THE BOND BUYER

Short-end muni yields inch higher as a variety of new deals hit the market

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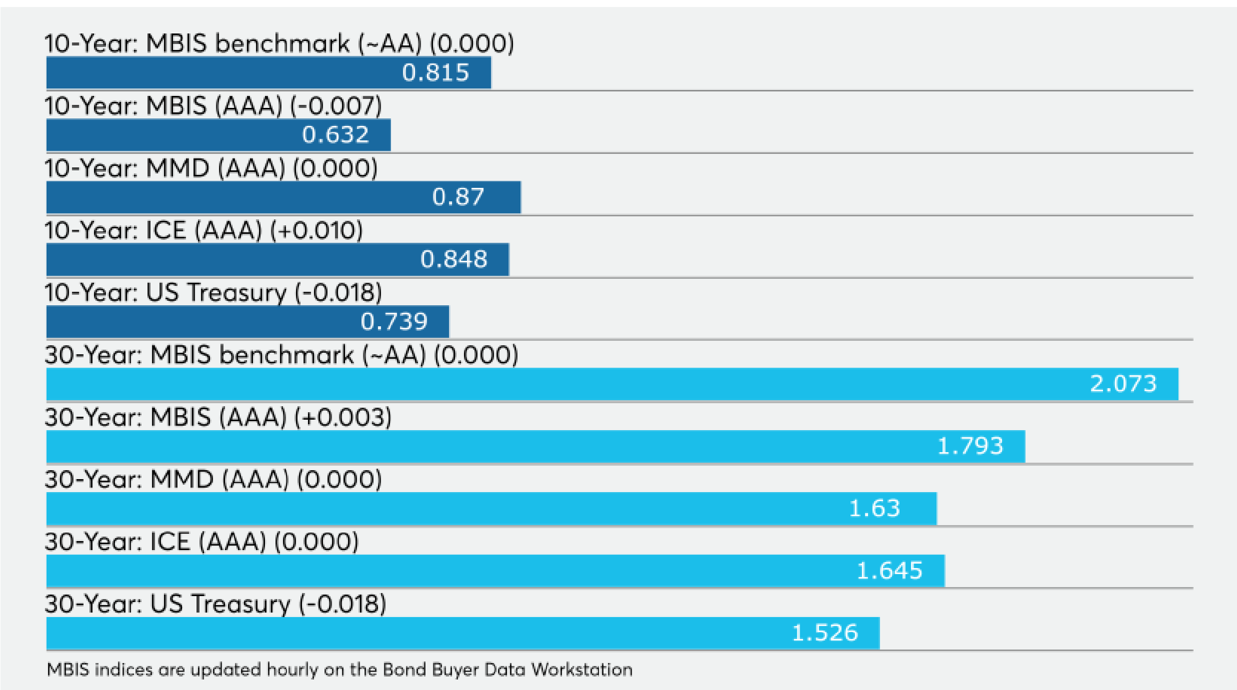
The rally in municipal bonds slowed as yields rose modestly again on the short- and intermediate-ends of the curve Wednesday, as the long-end remained steady. The primary market is in full force now, though, as new deals are flooding the market.

Investors are back. Long-term municipal bond funds and exchange-traded funds saw combined inflows of $4.186 billion in the week ended June 10, the Investment Company Institute said Wednesday.



In the primary, the New York State Urban Development Corp.'s deal was priced for institutions as a host of other new deals invaded the market.

Rising risk tolerance for high-yield paper in the buy side community was at the forefront of the market — adding to the already strong demand for municipals in the current market, according to Justin Horowitz, municipal trader at AllianceBernstein.

He pointed to the American Airlines deal for John F. Kennedy Airport, which was 10 times oversubscribed and upsized from $100 million.

Citigroup priced the New York Transportation Development Corp.'s (NR/B-/BB-/NR) $360.395 million of special facility revenue bonds subject to alternative minimum tax for the American Airlines John F. Kennedy International Airport project.

The bonds were priced to yield 5.50% with a 5.25% coupon in 2031 and to yield 5.60% with a 5.375% coupon in 2036.

Additionally, he said that Ziegler Securities priced a $78 million non-rated senior living deal for Rose Villa Inc., a continuing care retirement community in Oregon, that was 13 times oversubscribed as it was priced 370 basis points over the generic scale and bumped 13 basis points on the term bonds.

The two deals "really show the risk tolerance right now and how difficult it has been to add yield paper," Horowitz said.

The deals demonstrate the ongoing demand for municipal paper — particularly spread paper — based on solid market technicals.

"We would expect the strong performance in the primary market to continue to help re-price the broader high-yield market tighter and embolden underwriters to start bringing deals back to the market, as we have seen very little in high-yield supply since February," Horowitz said.

