

THE BOND BUYER

Munis face slight pressure amid primary flood

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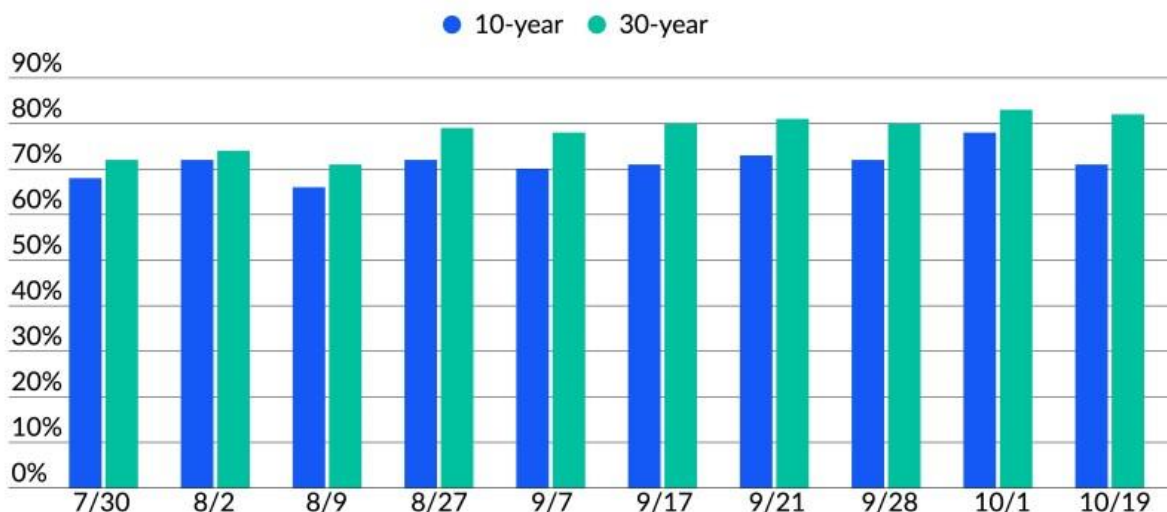
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Municipals were softer with small cuts to benchmarks on Tuesday as the focus was mostly on the sizable new-issue calendar and deals were repriced to lower yields.

Spreads have been widening, but secondary trading was on the light side and triple-A benchmarks were cut by only a basis point in spots even as U.S. Treasury yields once again rose on the 10- and 30-year.

Ratios fell again with the municipal to UST 10-year ratio at 73% and the 30-year at 81%, according to Refinitiv MMD. ICE Data Services had the 10-year at 71% and the 30 at 82%.

Muni/UST ratios



Source: ICE Data Services

"Yields are mostly unchanged on MMD, but we are seeing some spread widening on coupons with a 3% and 2% handle on new issues," a New York trader said. "It

seems OK through 20 years, but the long end is definitely feeling a little squishy," he said, noting that there is not as much demand focused on the long end.

The trader pointed to two negotiated deals that were priced historically attractive on Tuesday with wider spreads than usual for specialty state credits due to the market conditions.

"Georgia and Maryland are both specialty states and both deals came more attractive by 10 basis points — especially on the lower coupon stuff," the trader said, noting the wider spreads were impacted by more selective demand in the last two weeks as well as the heavy new-issue calendar this week.

The trader said both deals saw incremental yield and were priced about 10 basis points more attractive up and down the yield curve compared to where those deals would have priced in the past.

In the primary, J.P. Morgan Securities priced for the Central Puget Sound Regional Transit Authority (Aa1/AAA/) \$853.51 million of sales tax and motor vehicle excise tax improvement and refunding bonds. Bonds in 11/2022 with a 5% coupon yields 0.15%, 5s of 2026 at 0.66%, 5s of 2031 at 1.37%, 5s of 2036 at 1.53%, 4s of 2041 at 1.9%, 4s of 2046 at 2.08% and 2.6s of 2050 at 2.6%, callable in 11/01/2031.

BofA Securities priced and repriced for the Georgia Ports Authority (Aa2/AA/) \$426.84 million of revenue bonds with two to eight basis point bumps. Bonds in 7/2022 with a 5% coupon yields 0.12% (-3), 5s of 2026 at 0.61% (-2), 5s of 2031 at 1.36% (-8), 5s of 2036 at 1.61% (-4), 3s of 2041 at 2.29 (-4)%, 3s of 2046 at 2.48%, 4s of 2046 at 2.12% (-3), 2.625s of 2051 at 2.75% and 4s of 2051 at 2.20% (-3), callable in 7/1/2031.

