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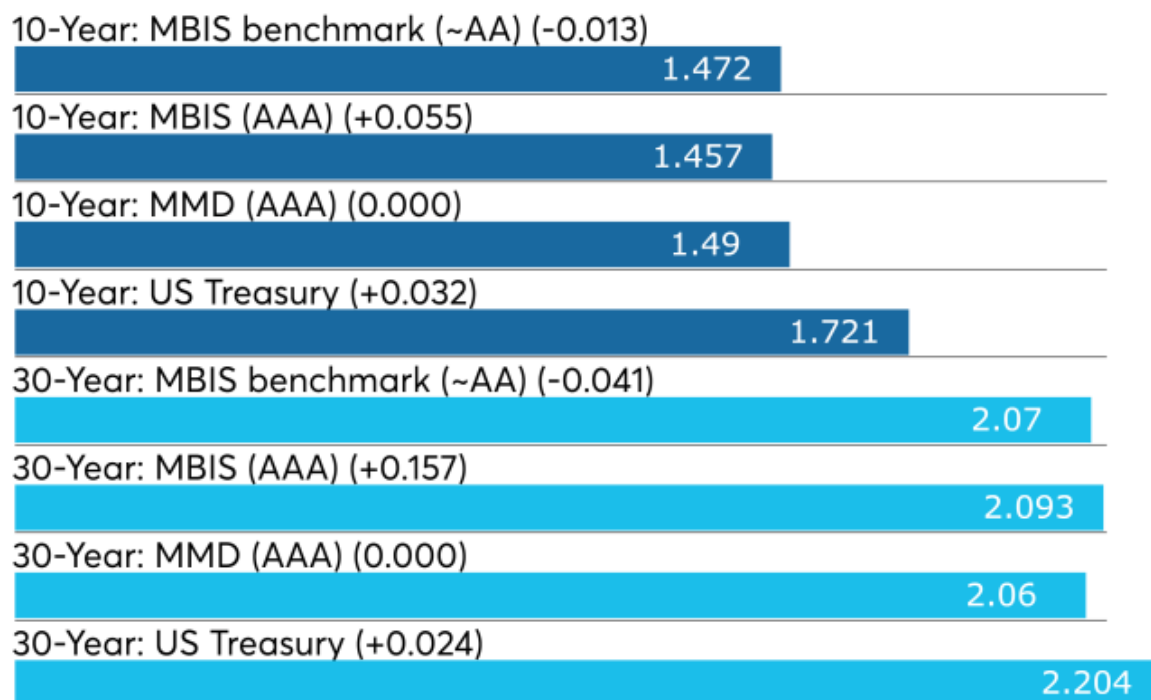
Munis to see Biggest Issuance Week of the Year with \$12.9B

By

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After a whopping [\\$52 billion of new issuance in October](#), the new paper will continue to flood the market during the busiest week of the year.

The muni market is expected to see \$12.92 billion of new deals for the week of Nov. 4, almost double the revised total of \$6.58 billion in the past week. The calendar consists of \$10.43 billion of negotiated deals and \$2.49 billion of competitive sales.

If all the deals come as expected, the first full week of November will surpass the previous largest volume week of the year, which took place starting Aug. 5, when there was \$12.63 billion.

There are 37 scheduled deals of \$100 million or larger, with six of those coming competitively. Thirteen of those \$100-million-or-larger scheduled deals are either partially or completely taxable.

“The trend of taxable refunding of tax-exempt debt has become the new normal, as demand is out there, yields are low and conditions are ripe for refinancing with taxable munis,” said Dawn Mangerson, director of municipal portfolio management at Loomis Sayles. “This trend is a little concerning, as it is shrinking the traditional muni market and taking away tax-exempt volume.”

With 10 months of the year in the books, the market has seen \$46.20 billion of taxable muni issuance — the most in a year since the final year of Build America Bonds back in 2010 when there was \$151.88 billion.

“Taxable issuance is by far the story of the year,” said Jim Grabovac, investment strategist at Loomis Sayles. “In recent years, we have averaged 8% or less of total issuance as taxable and right now we are around 13%.”



