as munis underperformed Treasuries.
- The 2 to 30 year spread was 160 on Friday, 4 bps steeper than the previous Friday.
- Last week munis were lower in rate across the curve led by the short/intermediate range as the curve steepened. Economic data and central banks were the focus with Fed leaving the door open for one more rate hike this year and BOJ disappointing with more modest program than expected. US 2Q GDP only +1.2% vs +2.6% expected and weekly jobless claims 266K showing a jump of 14,000 on the week. Most muni deals able to bump final prices last week. Treasuries outperformed munis as ratios increased helped by month end extension and risk asset allocations for Treasuries. Big week for munis with $12 billion volume.

Selected Deals for the Week Ending 8/5/16

Issuer	Par ($mil)	Ratings (M/S&P/F/K)	
Negotiated			**U/W**
The City of New York, NY, GO	**855.60**	**Aa2/AA/AA**	**GS**
State of Wisconsin, Gen'l Fund Approp. (Tx)	598.10	Aa3/AA-/AA-	Stifel
Miami-Dade County, FL, Aviation Rev (Te &Tx)	742.00	/A/A	BAML
City of San Antonio, TX,	364.30	/ /	Ramirez
Board of Regents of the Univ of TX System, TX, Rev	350.00	Aaa/AAA/AAA	GS
San Diego Regional Transportation Commission, CA, LT Sales Tax	325.00	/AAA/AAA	Citi
County of Hamilton, OH, Sales Tax	321.70	A1/AA-/A+	RBC
Pennsylvania Turnpike Commission, Oil Franchise Tax, Series A & (B)	314.30	Aa3(A2)/NR/AA(A+)	Siebert
Austin ISD, TX, ULT GO (PSF Gty)	284.10	/ /	Ramirez
Hosp. Auth No. 2 of Douglas Co/Hosp Auth No 1 of Sarpy Co, NE, (NE Med)	280.02	NE/AA-/AA-	Barclays
Oakland Unified SD, CA, GO	265.00	Aa3/AA-/AA-	Siebert
Board of Regents of the Univ of TX System, TX, PUF	259.47	Aaa/ /AAA	JPM
Los Angeles County,Redevelop. Ref. Auth, CA, Tax Allocation	248.69	/AA/	Stifel
Government of Guam, LT Obligation Section 30	245.00	/BBB+/	Citi
Maricopa Co. Community College Dist., CA, GO	191.00	Aaa/AAA/AAA	BAML
Humble ISD, TX, ULT GO (PSF Gty)	183.81	Aaa/AAA/	RayJay
Omaha Public Power Dist, NE, Rev	177.00	Aa2/AA/	Citi
Massachusetts Development Finance Agency, (Berklee College of Music)	149.00	A2/A/	Citi
Connecticut Housing Finance Auth, Mortgage Fin, (Te & AMT)	145.00	/ /	MS
City of Forsyth, MT, PCRB (Northwestern Corp. Colstrip Proj)	144.66	A1/A-/NR	JPM
Oklahoma Municipal Power Auth, Power Supply Rev	129.00	/A/A	BAML
Pennsylvania Higher Ed. Facilities Auth, (Univ of Penn Health)	129.00	Aa3/AA-/	BAML
North Carolina Medical Care Commission, (Duke Univ Health)	124.44	Aa2/AA/AA	JPM
The City of Lincoln, NE, Lincoln Elec. Sys Rev	120.00	/AA/AA	BAML
Alaska Housing Finance Corp, General Mortgage	111.00	/AA+/AA+	Wells
Corpus Christi ISD, ULT GO (PSF Gty)	103.65	/AA /	MS
Bexar County, TX, Tax & Rev COBs	100.00	/ /	Frost
Massachusetts Water Resources Auth, Rev	100.00	Aa1/AA+/AA+	JPM
Competitive			**Mat**
Tues, 8/2			
State of Minnesota, GO (3 bids)	780.40	Aa1/AA+/	'17-'36
Plano ISD, TX, GO (PFS Gty)	257.20	Aaa/AAA/	'17-'36
The City of New York, NY, GO (2 bids) (Tx)	250.00	Aa2/AA/AA	'22-'28
Miami-Dade School District, FL, GO	200.00	Aa3/A+/	'17-'46
Wed, 8/3			
State of Connecticut, GO, (2 bids)	500.00	Aa3/AA-/AA-/AA-	'17-'36
Clark County Water Reclamation Dist, NV, GO + Pledged Revs.	251.60	Aa1/AAA/	'18-'38

Sources: Bond Buyer and IPREO — **Bold=Mischler**

Municipal Credit Spreads to MMD AAA - 30 Yr. Maturity (July 1, 2007 to Present)



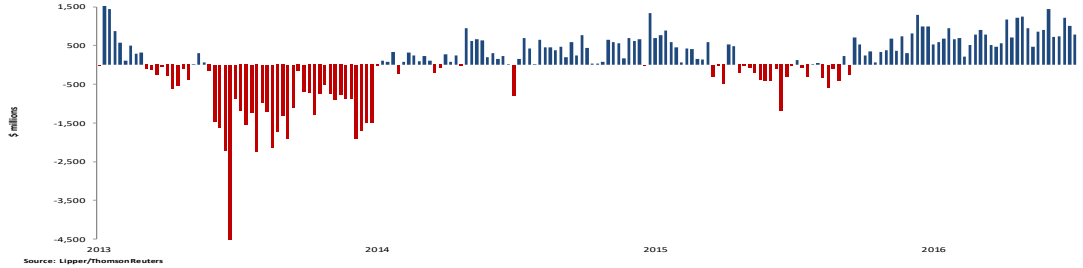
Source: TM3

MMD Spots

Mat	29-Jul	22-Jul	Chg.	12 mo. low	12 mo. high
1	0.46	0.52	-0.06	0.23	0.60
5	0.84	0.88	-0.04	0.79	1.45
7	1.11	1.16	-0.05	1.03	1.89
10	1.40	1.45	-0.05	1.29	2.26
15	1.75	1.79	-0.04	1.57	2.73
20	2.00	2.03	-0.03	1.80	3.00
25	2.07	2.10	-0.03	1.88	3.18
30	2.12	2.15	-0.03	1.93	3.25

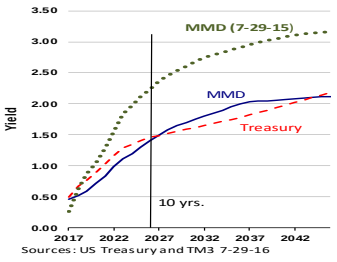
Source: TM3

Weekly Muni Bond Fund Flows (2013-Present)



Source: Lipper/Thomson Reuters

MMD vs Treasury Yield Curves



Sources: US Treasury and TM3 7-29-16

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