

THE BOND BUYER

Calif., N.Y. deals take center stage as issues crowd into the marketplace

By

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Published

September 01, 2020, 4:01 p.m. EDT

Municipals started out the month with a firm tone, ending the day little changed amid an avalanche of new issuance. Yields rose by as much as one basis point on the long end Tuesday, looking at some AAA scales.

August saw the largest intra-month upward yield moves since April as the market backed off extreme rally levels and tried to find a better equilibrium, according to FHN Financial Senior Vice President Kim Olsan.

“The shift to a greater share of tax-exempt supply brought to light just how tight valuations had gotten — levels which were ultimately rejected into the end of the month,” she said.

She noted that taxable munis now have three months of declining returns — a gain of 2.97% in June, a 2.47% return in July and a 1.13% loss for August.

“One explanation may be the supply increase in corporate bonds that gave taxable munis more competition (Bloomberg data show August’s corporate bond sales were \$136 billion),” she said. “Ongoing needs for refundings will keep volume elevated — including an upcoming \$2.2 billion Florida deal with a maximum 10-year maturity.”

She pointed out that high-yield bucked the negative trend, showing a 0.26% gain in August.

“For the same reasons generic revenues remain well bid, the sector is seeing ongoing demand as a means to boost paltry yields,” she said. “The caveat is that credit risks will prevail well into FY21 and will grow the longer most economies are not operating at 100%. Nursing home, entertainment/recreational projects and university housing bonds appear to be at particular ongoing risk.”

Primary market

On Tuesday, Morgan Stanley priced California's (Aa2/AA-/AA/NR) \$2.45 billion sale of general obligation and refunding bonds for retail investors.

The \$1.467 billion of refunding GOs were priced for retail to yield from 0.20% in 2021 with a 3% coupon (+5 basis points to the AAA scale) to 1.86% with a 4% coupon in 2040 (+50 bps).

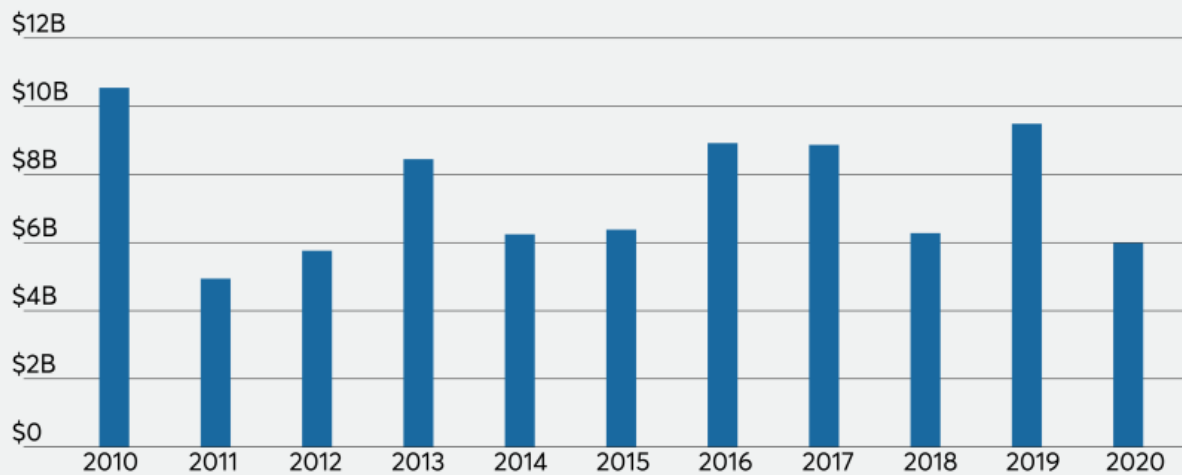
The \$983.13 million of various purpose GOs were priced for retail as 5s to yield from 0.20% in 2021 (+5 bps) to 0.74% in 2027 (+24), 1.01% in 2029 (+28), 1.20% in 2031 (+30), 1.28% in 2032 (+30), and to yield 1.60% in 2034 (+50) and 1.65% in 2035 (+50) with 4% coupons, to yield 2.19% with a 3% coupon in 2041 (+80), to yield 1.66% with a 4% coupon in 2045 (+15) and to yield 2.41% with a 3% coupon in 2050 (+85).