Jim Grabovac

In terms of the yield curve, he said that right now the short end is not cheap, while long end is attractive, and longer and intermediate spots on the curve provide better relative value opportunities.

Volume in the first half was suspect but things have really picked up in the second half and specifically from August on.

The week's slate offers a lot of variety, which should put a smile on money managers' faces, as Mangerson noted that it's often been the same and common names that have been coming to market.

The state of Illinois (Aa3/AA/AA+) is set to sell a total of \$750 million in three separate competitive sales on Wednesday. The general obligation bonds are split into two sales of \$300 million and one \$150 million sale.

While The Prairie State deal is one of a few yieldier deals scheduled to price, Mangerson noted that at this point, she would prefer to take on more duration risk as opposed to credit risk.



Dawn Mangerson

“Spreads have tightened so much and I do not see them widening anytime soon,” she said.

Bank of America Securities is scheduled to price Massachusetts School Building Authority (Aa3/AA/AA+) \$719.5 million of subordinated dedicated sales tax taxable refunding bonds on Wednesday.

Citi is slated to price City of Phoenix Civic Improvement Corporation's (A1/A+/NR) \$711.575 of junior lien airport revenue bonds, featuring alternative minimum tax bonds and non-AMT bonds on Wednesday.

Citi is also scheduled to price Wisconsin's (Aa2/NR/AA) \$623.465 million of general fund annual appropriation taxable refunding bonds. This deal was originally scheduled to price the week of Oct. 28 but was pulled for failing to meet savings thresholds and was placed on the day-to-day calendar.

While issuance has picked up steam, it is still not even close to matching demand — keeping that technical favorable to the market even though it isn't making money managers' lives any easier.

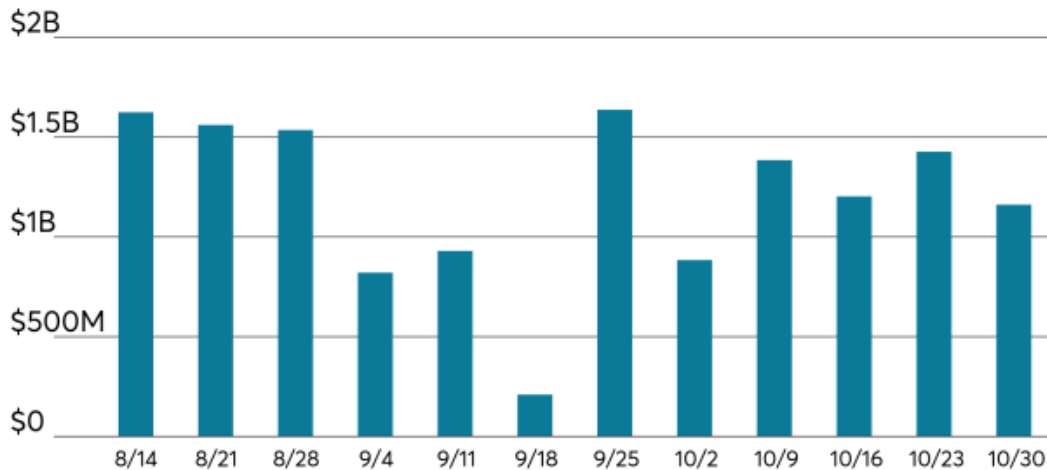
"In the primary market, you still do not get everything you want, so you have to go in for a lot of deals to just to get what you need for your portfolio," Mangerson said.

Lipper sees 4th consecutive billion-dollar inflow

For 43 weeks in a row investors have poured cash into municipal bond funds, according to the latest data released by Refinitiv Lipper on Thursday.

Tax-exempt mutual funds that report weekly received \$1.161 billion of inflows in the week ended Oct. 30 after inflows of \$1.427 billion in the previous week. This marks the fourth week in a row and eighth time in the past 12 weeks inflows have exceeded \$1 billion.

