THE BOND BUYER

NYC TFA, N.Y. MTA come to market; Puerto Rico Housing deal in the works

By

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Two large New York issuers came to market on Tuesday — the Transitional Finance Authority with a $1.27 billion deal and the Metropolitan Transportation Authority with a $900 million sale — as the first of this week's large offerings were greeted by eager buyers.

Participants gave the deals mixed reviews. Additionally, the Puerto Rico Housing Finance Authority may issue $250 million of tax-exempt capital fund modernization program refunding bonds the week of Sept. 28.

Heading back to New York, "it's hard to say on N.Y. MTA — they came a little wider than I would've guessed, but $900 million is a sizable deal and its evident from the pricing of the 4% coupons versus the 5s that buyers prefer a lower dollar price out long," said Greg Saulnier, municipal analyst at Refinitiv MMD. "Meanwhile, TFAs were about as expected, again given the deal size and how N.Y. spreads have widened over the past couple of weeks beginning with the NYC GO deal."

During the retail order period for the tax-exempts, the TFA said it received $354 million of orders from individuals, out of which about $276 million was usable. During the institutional pricing, the TFA received around $2.7 billion of priority orders, representing an oversubscription of 3.2 times on the deal.

Given the strong demand, yields were cut two basis points in the 2022 through 2032 maturities, four basis points in the 2033 through 2036 maturities, two basis points in 2037 and three to four basis in the 2038 through 2048 maturities, the TFA said.

The taxable competitive sale attracted 10 bidders, the TFA said.

Market activity has slowed from the brisk summer months as supply and demand have balanced out in the midst of the uncertainty over the upcoming presidential election, according to a Florida trader.

“The tax-exempt market is seeing good interest overall, but is off from the great pace we saw in the third quarter,” the trader said Tuesday.

“The brisk pace of reinvestment cash that we saw from redemptions from May through August has dried up, and we are seeing additional cash in the market that has right-sized the amount of supply versus demand,” he said.

With the current light deal flow, the trader said he doesn’t expect to see a pick up in the pace of the market prior to the elections — except that he has heard that some bankers are encouraging their issuer clients to bring deals to market before November as demand will slow as the election nears.

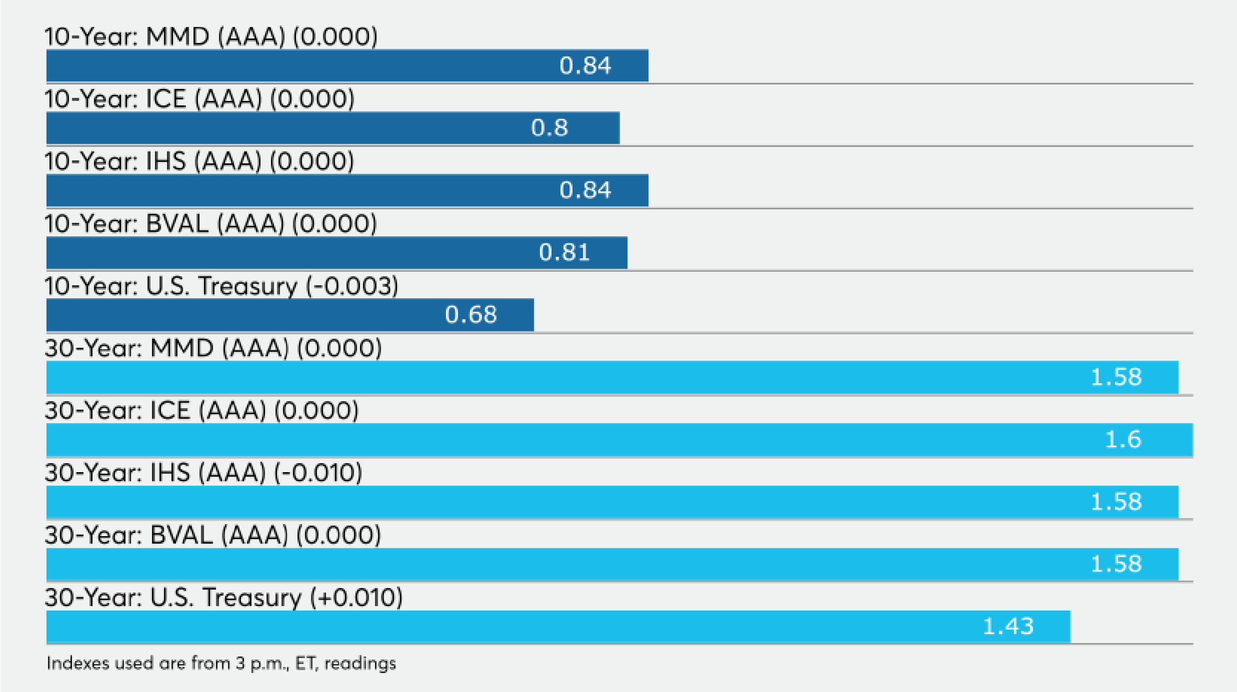
“The market is going to continue be right-sized as far as supply and demand — with no deficits on either size,” he said. “Customer demand is modest and the risk tolerance on the customer side and from the dealer perspective is cautious,” ahead of the elections.

