

Mischler Muni Market Update

May 29, 2018

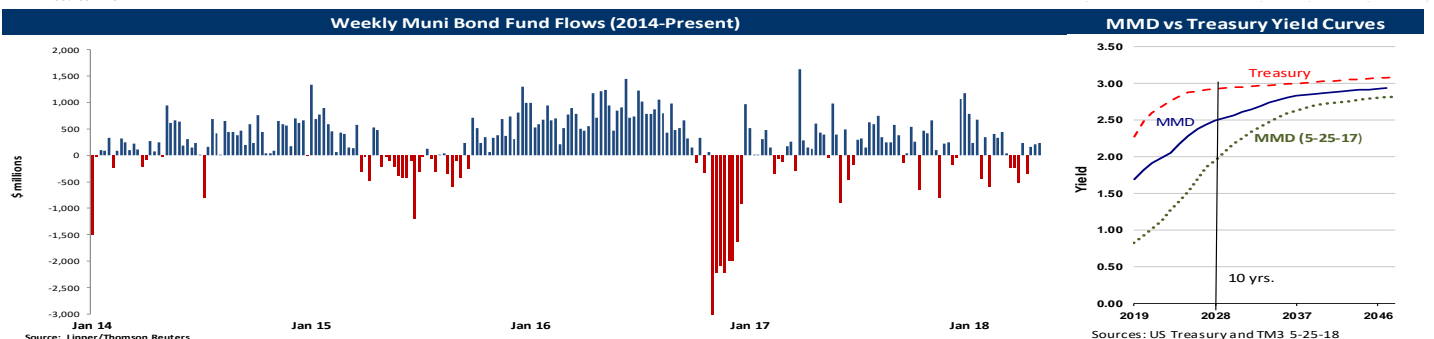
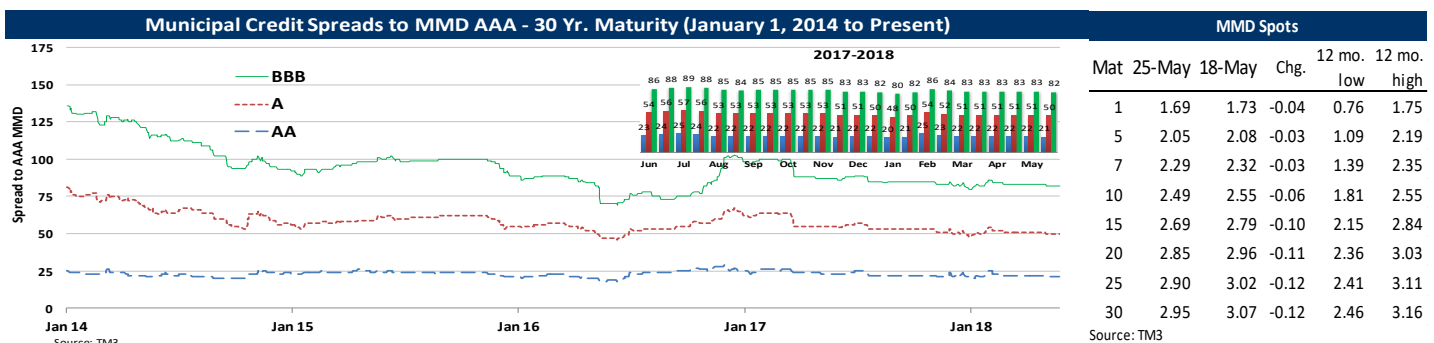
Comments:

- Last week muni volume was about \$6.6 billion. This holiday shortened week volume is expected to be about \$3.4 billion. The negotiated market is led by \$578.2 million AMT bonds for Metropolitan Washington Airport Authority, DC. The competitive market is led by \$149.6 million bonds for the Commonwealth Transportation Board, Virginia on Thursday.
- 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 \$232.8 million for the week ending May 23 after an inflow of \$206.9 million for the week before. The eight week moving average was **negative \$63.1 million**.
- From Friday to Friday, MMD yields decreased 3-4 bps in 1 to 7 years, 6 bps in 10 years, and 10-12 bps in 15 to 30 years. Muni/Treasury ratios for 10 and 30 year MMD maturities ended the week at 85.0% and 95.5%, respectively, about 1.7 ratios lower in 10 years and 0.2 ratios lower in 30 years compared with the week before.
- The 2 to 30 year MMD spread was 113 bps on Friday, 9 bps flatter than the previous Friday. Since the end of 2017, this spread is steeper by 15 bps while Treasuries are flatter by 24 bps. However, the MMD spread has flattened by about 41 bps since early March.
- Last week munis started out the week reacting more to international geopolitics than technicals. Early on, both the bond and stock markets improved on the Italy political situation causing flight to quality and the potential easing in the China trade war, respectively. As the week progressed, the focus centered more on FTQ and both treasuries and munis moved to lower rates. Muni volume heading into the Memorial Day weekend was relatively light and most deals were able to show significant bumps in final pricing, most particularly on the long end which seemed to move yields lower with a bull flattening. This four day week has only about \$3.5 billion in volume. Muni ratios were lower last week especially the 10 year. As the markets heads into the June/July reinvestment season, the market should see an increase in funds which could support a potential increase in volume. However, for the moment the focus seems to be much more geopolitical than market technicals.

Selected Deals for the Week Ending 6/1/18			
Issuer	Par (\$mil)	Ratings (M/S&P/F/K)	U/W
Negotiated			
Metropolitan Washington Airport Auth, DC, Airport Rev, (AMT)	578.24	Aa3/AA-/AA-	Barclays
South Carolina State Ports Auth, Rev, (AMT)	325.00	A1/A+/	BAML
District of Columbia, GO CP BAN's (LOC-ICBC)	300.00	P1/A-1/F1	Jefferies
Tulare County, CA, POB's (Tx)	251.24	A1/AA-/	RayJay
Municipality of Anchorage, AK, GO	184.86	//	Wells
City of Fort Collins, CO, Electric Rev, (Tx)	130.00	/AA-/	BAML
Public Facilities Financing Auth of the City of San Diego, CA, Lease Rev (Tx)	129.00	//AA-	Citi
New York City Transitional Finance Auth, NY, VRDB, (Weekly) (Standby-Sumitomo)	100.00	VMIG 1/A-1/F1	Jefferies+
Competitive			
Mat			
Wed, 5/30			
Independent School Dist. No. 181 (Brainerd), MN, GO (MNCEP support) (Underlying A+)	143.58	/AA+/	'20-'44
Las Vegas Vakkey Water Dist, NV, LT GO & Pledged Rev	100.00	Aa/AA+/	'19-'48
Thur, 5/31			
Commonwealth Transportation Board, Transport. Rev	149.61	Aa1/AA+/AA+	'19-'43

Sources: Bond Buyer and IPREO

Bold=Mischler



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