"I think muni buyers are very cautious right now with yields only slightly behind all-time lows. As a result, underwriters seem to be pricing deals cautiously as well, particularly mega loans of that size," said Greg Saulnier, managing analyst, US Municipal Bonds, Refinitiv (TM3/MMD). "Cal GOs were trading in the secondary only a week or two ago around plus-15 basis points for 5% coupons, but that was before \$2.4 billion got injected into the market. Hard to say, but my guess is they will be well received by institutions tomorrow and then likely trade up in the secondary as spreads normalize a bit."

On Monday, the underwriter issued price guidance that was in-line with the retail pricing.

Since 2010, the state has issued about \$80 billion of bonds, with the most issuance occurring in 2010 when it sold \$10.5 billion.

California municipal bond issuance



Source: Refinitiv

Citigroup priced and repriced the New York Transportation Development Corp.'s (Baa3/NR/BB+/NR) \$1.51 billion of special facilities revenue bonds for the Delta Airlines LaGuardia Airport Terminals C and D development project.

The bonds, subject to alternative minimum tax, were repriced to yield 4.05% with a 4% coupon in 2030, 4.30% with a 5% coupon in 2035, 4.45% with a 5% coupon in 2040 and 4.55% with a 4.375% coupon in 2045.

The bonds had been tentatively priced to yield 4.10% with a 4% coupon in 2030, 4.35% with a 5% coupon in 2035, 4.50% with a 5% coupon in 2040 and 4.625% with a 4.375% coupon in 2045.

Citi also priced the State of New York Mortgage Agency's (Aa1/NR/NR/NR) \$122.18 million of homeowner mortgage revenue social bonds after a one-day retail order period.

The SONYMA deal consists of \$102.935 million of Series 227 non-AMT bonds and \$19.245 Series 228 AMT bonds. The deal also included \$55 million of Series 229 and Series 230 taxable bonds.

The Series 227 bonds were priced at par to yield 2.10% in 2035, 2.30% in 2040 and 2.50% in 2047. A 2050 maturity was priced as a PAC bond to yield 1.02% with a 3.25% coupon with an average life of 4.99 years. The Series 228 AMT bonds were priced at par to yield from 0.40% and 0.45% in a split 2021 maturity to 2.10% and 2.15% in a split 2031 maturity.

The Series 229 taxables were priced at par to yield from 0.609% in 2021 to 2.38% in 2031 and 2.63% in 2035. The Series 230 taxables were priced at par to yield from 0.609% in 2021 to 2.38% in 2031, 2.63% in 2035, 2.98% in 2040, 3.10% in 2045 and 3.20% in 2050..

Wells Fargo Securities priced the Commonwealth Transportation Board of Virginia's (Aa1/AA+/AA+/NR) \$100.45 million of federal transportation grant anticipation revenue notes.

The GARVEEs were priced to yield from 0.18% with 5% coupons in a split 2021 maturity to 1.55% with a 4% coupon in 2035.

BofA Securities priced the Virginia Resources Authority's (Aaa/AAA/AAA/NR) \$100.07 million of state revolving fund revenue bonds.

The bonds were priced to yield from 0.17% with a 5% coupon in 2021 to 1.97% with a 3% coupon in 2040; a 2045 maturity was priced to yield 2.35% with a 2.25% coupon, a 2050 maturity was priced to yield 2.24% with a 3% coupon and a 2052 maturity was priced to yield 2% with a 4% coupon.

JPMorgan Securities priced the Ohio Housing Finance Agency's (Aaa/NR/NR/NR) \$100 million of residential mortgage revenue bonds issued under the mortgage-backed securities program.