That being said, however, he noted that the NYC TFA deal was highly sought after and had an “interesting” structure of all series.

“I heard the deal has good demand with a lot of customers interest in the loan, but the final allotments are still being done,” he said.

MMD's Saulnier said the market was searching for direction.

"Overall I would say the market is in a bit of a funk. It seems all the focus is on new issues which have been getting solid demand on the competitive side or having been coming at concessions in the negotiated market and then trading up in the secondary," Saulnier said. "Meanwhile, from talking to participants it doesn’t appear there is much depth to the bid in the secondary and many are still cautious/guarded that yields are going to continue higher for a bit before more buyers step in."



Municipals were little changed on the day, with yields remaining steady along most of the AAA GO scales as this week's supply started to flow into the marketplace.

Yields have been trading in a tight range in September, according to Kim Olsan, senior vice president at FHN Financial.

“A steady cycle of fund inflows, marketable supply and just-enough reinvestment demand are holding yields to a very tight two basis-point range this month,” Olsan said. “As quarter end approaches, though, there could be more momentum to develop as portfolios are staged for the final month before the election.”

She said there was a possibility of some new selling pressures ahead.

“Substantial gains are still intact from the dislocation earlier this year — performance that might be banked in coming weeks and bring additional sell volume,” Olsan said.

The Florida trader noted that the benchmark triple-A scale tracked by Refinitiv/Municipal Market Data has not moved more than a basis point in over a week.

“There’s typically a cautionary stance when a big event is going to take place,” the trader said. “We don’t anticipate this will be any different.”

Primary market

Jefferies priced and repriced the New York City TFA's (Aa1/AAA/AAA/NR) $900 million of tax-exempt future tax secured subordinate Fiscal 2021 Series C Subseries C-1 bonds to lower yields after a one-day retail order period.

The bonds were repriced to yield from 0.26% with a 3% coupon in 2022 to 0.50% with a 5% coupon in 2025 and to yield from 1.41% with a 5% coupon in 2031 to 2.57% with a 3% coupon in 2048. The bonds had been tentatively priced to yield from 0.28% with a 3% coupon in 2022 to 0.52% with a 5% coupon in 2025 and to yield from 1.43% with a 5% coupon in 2031 to 2.61% with a 3% coupon in 2048

Jefferies also priced the TFA's $199.685 million of future tax secured subordinated Fiscal 2021 bonds. The $156.315 million of Series 1 bonds were priced as 5s to yield from 0.53% in 2025 to 1.22% in 2029. The $43.37 million of Series 2 bonds were priced as 5s to yield from 0.52% in 2025 to 1.42% in 2031.

Additionally, the TFA competitively sold $173 million of taxable bonds.

BofA Securities won the $173 million of future tax secured subordinate Fiscal 2021 Series C Subseries C-2 bonds with a true interest cost of 1.5834%. The taxables were priced at par to yield from 1% (+75 basis points to UST) in 2025 to 1.75% (+107 basis points to UST) in 2030.

Public Resources Advisory Group and Frasca & Associates were the financial advisors. Norton Rose and Bryant Rabbino were the bond counsel.

Proceeds from the sales will be used to fund capital projects and convert certain floating-rate debt to fixed-rate debt.

