

Mischler Muni Market Update

August 27, 2018

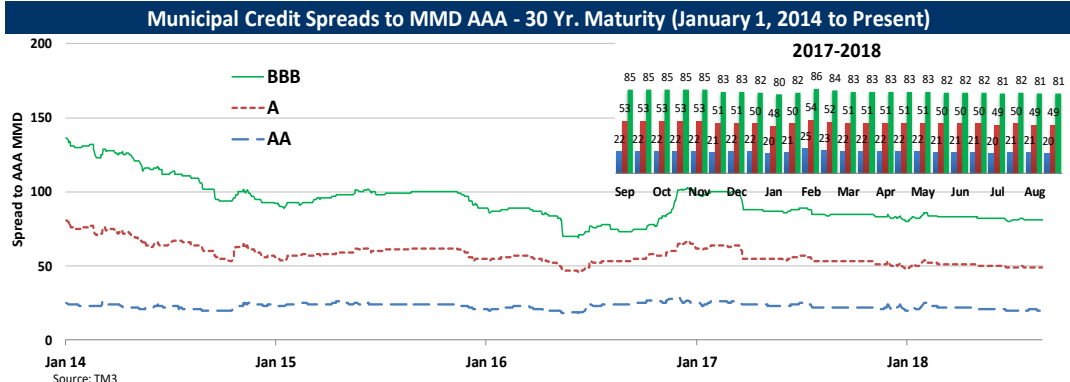
Comments:

- Last week muni volume was about \$3.7 billion. This week volume is expected to be about \$3.9 billion. The negotiated market is led by \$727.2 million general obligation bonds for The Commonwealth of Massachusetts. The competitive market is led by \$502.1 million tax-exempt and taxable general obligation and motor vehicle fuel tax bonds for the State of Washington in 3 bids on Wednesday.
- Last Friday credit spreads were unchanged for AA, A and BBB from the previous Friday.
- Weekly reporting muni bond mutual funds reported an inflow of \$378.4 million for the week ending August 22 after an inflow of \$452.0 million for the week before. The eight week moving average was positive \$419.4 million.
- From Friday to Friday, MMD yields increased 4 bps in 1 year and 3 bps in 5 years, were unchanged in 7 to 10 years and decreased 2 bps in 15 years, and 1 bp in 20 to 30 years. Muni/Treasury ratios for 10 and 30 year MMD maturities ended the week at 86.2% and 101.0%, respectively, 1.5 ratios higher in both 10 and 30 years than the week before.
- The 2 to 30 year MMD spread was 136 bps on Friday, 2 bps flatter than the previous Friday. Since the end of 2017, this spread is steeper by 38 bps while Treasuries are flatter by 51 bps. However, the MMD spread has flattened by about 18 bps since early March.
- Last week munis saw more strength in the intermediate to long sectors of the curve as the markets continued to be pushed by geopolitical, mostly trade issues with China, and domestic political, conviction of Manafort and guilty plea of Cohen. The Fed minutes and Jackson Hole Chairman Powell speech both seemed to stay the course towards normalization with two more Fed Funds rates increases in 2018. A variety of deals priced last week with many able to show bumps in final pricing. State of Illinois managed to show bumps of 6-7 bps in selected maturities. Throughout the week, there were a number of bid lists that hit the market. This week volume is again light and with bond funds showing inflows deals should find sufficient demand, pending geopolitical developments.

Selected Deals for the Week Ending 8/31/18				
Issuer	Par (\$mil)	Ratings (M/S&P/F/K)	U/W	
Negotiated				
The Commonwealth of Massachusetts, GO	727.15	Aa1/AA/AA+	MS	
Texas Public Finance Auth, GO (Tx)	300.00	Aaa/AAA/	Piper	
West Virginia Hospital Finance Auth, Rev (Cabell Huntington Hosp.) (Te & Tx)	260.00	Baa1/BBB+/NR	JPM	
Massachusetts Clean Water Trust, State SRF (Green)	162.00	Aaa/AAA/AAA	Citi	
City of Fort Smith, AR, Water & Sewer Rev	123.00	/AA/	BAML	
The Franklin County Industrial Develop. Auth, PA, Rev (Menno-Haven, Inc. Project)	102.81	NR/NR/	Ziegler	
Mountain View-Los Altos Union High School Dist, CA, GO	100.00	Aaa/AAA/	RayJay	
Competitive				
Wed, 8/29				
State of Washington, GO & Mtr Veh Fuel Tax (3 bids) (Te & Tx)	502.13	/AA+/AA+	'19-'43	
City of Dallas, TX, Waterworks & Sewer Rev	155.66	/AAA/AA+	'19-'47	

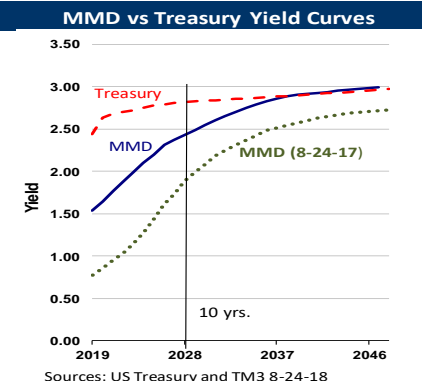
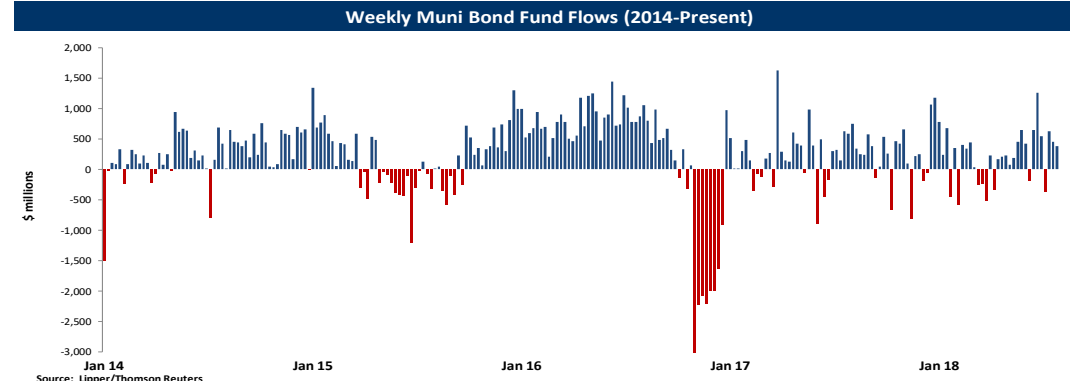
Sources: Bond Buyer and IPREO

Bold=Mischler



MMD Spots		12 mo. low		12 mo. high	
Mat	24-Aug	17-Aug	Chg.	low	high
1	1.54	1.50	0.04	0.76	1.75
5	1.99	1.96	0.03	1.12	2.19
7	2.20	2.20	0.00	1.39	2.35
10	2.43	2.43	0.00	1.81	2.55
15	2.70	2.72	-0.02	2.15	2.84
20	2.89	2.90	-0.01	2.36	3.03
25	2.95	2.96	-0.01	2.41	3.11
30	3.00	3.01	-0.01	2.46	3.16

Source: TM3



Sources: US Treasury and TM3 8-24-18

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