The non-AMT bonds were priced at par to yield from 0.25% in 2021 to 1.90% and 1.95% in a split 2932 maturity, 2.10% in 2035, 2.25% in 2040 and 2.45% in 2045. A 2050 split maturity was priced at par to yield 2.55% and as a PAC bond to yield 0.95% with a 3.25% coupon and an average life of five years.

Wells Fargo priced Philadelphia, Pa's (MIG1/SP1+/NR/NR) \$300 million of Series A of 2020-21 tax and revenue anticipation notes. The TRANS, due June 30, 2021, were priced to yield 0.26% with a 4% coupon.

In the competitive arena on Tuesday, Citi won the Lexington County School District No. 1, S.C.'s (Aa1/AA/NR/NR) \$160.295 million of Series 2020C GOs with a true interest cost of 1.95%. The bonds were priced to yield from 0.17% with a 4% coupon in 2021 to 2.23% with a 2.125% coupon in 2044.

Citi also won Suffolk, Va.'s (Aaa/AAA/AAA/NR) \$112.9 million of Series 2020B taxable refunding GOs with a TIC of 1.5319%. The issue was priced at par to yield from 0.18% in 2021 to 1.97% in 2038 and 2.41% in 2042.

Morgan Stanley won the Eugene School District No. 4J, Ore.'s (Aa1/NR/NR/NR) \$115.625 million of taxable GO refunding bonds with a TIC of 1.3184%. The issue was backed by the Oregon school bond guaranty program. The bonds

were priced to yield from 0.20% with a 2% coupon in 2021 to 1.75% with a 1.70% coupon in 2034.

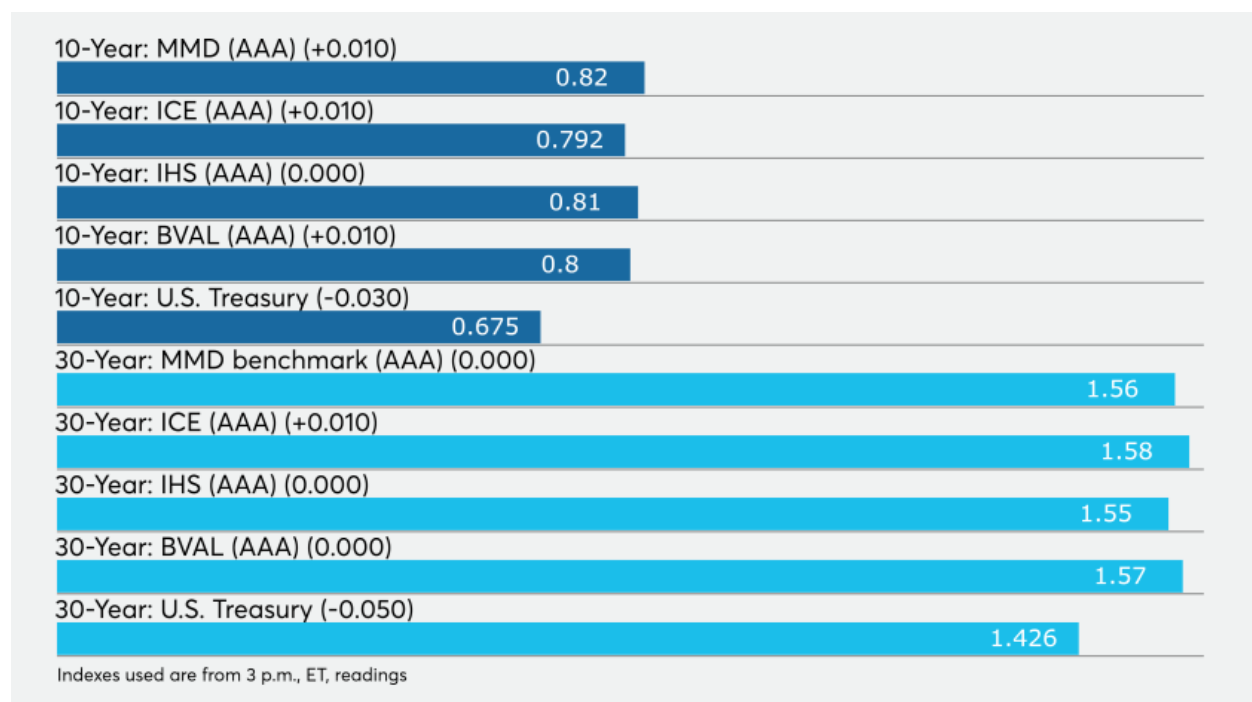
On Wednesday, BofA Securities is set to price [Florida's](#) (Aa3/AA/AA/NR) \$2.25 billion of the state Board of Administrative Finance Corp.'s taxable revenue bonds for the Florida Hurricane Catastrophe Fund.