BofA Securities priced and repriced for the Maryland Stadium Authority (A1/AA/A+//) \$256.955 million of built to learn revenue bonds. Bonds in 6/2023 with a 5% coupon yields 0.27% (-3), 5s of 2026 at 0.75% (-2), 5s of 2031 at 1.57% (-3), 4s of 2036 at 2.00% (-3), 3s of 2041 at 2.56% (+5), 4s of 2046 at 2.33%, 2.75s of 2051 at 2.93% and 4s of 2051 at 2.41%, callable in 6/1/2031.

Ramirez & Co. priced and repriced for Dallas, Texas (/A/A+//) \$234.215 million of hotel occupancy tax revenue refunding bonds. Bonds in 8/2022 with a 5% coupon yields 0.15% (-10), 5s of 2026 at 0.72% (-5), 4s of 2031 at 1.45% (-1), 4s of 2036 at 1.59% (-14) and 4s of 2038 at 1.64% (-15), callable in 8/15/2026.

Goldman, Sachs & Co. priced for the Ohio Water Development Authority (Aaa/AAA/) \$150 million of water development revenue bonds. Bonds in 12/2028

with a 5% coupon yield 1.03%, 5s of 6/2031 at 1.34%, 5s of 12/2031 at 1.36%, 4s of 12/2036 at 1.65%, and 5s of 6/2046 at 1.85%, callable in 12/1/2031.

In the competitive market, the Virginia Public School Authority (Aa1/AA+/AA+/) sold \$150.33 million of school financing bonds (1997 Resolution), Series 2021C to J.P. Morgan Securities LLC. Bonds in 2022 with a 5% coupon yield 0.12%, 5s of 2026 at 0.61%, 5s of 2031 at 1.31%, 2s of 2036 at 2.09%, and 2.5s of 2041 at 2.33%, callable in 8/2031.

Fayetteville, North Carolina, (Aa2/AA/AA/) sold \$96.405 million of Public Works Commission revenue bonds, Series 2021 to Citigroup Global Markets Inc. Bonds in 3/2024 with at 5% coupon yield 0.25%, 5s of 2026 at 0.54%, 5s of 2031 at 1.29%, 2s of 2036 at 2.05%, 2.25s of 2041 at 2.28%, 3s of 2046 at 2.15% and 2.5s of 2051 at 2.56%, callable in 3/1/2031.

Secondary trading

Forsyth County, North Carolina 5s of 2022 at 0.13%. Portland, Oregon 5s of 2026 at 0.57%. Utah 5s of 2026 at 0.54%. California 4s of 2027 at 0.77%. Charleston County, South Carolina 5s of 2030 at 1.14%.

Texas waters 5s of 2032 at 1.33%. Georgia 5s of 2032 at 1.26%.

Los Angeles DWP 5s of 2048 at 1.73%. New York City waters 5s of 2048 at 2.04%.

Massachusetts 5s of 2051 at 1.95%. Triborough Bridge and Tunnel 5s of 2051 at 2.10%.

AAA scales

According to Refinitiv MMD, short yields were steady at 0.12% in 2022 and at 0.18% in 2023. The yield on the 10-year rose one basis point to 1.19% and the yield on the 30-year sat at 1.68%.

The ICE municipal yield curve showed bonds steady at 0.13% in 2022 and at 0.18% in 2023. The 10-year maturity rose one to 1.15% and the 30-year yield was up one to 1.71%.

The IHS Markit municipal analytics curve showed short yields unchanged at 0.12% in 2022 and 0.18% in 2023. The 10-year yield rose two to 1.17% and the 30-year yield was steady at 1.68%.

The Bloomberg BVAL curve showed short yields steady at 0.16% in 2022 and 0.17% in 2023. The 10-year yield rose one to 1.16% and the 30-year was steady at 1.70%.

In late trading, Treasuries were softer as equities were in the black.

The 10-year Treasury was yielding 1.636% and the 30-year Treasury was yielding 2.087% near the close. The Dow Jones Industrial Average gained 159 points, or 0.45%, the S&P rose 0.65% while the Nasdaq gained 0.63%.

Inflation, again

Inflation risks are to the upside, raising questions about the Federal Reserve's contention that price pressures will be transitory, according to an analyst.