Primary market

Goldman Sachs priced and repriced the NYS UDC's (Aa1/NR/AA+/NR) $1.295 billion of tax-exempt general purpose state personal income tax revenue bonds after holding a one-day retail order period.

The bonds were repriced to yield 0.52% with a 5% coupon in 2025, 1.09% with a 5% coupon in 2029, 1.21% with a 5% coupon in 2030 and to yield from 1.61% with a 5% coupon in 2034 to 2.00% with a 5% coupon in 2042. A 2045 term bond was priced to yield 2.31% with a 4% coupon, a 2049 term was priced to yield 2.35% with a 4% coupon and a 2050 term was priced to yield 2.70% with a 3% coupon.

The bonds were tentatively priced to yield 0.54% with a 5% coupon in 2025, 1.11% with a 5% coupon in 2029, 1.23% with a 5% coupon in 2030 and to yield from 1.66% with a 5% coupon in 2034 to 2.05% with a 5% coupon in 2042. A 2045 term bond was priced to yield 2.33% with a 4% coupon, a 2049 term was priced to yield 2.37% with a 4% coupon and a 2050 term was priced to yield 2.73% with a 3% coupon.

On Monday, the bonds had been priced for retail to yield 0.56% with a 5% coupon in 2025, 1.11% with a 5% coupon in 2029, 1.24% with a 5% coupon in 2030 and to yield from 1.66% with a 5% coupon in 2034 to 2.03% with a 5% coupon in 2042. A 2045 term bond was priced to yield 2.31% with a 4% coupon, a 2049 term was priced to yield 2.35% with a 4% coupon and a 2050 term was priced to yield 2.61% with a 3% coupon.

Goldman also priced the UDC's $492 million of taxable bonds. The bonds were priced at par to yield from 0.72% in 2023 to 2.277% in 2034.

Buyers of Golden State bonds saw some chunky issuance on Wednesday.

BofA Securities priced the Sacramento County Sanitation District Financing Authority, Calif.'s (Aa2/AA/AA-NR) $210.655 million of revenue bonds.

The deal was priced to yield from 0.22% with a 5% coupon in 2024 to 0.90% with a 5% coupon in 2030. A 2041 term bond was priced to yield 1.63% with a 5% coupon, a 2045 term was priced to yield 1.74% with a 5% coupon and a 2050 term was priced to yield 1.79% with a 5% coupon.

Citigroup priced the Transbay Joint Powers Authority, Calif.'s $248.485 million of tax allocation green bonds.

The Series 2020A senior tax-exempts (NR/NR/A-/NR) were priced with 5% coupons to yield 1.02% in 2020, from 1.34% in 2025 to 2.69% in 2040, 2.71% in 2045 and 2.75% in 2049.

The Series 2020B tax-exempt subordinate bonds (NR/NR/BBB+/NR) were priced with 5% coupons to yield from 1.45% in 2020 to 3.01% in 2035, 3.20% in 2040 and 3.38% in 2048. A 2049 maturity was priced at par to yield 2.40%

RBC Capital Markets priced the Glendale Community College District, Los Angeles County, Calif.'s (AA2/AA-/NR/NR) $234.636 million of Election of 2016 general obligation bonds in three tranches.

The Series B GOs were priced to yield from 0.33% with a 3% coupon in 2021 to 2.50% with a 3% coupon in 2047; a 2050 term was priced to yield 2.23% with a 4% coupon.

The capital appreciation bonds were priced to yield from 1.35% in 2024 to 3.13% in 2045.

The taxable refunding bonds were priced at par to yield from 45 basis points over the comparable Treasury in 2020 to 140 basis points over Treasuries in 2031.

Piper Sandler received the official award on the San Bernardino Community College District, Calif.'s $129.4 million of taxable GO refunding bonds.

Citigroup received the written award on the Wisconsin Health and Educational Facilities Authority's (NR/AA/A-/NR) $207.745 million of tax-exempt revenue bonds and $148.583 million of taxable corporate CUSIP bonds, issued for the Marshfield Clinic Health System.

The exempt deal was comprised of $75 million Series 2020A fixed-rate bonds, $67.445 million of Series 2020B-1 term-rate mode five-year put bonds and $65.3 million of Series2020B-2 term-rate mode seven-year put bonds. The taxables consisted of a 2030 bullet maturity priced at par to yield 2.703%.

The deals are insured by Assured Guaranty Municipal Corp. except for the put bonds, which are rated A- by S&P.

BofA priced Temple University of the Commonwealth System of Higher Education, Pa.'s (Aa3/A+/NR/NR) $176.71 million of taxable revenue bonds.