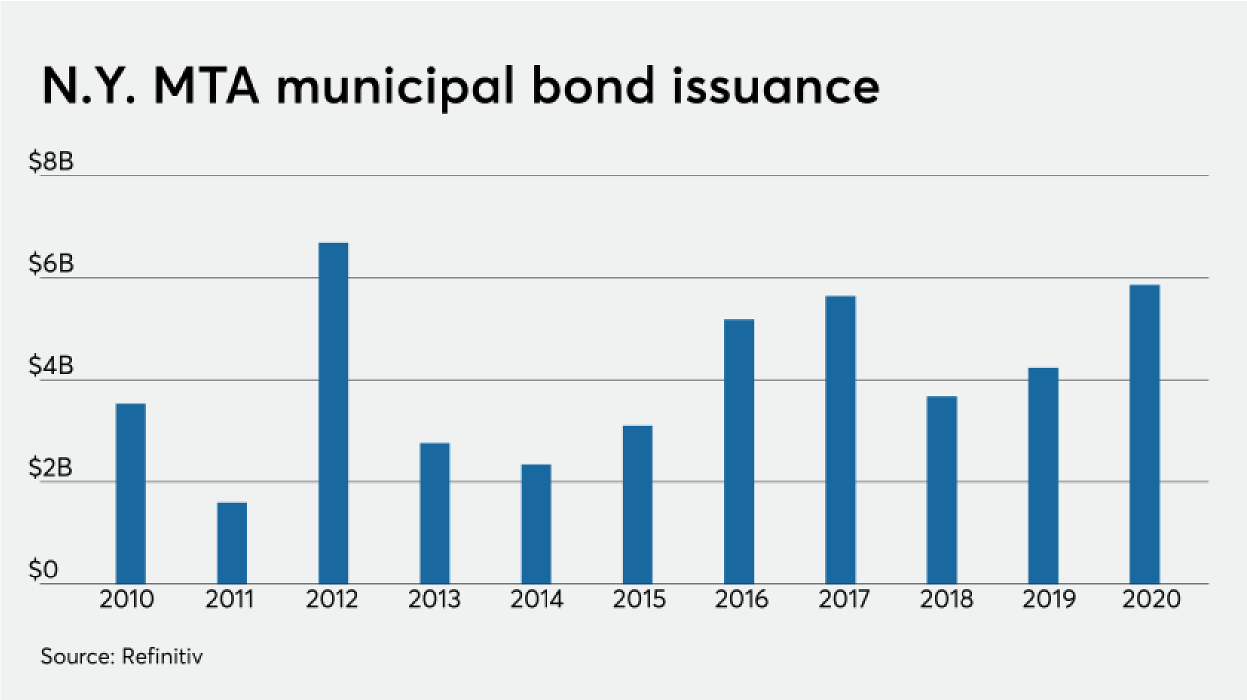
The New York MTA (A3/BBB+/A+/AA+) competitively sold $900 million of Series 2020D transportation revenue climate bond certified green bonds in three offerings. The MTA said that for each bidding group there were eight bidders and that the all-in TIC for the series was 4.49%.

BofA won the $300 million of Bidding Group 1 bonds with a TIC of 4.7091% and the $300 million of Bidding Group 3 bonds with a TIC of 4.3525%. The Bidding Group 1 bonds were priced as 5s to yield 4.44% in 2043, 4.47% in 2044 and 4.50% in 2045; the Bidding Group 3 bonds were priced as 4s to yield 4.25% in 2049 and 4.35% in 2050.

JPMorgan Securities won the $300 million of Bidding Group 2 bonds with a TIC of 4.4071%. The Bidding Group 2 bonds were priced as 4s to yield 4.39% in 2046, 4.40% in 2047 and 4.41% in 2048.

PRAG and Rockfleet Financial Services were the financial advisors. Nixon Peabody and D Seaton & Associates were the bond counsel. Proceeds will pay for approved existing transit and commuter projects.

Since 2020, the MTA has sold about $44 billion of debt, with the most issuance occurring in 2012 when it sold $6.7 billion of bonds.



Citigroup priced and repriced the Mount Sinai Obligated Group’s (A3/A-/NR/NR) $400 million of taxable corporate CUSIP bonds. The taxables were priced at par to yield 3.391% (+195 bps UST) in a 2050 bullet maturity.

BofA priced Brown University's (Aa1/AA+/NR/NR) $365 million of Series 2020A taxable corporate CUSIP bonds. The deal was priced with a 2.924% coupon to yield 2.439% (+100 bps UST) in a 2050 bullet maturity.

In competitive action, the Sandy Springs Public Facilities Authority, Ga., (AAA/AA+/NR/NR) sold $161.77 million of taxable refunding revenue bonds for the City Center project.

Wells Fargo Securities won the deal. The taxables were priced at par to yield from 0.22% in 2021 to 2.23% in 2038, 2.43% in 2042 and 2.58% in 2047. Davenport & Co. was the financial advisor; Gray Pannell was the bond counsel.

Hennepin County, Minn., (NR/AAA/AAA/NR) sold $150 million of Series 2020C general obligation sales tax revenue bonds.

Morgan Stanley won the deal with a TIC of 2.1466%. The bonds were priced as 5s to yield from 0.12% in 2021 to 1.40% in 2040. PFM Financial Advisors was the financial advisor; Dorsey & Whitney was the bond counsel.

The Brazosport Independent School District, Texas, (Aaa/NR/NR/NR) sold $117.215 million of unlimited tax school building and refunding GOs. The deal is backed by the Permanent School Fund guarantee program.

Citigroup won the deal with a TIC of 1.2993%. The bonds were priced to yield from 0.12% with a 5% coupon in 2021 to 1.77% with a 2% coupon in 2035.

USCA Municipal Advisors was the financial advisor; Hunton Andrews and the State Attorney General were the bond counsel.