Secondary market

Some notable trades Tuesday:

Round Rock Texas ISD 5s of 2023 traded at 0.20%-.0.19%. Maryland GOs 5s of 2026 at 0.43%. Georgia GOs 5s of 2027 at 0.56%. Maryland GOs 5s of 2028 at 0.70%-0.69%. NYC TFAs, 5s of 2030 at 1.26%-1.25%, originally priced at 1.22%. Katy Texas ISD 3s of 2033 traded at 1.27%-1.18%. Baltimore GOs 4s of 2034 traded at 1.35%. Georgia GOs 3s of 2036 traded at 1.46%-1.40%. Houston Port 4s of 2036 traded at 1.58%-1.53% after originally pricing in late July at 1.48%. Austin Texas ISD 2s of 2040 traded at 1.95%-1.89% (original 2.02%). Washington GOs, 5s of 2043, at 1.66%-1.55%. Goose Creek Texas Consolidated school district 4s of 2050 traded at 1.80% after originally pricing last month at 1.81%.

In higher-yielding issues, ICE Data Services reported that [Chicago](#) GOs were trading lower on the back of negative media reports on the credit, including a Wall Street Journal "Opinion Piece" suggesting the city file for Chapter 9 due to its inability to remedy its massive pension underfunding and service its debt.



High-grade municipals were little changed on Tuesday, according to the final readings on Refinitiv MMD's AAA benchmark scale.

Yields were steady in 2021 and 2022 at 0.15% and 0.16%, respectively. The yield on the 10-year muni rose one basis point to 0.82% while the 30-year yield was steady at 1.56%.

The 10-year muni-to-Treasury ratio was calculated at 120.6% while the 30-year muni-to-Treasury ratio stood at 109.1%, according to MMD.

"Yields on the ICE muni curve are mixed in the front end and about a basis point higher six-years and out," ICE said. "Trade volumes are trending higher from yesterday's subdued levels."

The ICE AAA municipal yield curve showed the 2021 maturity unchanged at 0.140% and the 2022 maturity steady at 0.152%. The 10-year maturity rose one basis point to 0.792% and the 30-year increased one basis point to 1.580%.

ICE reported the 10-year muni-to-Treasury ratio stood at 122% while the 30-year ratio was at 109%.

The IHS Markit municipal analytics AAA curve showed the 2021 maturity yielding 0.15% and the 2022 maturity at 0.16% while the 10-year muni was at 0.81% and the 30-year stood at 1.55%.

The BVAL AAA curve showed the 2021 maturity steady to yield 0.13% as the 2022 maturity remained flat at 0.15%. The 10-year muni gained one basis point to 0.80% while the 30-year was unchanged at 1.57%.

Treasuries were stronger as stock prices traded higher.

The three-month Treasury note was yielding 0.112%, the 10-year Treasury was yielding 0.675% and the 30-year Treasury was yielding 1.426%.

The Dow rose 0.56%, the S&P 500 increased 0.57% and the Nasdaq gained 1.25%.

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