The bonds were priced a6t par to yield from 0.799% in 2021 to 2.493% in 2035, 3.076% in 2040 and 3.176% in 2042.

Piper Sandler priced the Beaverton School District No. 48J, Washington and Multnomah Counties, Ore.'s (Aa1/AA+/NR/NR) $432.5 million of taxable GO refunding bonds. The issue is backed by the Oregon School Bond Guaranty Act.

The bonds were priced to yield from 15 basis points above the comparable Treasury in 2021 to 135 basis points above Treasuries in 2034.

Piper Sandler received the written award on the Frisco Independent School District of Collen and Denton Counties, Texas's (PSF:Aaa/AAA/NR/NR) $192.49 million of taxable unlimited tax refunding bonds.

Loop Capital received the official award on Ohio's $286.87 million of tax-exempt GOs consisting of higher education refunding bonds, common schools refunding bonds and infrastructure improvement refunding bonds.

Barclays Capital priced the Massachusetts Housing Finance Agency's $155.065 million of housing bonds not subject to the AMT, consisting of Series A-1 sustainability bonds, Series A2 bonds, Series A3 sustainability bonds and Series B taxables.

Wells Fargo Securities priced Charleston, S.C.'s (Aaa/AAA/NR/NR) $169.36 million of taxable waterworks and sewer system refunding revenue bonds.

The deal was priced at par to yield from 0.255% in 2021 to 2.15% in 2037, 2.531% in 2040 and 2.631% in 2045.

Fulton County, Ga., (Aa2/AA/NR/NR) competitively sold $290.595 million of water and sewerage revenue bonds.

JPMorgan Securities won the deal with a true interest cost of 2.4696%.

The bonds were priced to yield from 0.38% with a 5% coupon in 2025 to 2.23% with a 3% coupon in 2045.

First Tryon Advisors is the financial advisor; McGuireWoods is the bond counsel.

Proceeds will be use for the various capital improvements to the system.

"New issues didn't disappoint in terms of offering a variety of credits and distraction from secondary flows," said Kim Olsan, senior vice president at FHN Financial, looking at Tuesday's action.

She said that the supply surge led to overall flows failing to reach the $5 billion mark while also causing a slight rise in muni bond yields.

"With quarter end in mind, distribution is front and center and while some issues were mostly sold, others were working to place balances," she said.

Secondary market
Some notable trades on Wednesday:

Washington GOs, 5s of 2021, traded at 0.26%-0.25%. Cambridge, Massachusetts 5s of 2022 traded at 0.27%. On June 4 they were at 0.20% and were sold at the beginning of March.

Utah 5s of 2022 traded at 0.25%. Originally sold on May 11 at 0.50%.

Klein, Texas ISD 5s in the 10-year were at 1.04%, sold on April 16 at 1.29%.

Dallas waters, 4s of 2040, traded at 1.73%-1.72% originally sold on June 8 at a yield of 1.84%.

A long Dallas water, 4s of 2049, traded at 1.99%-1.94%, originally priced at 2.06%.

On MMD’s AAA benchmark scale, yields rose on the short end of the curve while the long end was steady. Yields on the 2021 and 2023 maturities rose two basis points to 0.25% and 0.27%, respectively. The yield on the 10-year GO muni was flat at 0.87% while the 30-year yield was unchanged at 1.63%.

The 10-year muni-to-Treasury ratio was calculated at 119.6% while the 30-year muni-to-Treasury ratio stood at 106.7%, according to MMD.

“Municipal bonds continue to drift lower today on moderate trade volume,” ICE Data Services said in a market comment Wednesday. “Yields on the ICE muni curve are one to two basis points higher, with the larger moves coming in the front end. High-yield names are flat to slightly stronger.”

The ICE AAA municipal yield curve showed yields were up, with the 2021 and 2022 maturities both gaining two basis points to 0.230% and 0.248%, respectively. Out longer, the 10-year maturity rose one basis point to 0.848% while the 30-year was steady at 1.645%.

ICE reported the 10-year muni-to-Treasury ratio stood at 122% while the 30-year ratio was at 106%.

The IHS Markit municipal analytics AAA curve showed the 2021 maturity yielding 0.21% and the 2022 maturity at 0.26% while the 10-year muni was at 0.86% and the 30-year stood at 1.63%.

The BVAL curve showed the 2021 maturity up one basis point to 0.16% while the 2022 was up one basis point to 0.23%. BVAL calculated the 10-year muni up two basis points to 0.82% and the 30-year up three at 1.66%.

Munis were weaker on the MBIS benchmark and AAA scales.

Treasuries were weaker as stocks traded mixed.

The three-month Treasury note was yielding 0.175%, the 10-year Treasury was yielding 0.739% and the 30-year Treasury was yielding 1.526%.

