Mischler Muni Market Update

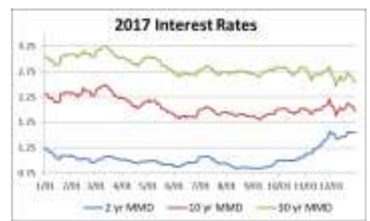
January 2, 2018

Comments:

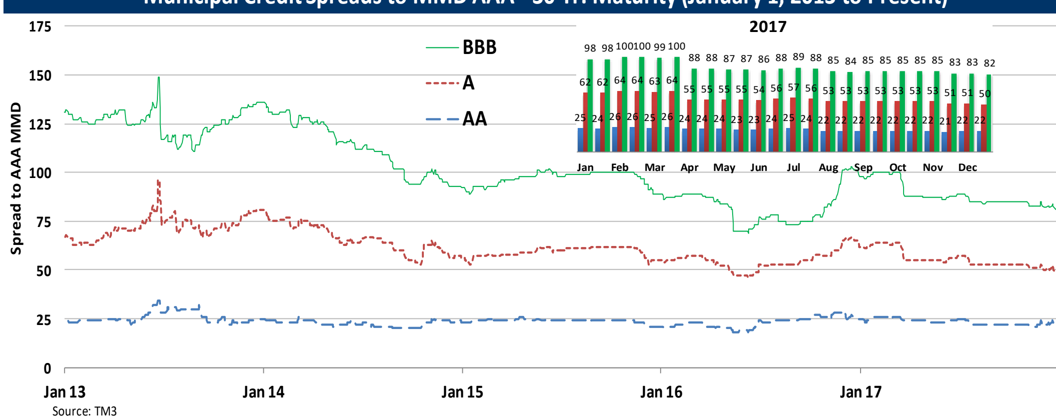
Selected Deals for the Week Ending 1/5/18			
Issuer	Par ($mil)	Ratings (M/S&P/F/K)	
Negotiated			**U/W**
New Jersey Economic Development Auth, State Lease Rev	381.20	Baa1/BBB+/A-	RBC
Socorro ISD, TX, ULT GO (PSF Gty)	173.54	Aaa/NR/AAA	RBC
Successor Agency to the Anaheim Redevelop. Agy, CA, Tax Allocaton (Te & Tx)	115.00	/AA-/	Stifel
Competitive			**Mat**

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

- Last week muni volume ended up at $1.2 billion. This week volume is expected to be about $757.4 million. The negotiated market is led by $381.2 million of New Jersey Economic Development Authority State Lease Revenue Bonds. The competitive market does not have any deals over $50 million.
- Last Friday credit spreads were 2 bps tighter for AA, A and BBB from the previous Friday.
- Weekly reporting muni bond mutual funds reported an outflow of $180.2 million for the week ending December 27 after an inflow of $250.7 million for the week before. The eight week moving average was positive $140.1 million.
- From Friday to Friday, MMD yields increased 5 bps in 1 year and decreased 7 bps in 5 years, 10 bps in 7 years and 12-14 bps in 10 to 30 years. Muni/Treasury ratios for 10 and 30 year MMD maturities ended the week at 82.3% and 92.6%, respectively, about 2 ratios lower than the previous Friday.
- The 2 to 30 year MMD spread was 98 bps on Friday, 14 bps flatter than the previous Friday. Since the beginning of March this spread has flattened by 122 bps and is 85 bps flatter than a year ago.
- Last week munis were not faced with significant volume, but demand continued, driving longer rates 10-14 bps lower. For the most part buyers seemed willing to pay up some to have inventory for January reinvestment in the face of what is expected to be possibly decreased new issue activity as tax reform kicks in and some of the January volume was accelerated into December. For the year, the 2-30 year spread finished at the low for the year (98 bps vs 183 bps on 12/30/16 with the widest in early March at 220) as short rates increased 10-40 bps and long rates were lower by 40-50 bps. Credit spreads ended the year tighter than the end of 2016 by about 20%. Bond Fund flows in 2017 did not have any extended periods of withdrawals as has happen in the recent past. With muni/treasury ratios at rich levels, if volume does pick up ratios will most likely increase.



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

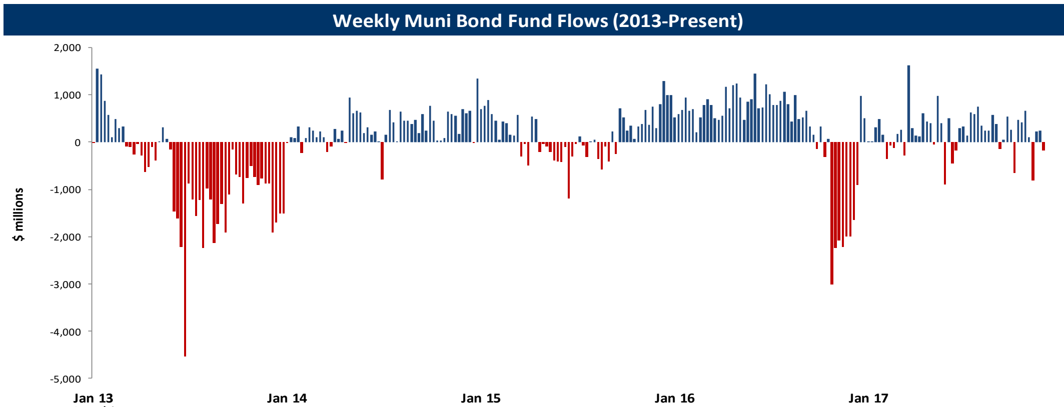


Source: TM3

MMD Spots					
Mat	29-Dec	22-Dec	Chg.	12 mo. low	12 mo. high
1	1.41	1.36	0.05	0.76	1.41
5	1.68	1.75	-0.07	1.09	1.79
7	1.78	1.88	-0.10	1.18	2.11
10	1.98	2.10	-0.12	1.47	2.49
15	2.26	2.39	-0.13	1.92	2.91
20	2.43	2.57	-0.14	2.34	3.15
25	2.49	2.63	-0.14	2.41	3.20
30	2.54	2.68	-0.14	2.46	3.25

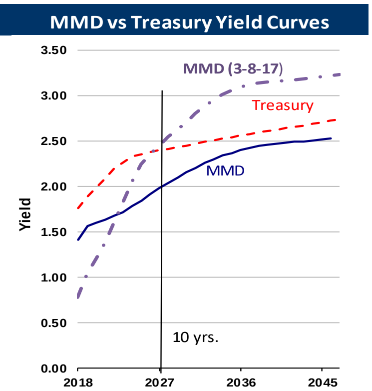
Source: TM3

Weekly Muni Bond Fund Flows (2013-Present)



Source: Lipper/Thomson Reuters

MMD vs Treasury Yield Curves



Sources: US Treasury and TM3 12-29-17

and/or completeness. Neither the information nor any opinions expressed constitute a solicitation for the purchase or sale of any security referred to herein.