Lipper: Muni funds see inflows for 43rd straight week



Source: Refinitiv

“Munis have had a really good run, investors are putting money to work and getting a good return,” Mangerson said. “The absolute low level of yields could be discouraging to investors, but I think that we will break a record in terms of consecutive weeks of inflows. We will soon be in a new year and that is when the seasonality in munis really come into effect, there will be coupon payments and maturities and investors will want to put that money right back to work.”

Exchange-traded muni funds reported inflows of \$240.027 million after inflows of \$222.255 million in the previous week. Ex-ETFs, muni funds saw inflows of \$921.574 million after inflows of \$1.205 billion in the previous week.

The four-week moving average remained positive and remained higher than \$1 billion at \$1.294 billion, after being in the green at \$1.225 billion in the previous week.

Long-term muni bond funds had inflows of \$1.339 billion in the latest week after inflows of \$1.219 billion in the previous week. Intermediate-term funds had inflows of \$125.413 million after inflows of \$111.414 million in the prior week.

National funds had inflows of \$1.033 billion after inflows of \$1.255 billion in the previous week. High-yield muni funds reported inflows of \$402.256 million in the latest week, after inflows of \$355.095 million the previous week.

Secondary market

Munis were stronger on the MBIS benchmark scale, with yields lower by one basis point in the 10-year maturity and by four basis points in the 30-year maturity. The MBIS AAA scale was weaker, with yields increasing by five basis points in the 10-year maturity and by 15 basis points in the 30-year maturity.

On Refinitiv Municipal Market Data's AAA benchmark scale, the yields on both the 10- and 30-year maturities were unchanged from 1.49% and 2.06%, respectively.

The 10-year muni-to-Treasury ratio was calculated at 86.1% while the 30-year muni-to-Treasury ratio stood at 92.9%, according to MMD.

Treasuries yields were mostly trading higher and stocks were in the green after October jobs numbers were better than expected. The Treasury three-month was down and yielding 1.521%, the two-year was up and yielding 1.560%, the five-year was up and yielding 1.552%, the 10-year was up and yielding 1.721% and the 30-year was up and yielding 2.204%.

Municipal bond yields

Index	10-year	20-year	30-year
Bloomberg	1.483%	1.914%	2.135%
IHS Markit	1.480%	1.860%	2.070%
MMD	1.490%	N.A.	2.060%
BondWave	1.667%	2.103%	2.173%
MBIS	1.485%	2.067%	2.111%

Source: 10/31 close MSRB, Refinitiv; MMD AAA, BVAL AAA callable, IHS AAA, BondWave AA, MBIS benchmark

Week's actively traded issues

Some of the most actively traded munis by type in the week ended Nov. 1 were from South Carolina, California and Ohio issuers, according to [IHS Markit](#).

In the GO bond sector, the Charleston County, S.C., School District, 3s of 2020 traded 24 times. In the revenue bond sector, the Tobacco Securitization Authority of Southern California, 5s of 2048 traded 44 times. In the taxable bond sector, the State of Ohio, 3.276s of 2042 traded 59 times.

Week's actively quoted issues

New York and Florida bonds were among the most actively quoted in the week ended Nov. 1, according to IHS Markit.

On the bid side, the New York State Thruway Authority revenue 3s of 2053 were quoted by 20 unique dealers. On the ask side, the New York State Thruway Authority revenue 3s of 2053 were quoted by 211 dealers. Among two-sided quotes, the Florida Hurricane Catastrophe Financing Corp., 2.995s of 2020 were quoted by 18 dealers.

Previous session's activity

The MSRB reported 32,924 trades Thursday on volume of \$13.34 billion. The 30-day average trade summary showed on a par amount basis of \$10.70 million that customers bought \$5.86 million, customers sold \$2.93 million and interdealer trades totaled \$1.91 million.

California, New York and Texas were most traded, with the Golden State taking 15.716% of the market, the Empire State taking 13.545% and the Lone Star State taking 10.933%.

The most actively traded security was the Charleston County School District GO 3s of 2020, which traded 26 times on volume of \$36.605 million.

Data appearing in this article from **Municipal Bond Information Services**, including the **MBIS municipal bond index**, is available on **The Bond Buyer Data Workstation**. [Click here](#) for a brief tour of the **Workstation**.