

Comments:

- Last week muni volume was about \$7.8 billion. This week volume is expected to be \$1.0 billion. The

negotiated market is led by \$230.0 million general obligation bonds for San Juan Unified School District, California. The competitive market does not have any deal of \$100.0 million or more.

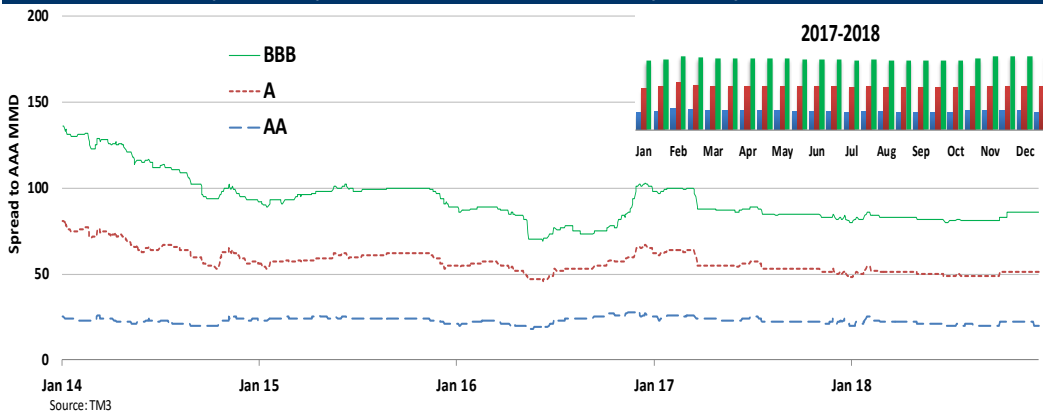
- Last Friday credit spreads were unchanged for AA, A and BBB from the previous Friday.
- Weekly reporting muni bond mutual funds reported an **outflow of \$316.5 million** for the week ending December 12 after an **outflow of \$692.0 million** for the week before. This is the 12th outflow in a row and the 14th outflow in the last 15 weeks. The eight week moving average was **negative \$490.2 million**.
- From Friday to Friday, MMD yields were unchanged in 1 to 5 years, increased 1 to 2 bps in 7 to 10 years, 5 bps in 15 to 20 years and 7 bps in 25 to 30 years. Muni/Treasury ratios for 10 and 30 year MMD maturities ended the week at 83.3% and 101.3%, respectively, unchanged in 10 years and 2.5 ratios higher in 30 years.
- The 2 to 30 year MMD spread was 134 bps on Friday, 7 bps steeper than the previous Friday. Since the end of 2017, munis have steepened by 36 bps, while Treasuries have flattened by 44 bps, although munis have flattened 20 bps since early March.
- Last week munis felt pressure on the long end while the short end (thru 10 years) held in better. Early in the week geopolitical events influenced the market, US/China trade policy, China weaker trade and price data and UK Brexit issues tended to push risk-off. As the week progressed, munis disconnected from Treasuries as muni long yields increased while Treasuries were lower. Towards the end of the week the market saw a brief risk on which gave way to concern over global economic slowdown as reflected by China and EU. This week muni volume is low and is expected to be low for the rest of the year. Have not seen too much of a January buildup in volume as has happened in some years. Focus this week will be on FOMC and fed funds rate increase which the market sees as a 70% probability for increase although actions in 2019 are very uncertain. Bond funds continue to show outflows (12 weeks in a row).

Selected Deals for the Week Ending 12/21/18				
	Issuer	Par (\$mil)	Ratings (M/S&P/F/K)	U/W
Negotiated				
	San Juan USD, CA, GO	230.00	Aa2/ /AAA	RayJay
	Allentown Neighborhood Improve. Zone Develop. Auth, PA, Subord. Tax Rev (City Center)	149.00	NR/NR/NR	Citi
	Colorado Health Facilities Auth, Rev (Bethesda Project) Sr & Subord (Te & Tx)	127.55	/A-(BBB+)/	Piper
Competitive				
				Mat

Sources: Bond Buyer and IPREO

Bold=Mischler

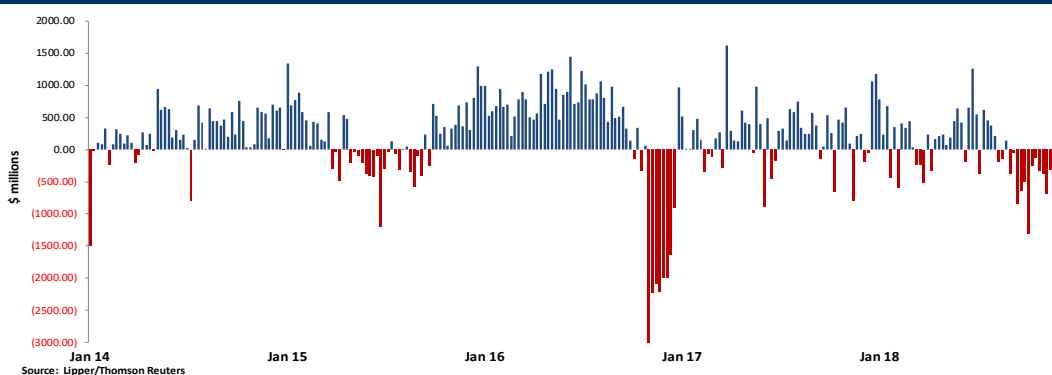
Municipal Credit Spreads to MMD AAA - 30 Yr. Maturity (January 1, 2014 to Present)



MMD Spots					
Mat	7-Dec	30-Nov	Chg.	12 mo. low	12 mo. high
1	1.78	1.78	0.00	1.25	1.97
5	2.03	2.03	0.00	1.63	2.34
7	2.18	2.17	0.01	1.77	2.50
10	2.40	2.38	0.02	1.98	2.77
15	2.71	2.66	0.05	2.26	3.07
20	2.98	2.93	0.05	2.43	3.31
25	3.12	3.05	0.07	2.49	3.41
30	3.17	3.10	0.07	2.54	3.46

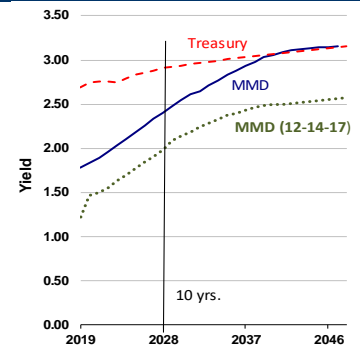
Source: TM3

Weekly Muni Bond Fund Flows (2014-Present)



Source: Uppier/Thomson Reuters

MMD vs Treasury Yield Curves



Sources: US Treasury and TM3 12-14-18

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