Siebert Williams Shank & Co. priced Austin, Texas' (Aa1/AAA/AAA/NR) $215.905 million of public improvement and refunding bonds, certificates of obligation and public property finance contractual obligations.

BofA priced the New Mexico Finance Authority's (Aa2/AAA/NR/NR) $99.625 million of subordinate lien public project revolving fund revenue bonds. The tax-exempt Series 2020C-1 revenue bonds were priced to yield from 0.20% with a 5% coupon in 2021 to 2.02% with a 3% coupon in 2040; a 2045 maturity was priced as 4s to yield 1.99% and a 2050 maturity was priced as 4s to yield 2.05% The taxable Series 2020C-2 revenue and refunding bonds were priced at par to yield from 0.25% in 2021 to 2.17% in 2035 and 2.65% in 2040.

In the competitive arena on Wednesday, Pennsylvania (Aa3/A+/AA-/) will sell $470 million of general obligation bonds. PFM Financial Advisors and Sustainable Capital Advisors are the financial advisors. Stradley Ronon and the Tucker Law Group along with the State Attorney General are the bond counsel.

Puerto Rico deal may head to market

There will be an unusual seller in the week of Sept. 28 — a Puerto Rico public authority. Specifically, the Puerto Rico Housing Finance Authority and the Public Housing Administration will sell a $250 million refinancing bond, according to Goldman Sachs, which is the lead underwriter.

And perhaps even more surprising, the bond is coming to market with investment grades. It is rated AA-minus with a stable outlook by S&P Global Ratings. Moody's Investors Service rates PRHFA's debt A2 with a negative outlook.

According to Puerto Rico Fiscal Agency and Financial Advisory Authority, FAFAA is doing the refinancing to achieve savings on debt service. The existing bonds are maturing from this year to 2027.

The current bonds were issued under the Capital Fund Program of the U.S. Department of Housing and Urban Development. Debt service on both the new and old bonds is payable solely from federal appropriations to fund public residential improvement projects.

According to FAFAA, the bonds are not an obligation of a Puerto Rico government instrumentality.

While the Oversight Board has declared that it has oversight over PRHFA, the board hasn't put the entity into bankruptcy. The board has allowed the payments of existing bonds to continue.

According to FAFAA, both the board and HUD have approved the refunding sale.

Secondary market

Some notable trades Tuesday:

Trading once again saw large blocks of Texas but other high-grades moving along. Iriving, Texas ISD 5s of 2024 landed at 0.20%. Hennepin County, Minnesota 5s of 2024 were at 0.25%-0.23%. Hamily County, Tennessee GOs, 5s of 2027, traded at 0.52% after originally selling at 0.50%. Klein Texas ISD 5s of 2031 traded at 1.07%-1.06%.

Georgia GOs, 4s of 2034, traded at 1.25%-1.20%. Houston Ports, 5s of 2034 at 1.37%, same as Monday. Dallas waters, 5s of 2037, were at 1.53%-1.45%. Anchorage, Alaska 3s of 2039 traded at 2.01%-2.00% after trading at 2.05% Monday. Charlotte, North Carolina GOs, 4s of 2046 were at 1.69%-1.68% originally at 1.76%.

Alvin, Texas ISD 4s of 2048 were rat 1.75%-1.74% afer pricing in 1.71% in July.

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

Yields were flat in 2021 and 2022, at 0.12% and 0.13%, respectively. The yield on the 10-year muni was steady at 0.84% while the 30-year yield remained at 1.58%.

The 10-year muni-to-Treasury ratio was calculated at 123.3% while the 30-year muni-to-Treasury ratio stood at 110.3%, according to MMD.

The ICE AAA municipal yield curve showed the 2021 maturity down one basis point to 0.12% and the 2022 maturity off one basis point to 0.12%. The 10-year maturity was steady at 0.80% and the 30-year was flat at 1.60%.

The 10-year muni-to-Treasury ratio was calculated at 123% while the 30-year muni-to-Treasury ratio stood at 110%, according to ICE.

The IHS Markit municipal analytics AAA curve was showed the 2021 maturity yielding 0.14%, the 2022 maturity at 0.15%, the 10-year muni at 0.84% and the 30-year at 1.58%.

The BVAL AAA curve showed the yield on the 2021 maturity unchanged at 0.11%, the 2022 maturity steady at 0.14%, the 10-year flat at 0.81% and the 30-year unchanged at 1.58%.

Treasuries were mixed as stock prices traded higher.

The three-month Treasury note was yielding 0.112%, the 10-year Treasury was yielding 0.676% and the 30-year Treasury was yielding 1.427%.

The Dow rose 0.04%, the S&P 500 increased 0.44% and the Nasdaq gained 0.99%.

Christine Albano and Robert Slavin contributed to this report.

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