Part of the problem is the lack of definition in the Fed's flexible average inflation targeting (FAIT), said Chris Wu, portfolio manager at Federated Hermes.

The parameters were adopted to allow the Fed to "catch up" on inflation, which had been below 2% for about a decade. But with the Coronavirus shutting the economy and creating havoc in supply chains, prices and wages have jumped, he said

"Virtually every broad measure of inflation is running at multi-decade highs," Wu added. "But while the Fed may have gotten more than it wished for — inflation above 2% — it's too early to call policy mistake."

It's possible inflation can run hot for "a lot longer than some investors think," he said. The Fed never defined how far back it would look to determine the average. "This matters because the longer the Fed looks back, the longer it could let inflation run above 2% without feeling compelled to start reining it in," Wu said.

And, "it's too early" to determine if inflation is structural, he said. "The Fed's FAIT strategy is being tested, and the test isn't over yet."

"Inflation is here to stay" according to Jim Smigiel, chief investment officer at SEI. "COVID-19 has been a significant impediment for global supply chains. Inventories remain exceedingly low relative to demand and input costs have been rising rapidly."

For the most part, inflation numbers seem to continue surpassing expectations, he said. "Inflation expectations still seem low given the cautious commentary coming from companies grappling with supply-chain and staffing issues."

SEI expects inflation to remain high, "not just over the next one or two years, but well into the decade," Smigiel said.

Meanwhile, Joe Kalish, chief global macro strategist at Ned Davis Research, expects the supply chain issues and product shortages will be temporary.

However, he said, these could “be replaced by more persistent pressures, resulting in a surge in inflation expectations.”

The labor shortage, for example, could cause “upward pressure on compensation, which eventually feeds into core inflation.”

But, for now, “disinflationary factors like technology, competition, aging demographics, and high debt levels should counteract these risks to inflation expectations,” Kalish said.

In data released Tuesday, housing starts and building permits fell in September, with starts down 1.6% to an annual pace of 1.555 million and permits off 7.7% to an annual 1.589 million rate.

“Surging construction prices appear to be weighing on demand for privately owned housing starts,” said Edward Moya, senior market analyst for the Americas at OANDA.

With the multi-family sector mainly responsible for the decline, he said, “traders shouldn’t just expect this to confirm a peak is in place for the housing market.”

While inventory remains low, National Association of Realtors Chief economist Lawrence Yun noted, “year-to-date activity is solidly higher by 17% compared to 2020 and by 23% compared to the pre-pandemic year of 2019.”

Material and labor shortages “continue to stymie new residential construction,” said Wells Fargo Securities Senior Economist Mark Vitner, Economist Charlie Dougherty and Economic Analyst Nicole Cervi. “Hurricane Ida, which ripped through wide swathes of the South and Northeast in early September, likely held back new construction in those areas.”

Primary to come

California Community Choice Financing Authority (A2//) is set to price \$564.315 million of Climate Bond certified green clean energy project revenue bonds, Series 2021A, serials 2023-2027, term 2052. Goldman Sachs & Co.

The Hudson Yards Infrastructure Corp. (Aa2/AA-/A+//) is set to price Wednesday \$451.985 million of Hudson Yards revenue green bonds, Fiscal 2022 Series A, serials 2026-2047. Goldman Sachs & Co.

Banner Health, Arizona, (/AA-/AA-//) is set to price Thursday \$424.2 million of corporate CUSIP taxable bonds, Series 2021A. Morgan Stanley & Co.

The Utah Transit Authority is set to price \$361.355 million of taxable sales tax revenue refunding bonds, Series 2021 and federally taxable subordinated sales

tax revenue refunding bonds, Series 2021, consisting of \$344.985 million of Series 21 seniors (Aa2/AA/AA/) and \$16.37 million, Series 21 subs (Aa3/AA-/AA/). Wells Fargo Corporate & Investment Banking.

The University of Wisconsin Hospitals and Clinics Authority (Aa3/AA-///) is set to price Thursday \$350.575 million of revenue bonds, Series 2021B green bonds and taxable revenue refunding bonds, Series 2021C. J.P. Morgan Securities.

The Wisconsin Public Finance Authority is set to price \$263.63 million of revenue bonds (Searstone CCRC Project), consisting of: \$104.85 million of Series 2021 A (non-rated), \$36.31 million of Series 2021 B-1 (non-rated), \$32.24 million of Series 2021 B-2 (Caa3/////), \$5.315 million of Series 2021 C (non-rated), \$8.92 million of Series 2022 A (non-rated) and \$75.995 million of Series 2023 A (non-rated). HJ Sims & Co.