The Dow fell 0.21%, the S&P 500 increased 0.03% and the Nasdaq gained 0.06%.

On Tuesday, worries of a second-wave contamination had been put aside after the Federal Reserve said it would buttress the corporate bond market and data showed a rebound in U.S. retail sales, Ipek Ozkardeskaya, Senior Analyst at Swissquote Bank, said in a market comment.

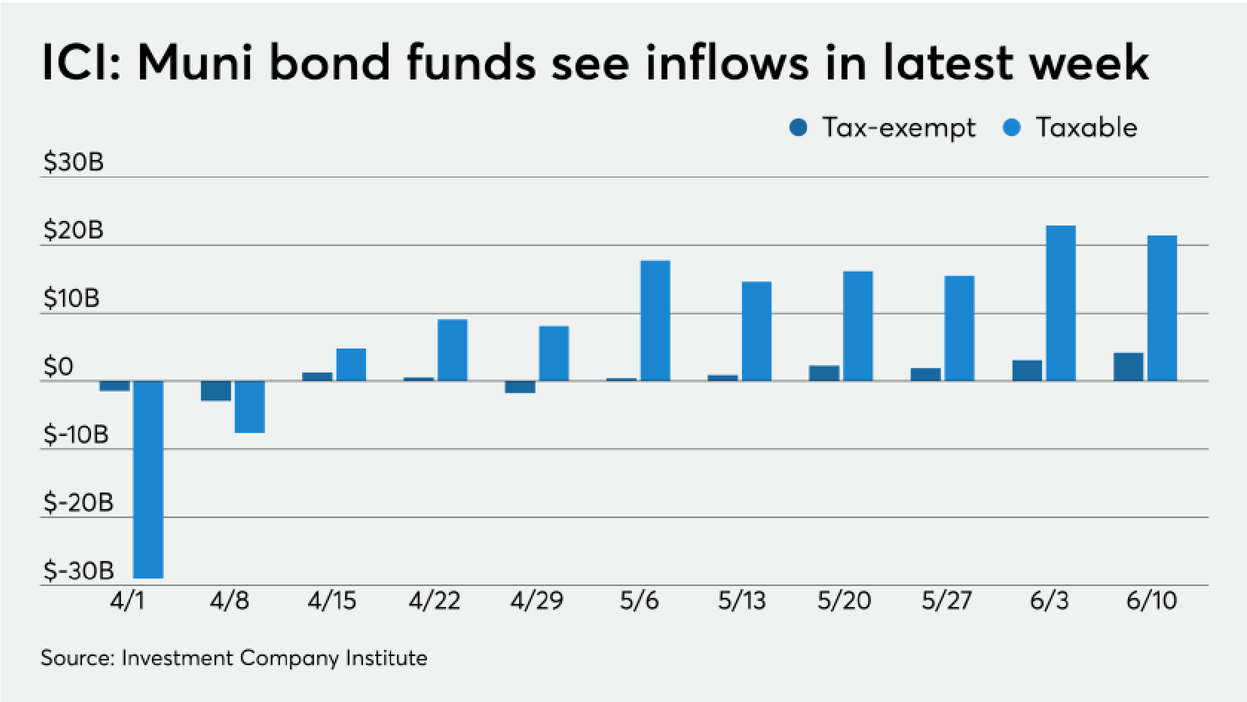
However, he noted there were some storm clouds on the horizon.

Asian stocks traded mixed on Wednesday following strong gains in Europe and the U.S. as exports in Japan plunged the most in more than a decade as a result of the COVID-19 pandemic. And tensions between China and India lead to the worst military clash in four decades near Himalaya.

“More relevant to most investors, China began imposing new confinement measures to stop the spread of the second wave of COVID-19 contagion. If things get uglier in China, the enthusiasm regarding the fiscal, monetary measures and the improving economic data may remain short lived,” Ozkardeskaya said.

ICI: Muni bond funds see $4.2B inflow

Long-term municipal bond funds and exchange-traded funds saw combined inflows of $4.186 billion in the week ended June 10, the Investment Company Institute reported Wednesday.



It marked the sixth week in a row the funds saw inflows. In the previous week, muni funds saw inflows of $3.106 billion, ICI said.

Long-term muni funds alone had an inflow of $3.486 billion in the latest reporting week after an inflow of $2.301 billion in the prior week.

ETF muni funds alone saw an inflow of $700 million after an inflow of $805 million in the prior week.

Taxable bond funds saw combined inflows of $21.378 billion in the latest reporting week after inflows of $22.884 billion in the prior week.

ICI said the total combined estimated inflows from all long-term mutual funds and ETFs were $40.812 billion after inflows of $17.633 billion in the previous week.

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