



## Municipal Market Update

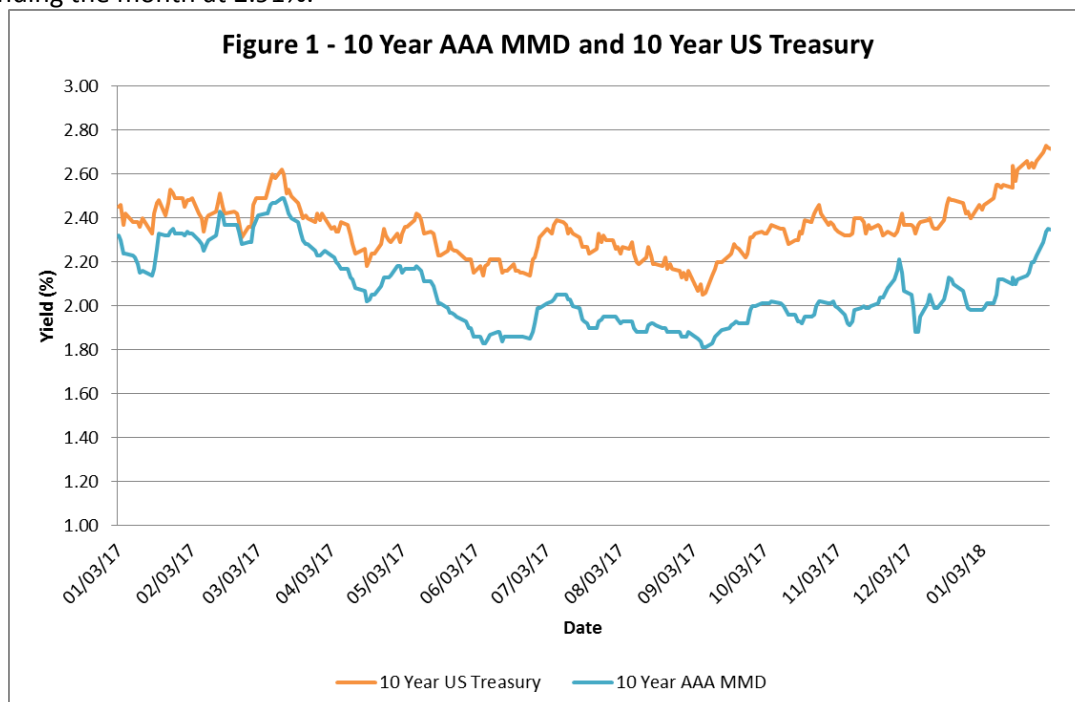


Municipal Bond Volume Plummets in January

Variable Rate Market Update

### Municipal Bond Volume Plummets in January

The same federal tax legislation that saturated the municipal bond market in December 2017 left the market with a significantly decreased volume in the first month of 2018. In January 2018, volume totaled \$16.75 billion in 490 transactions. Compared to volume in January 2017, this represented a 53% drop from \$36.01 billion in 777 deals. This slow start to the year, however, is not unexpected as many transactions originally scheduled for the first quarter of 2018 were accelerated to close prior to year-end. This was the first month in the market in which advance refundings were no longer permitted, a fact reflected in refunding volume. Refunding transactions in January 2018 reached only \$1.78 billion in 93 transactions, compared to \$8.78 billion in 272 deals the same month in 2017. New money transactions comprised the majority of the month's issuance reaching \$14.29 billion in 371 issues. This represents an 11.6% decrease in new money issuance compared to the same month last year. The Municipal Market Data ("MMD") 'AAA' Muni Market 10 year yield ended January at 2.35%, up 37 basis points from 1.98% at the end of December; the 30 year also increased by 37 basis points, ending the month at 2.91%.



The 10-year US Treasury yield increased 34 basis points from 2.38% at the end of December to 2.72% at the end of January. The 30-year Treasury yield also increased in January, ending the month at 2.95%, 21 basis points above its 2.74% level on the last day of 2017.

