Mischler Muni Market Update

October 2, 2017

Comments:

- Last week muni volume was about $8.7 billion. This week volume is expected to be $5.0 billion. The negotiated market is led by $500 million taxable bonds for Northwestern University and $301.5 million for Dormitory Authority of the State of New York for School Districts. The competitive market is led by $1.7 billion tax-exempt and taxable PIT bonds for Dormitory Authority of the State of New York in 5 bids on Tuesday.
- Last Friday credit spreads were unchanged for AA, A and BBB compared with the previous Friday. They have been basically unchanged for about the last 37 weeks.

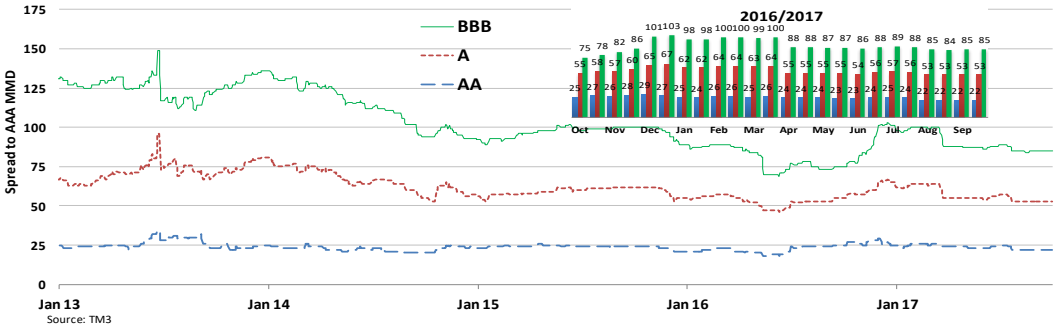
Selected Deals for the Week Ending 10/6/17

Issuer	Par ($mil)	Ratings (M/S&P/F/K)	
Negotiated			**U/W**
Northwestern University, IL, (Tx-Corp CUSIP)	500.00	Aaa/AAA/AAA	GS
Dormitory Authority of the State of New York, School Districts (5 Series)	**301.48**	**Various**	**RBC**
Ascension Health, (Tx-Corp CUSIP)	245.00	/ /	MS
San Diego Unified School Dist., CA, GO	219.67	Aa3/ /AAA	GS
San Diego Association of Gov'ts, CA, South Bay Expressway Toll	204.51	NR/A/A-	JPM
Maine Municipal Bond Bank,	184.00	Aa2/AA+/	BAML
County of Cuyahoga, OH, Sales Tax (Te & Tx) (Quicken Loans Arena)	140.80	Aa2/AAA/	Key
Competitive			**Mat**
Mon, 10/2			
Triborough Bridge & Tunnel Auth, NY, Gen'l Rev BAN's	400.00	MIG 1/ /F1+/K1+	'18
King County, WA, GO	148.01	Aaa/AAA/	'18-'33
Tue, 10/3			
Dormitory Authority of the State of New York, PIT (Te & Tx)	1,699.25	Aa1/AAA/	'19-'47
City of Columbus, OH, GO (Te & Tx)	314.42	Aaa/AAA/AAA	'19-'38
City of Milwaukee, WI, School RAN's	180.00	/SP-1+/F1+	'18

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

- Weekly reporting muni bond mutual funds reported an inflow of $378.2 million for the week ending September 27 after an inflow of $574.0 million for the week before. The eight week moving average was positive $469.6 million.
- From Friday to Friday, MMD yields increased 12 bps in 1 year, 8 bps in 5 to 10 years and 6-7 bps in 15 to 30 years. Muni/Treasury ratios for 10 and 30 year MMD maturities ended the week at 86.2% and 99.5%, respectively, with the 10 year slightly higher than and the 30 year the same as the week before and both still well below their 5 and 10 year averages.
- The 2 to 30 year MMD spread was 184 bps on Friday, 5 bps flatter than the previous Friday. Since the beginning of March this spread has flattened by 36 bps .
- Last week munis reacted to supply, Fed indicating high likelihood of rate hike in December (70%) and the introduction of tax reform legislation. Week started out on the tentative side as large competitive calendar caused secondary to see less activity. Dudley and Yellen both suggesting that inflation may not hit 2% target before next hike. On Wednesday, tax reform legislation was released with lower tax rates for both individuals and corporations, eliminating AMT, SALT deduction and estate tax. Later in week some push back surfaced on several points, particularly elimination of SALT deduction. Muni deals from Wednesday saw cheaper preliminary pricing with many able to bump on final pricing. This week volume is down some with competitive market showing more volume than normal. The muni curve flattened last week as short rates felt pressure from possible rate hike. Credit spreads have been pretty steady for almost 37 weeks after tightening 12% to 14.5% from year end 2016 levels.

Municipal Credit Spreads to MMD AAA - 30 Yr. Maturity (January 1, 2013 to Present)



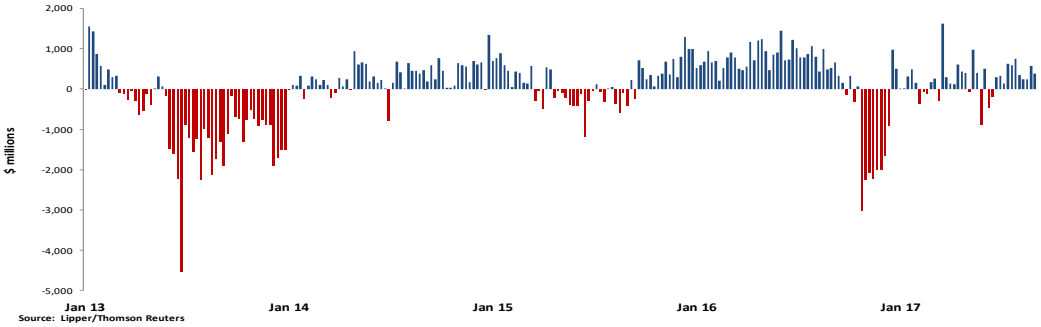
Source: TM3

MMD Spots

Mat	29-Sep	22-Sep	Chg.	12 mo. low	12 mo. high
1	0.94	0.82	0.12	0.68	0.98
5	1.35	1.27	0.08	1.02	1.91
7	1.62	1.54	0.08	1.18	2.18
10	2.00	1.92	0.08	1.47	2.58
15	2.38	2.31	0.07	1.91	2.93
20	2.65	2.58	0.07	2.16	3.20
25	2.77	2.71	0.06	2.26	3.30
30	2.84	2.78	0.06	2.31	3.35

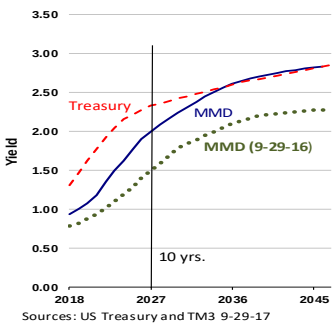
Source: TM3

Weekly Muni Bond Fund Flows (2013-Present)



Source: Lipper/Thomson Reuters

MMD vs Treasury Yield Curves



Sources: US Treasury and TM3 9-29-17

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