Southwestern Community College District, San Diego County, California, (Aa2/AA-//) is set to price Wednesday \$257.62 million, consisting of \$73.62 million of Series 1, \$3.05 million of Series 2 and \$180.95 million of Series 3. Morgan Stanley & Co.

Crown Point Multi-School Building Corp., Lake County, Indiana (/AA+//) is set to price Thursday \$247.015 million of ad valorem property tax first mortgage bonds, Series 2021, insured by Indiana State Aid Intercept Program. Raymond James & Associates.

The Virginia Housing Development Authority (Aa1/AA+//) is set to price Wednesday \$226.63 million of taxable rental housing bonds, 2021 Series J, serials 2024-2036, terms 2041, 2046, 2051 and 2056. Raymond James & Associates, Inc.

The Indiana Finance Authority (Aaa/AAA/AAA//) is set to price \$215.03 million of state revolving fund program green bonds, Series 2021B, serials 2023-2041. Citigroup Global Markets Inc.

The Louisiana Public Facilities Authority (non-rated) is set to price Thursday \$184.895 million, consisting of: \$182.985 million of revenue and refunding revenue bonds, Series 2021A-1 (CommCare Corp. Project) and \$1.91 million of taxable revenue bonds, Series 2021A-2 (CommCare Corp. Project). Piper Sandler & Co.

Carilion Clinic Obligated Group (Aa3/AA-//) is set to price Wednesday \$180 million of taxable bonds, Series 2021. Goldman Sachs & Co.

The Triborough Bridge and Tunnel Authority (Aa3/AA-/AA-/AA) is set to price Thursday \$163.245 million of MTA Bridges and Tunnels general revenue bonds, Series 2002F & Subseries 2008B-2 (conversion to fixed rate), consisting of \$110.61 million, Series 2021 and \$52.635 million, Series 2021B. Jefferies.

The Massachusetts Housing Finance Agency (/AA//) is set to price Thursday \$149.105 million of housing bonds: consisting of \$76.155 million, 2021 Series B-1 (sustainability bonds), serials 2024-2032, terms 2036, 2041, 2046, 2051, 2056, 2061 and 2063; \$64.145 million, 2021 Series B-2 (sustainability bonds), serial 2023, terms 2025-2026; and \$8.805 million, 2021 Series C, serial 2023. Barclays Capital.

American Municipal Power, Inc. (A1/A///) is set to price Wednesday \$141.550 million of Prairie State Energy Campus project revenue bonds, refunding series 2021A, serials 2032-2034 and 2036-2038. BofA Securities.

The Bay Area Water Supply & Conservation Agency (Aa3/AA-//) is set to price Thursday \$135.115 million of forward delivery refunding revenue bonds (Capital Cost Recovery Prepayment Program), Series 2023A. Goldman Sachs & Co.

The Wisconsin Public Finance Authority is set to price \$133.02 million of non-rated hospital revenue bonds Celina Regional Medical Center, consisting of \$106.22 million, Series A-1, terms 2031, 2041, 2051 and 2056 and \$26.8 million, Series A-2, term 2040. KeyBanc Capital Markets.

Blue Springs, Missouri, Reorganized School District #4 of Jackson County (/AA+//) is set to price \$132.79 million of general obligation school bonds, insured by Missouri Direct Deposit Program, consisting of: \$107 million, Series A, serials 2030-2041 and \$25.79 million, Series B, serials 2022-2025. Stifel, Nicolaus & Company.

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco is set to price Thursday \$130 million of 2021 Series A taxable third-lien tax allocation bonds affordable housing projects social bonds. Citigroup Global Markets Inc.

Clovis Unified School District, Fresno County, California, (/AA//) is set to price Thursday \$122.725 million of 2021 taxable refunding general obligation bonds, Series B, serials 2022, 2026 and 2028-2039. Stifel, Nicolaus & Company.

The Georgia Housing and Finance Authority (/AAA//) is set to price Wednesday \$101.235 million of single-family mortgage bonds, 2021 Series A (Non-AMT), serials 2022-2033, terms 2036, 2041, 2046 and 2051. Citigroup Global Markets.

Competitive

Tusla, Oklahoma (Aa1/AA//) is set to sell \$102.95 million of general obligation bonds, Series 2021 at 11:30 a.m. eastern Wednesday.

Lynne Funk contributed to this report.