As of January 31<sup>st</sup>, the ratios of 'AAA' General Obligation municipal yields to Treasury yields were:

<u>Year</u>	<u>Yield</u>	<u>% Yield</u>
<b>1 Year</b>	<b>1.36 / 1.90</b>	<b>71.58%</b>
<b>5 Year</b>	<b>1.83/ 2.52</b>	<b>72.62%</b>
<b>10 Year</b>	<b>2.35 / 2.72</b>	<b>86.40%</b>
<b>30 Year</b>	<b>2.91 / 2.95</b>	<b>98.64%</b>

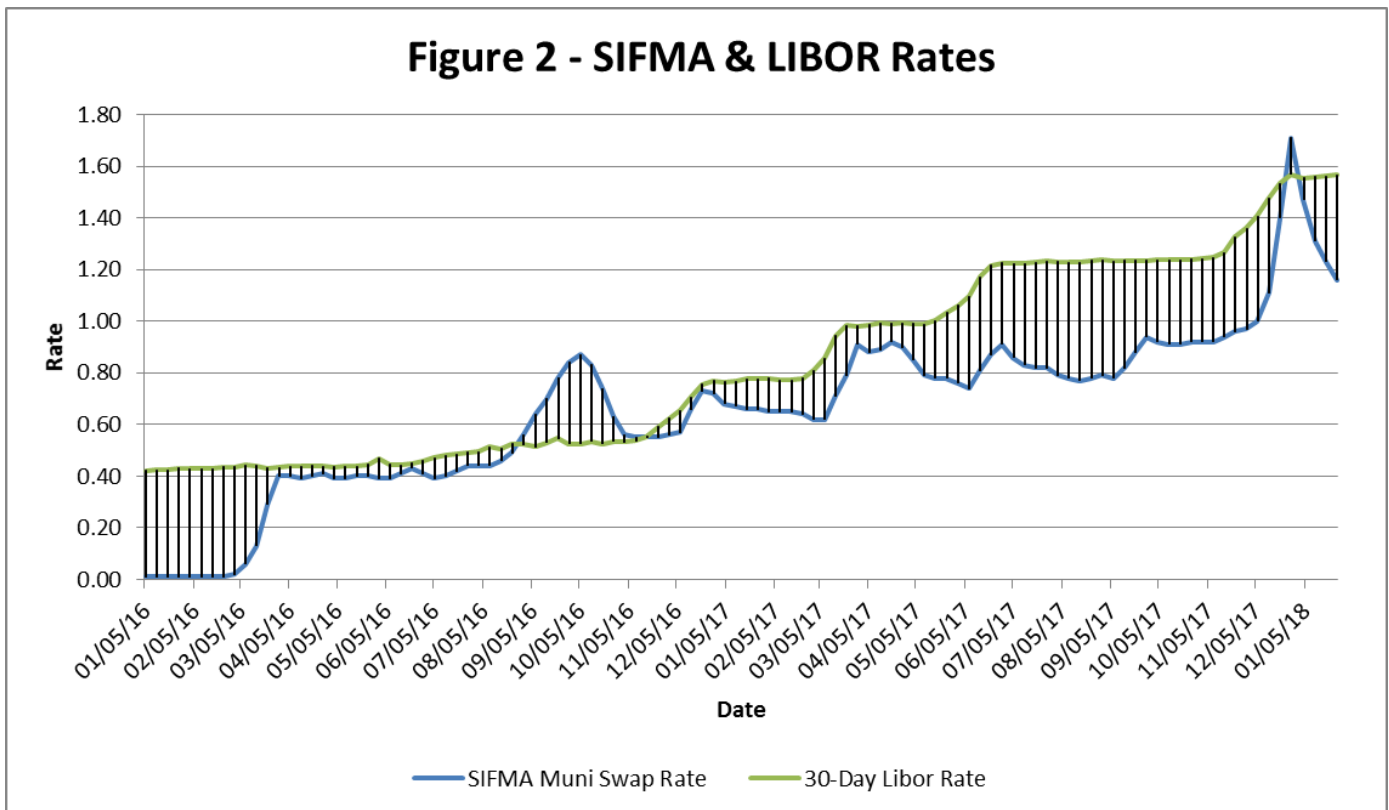
Sources: The Bond Buyer, Bloomberg, US Department of Treasury, US Federal Reserve

### Variable Rate Market Update

The SIFMA Municipal Swap Index, an average of high-grade, tax-exempt, variable rate bonds, fell 55 basis points since the end of December, ending January at 1.16%. The 30-day LIBOR also increased this month, rising from 1.56% at the end of December to 1.58% on January 31<sup>st</sup>.

Sources: The Bond Buyer, Bloomberg, SIFMA

**Figure 2 - SIFMA & LIBOR Rates**



Source: Bloomberg, SIFMA