

THE BOND BUYER

Muni yields fall for the first time in December

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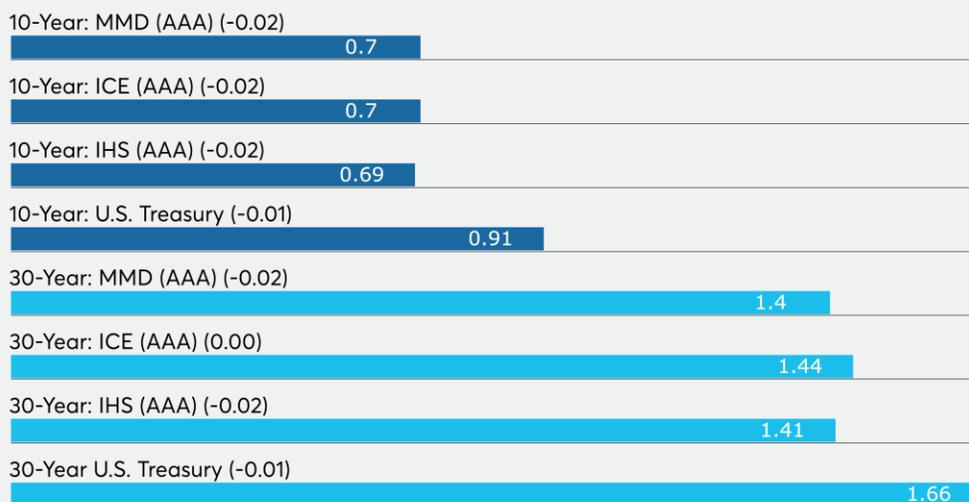
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Municipal yields fell one to two basis points Tuesday on triple-A benchmarks, the first time since the beginning of the month the market saw any movement in the secondary.

The new-issue market saw strong reception and deals priced at yields some might not have imagined a year ago on certain less-than-perfect credits. Primary repricings showed deals bumped by two to five basis points.

Technicals are strong, traders and analysts said, and they expect the municipal market to perform well for the remainder of 2020.

The University of Connecticut priced for institutions Tuesday and bumped yields by two to three basis points from retail scales. The Los Angeles Department of Water and Power repriced by four to five basis points lower than a morning pricing.



Indexes used are from 3 p.m., ET, readings

The week will see some of the lowest ranges of investment-grade bonds via the [Puerto Rico Aqueduct and Sewer Authority's \\$1.4 billion deal](#) and the \$950

million Florida Brightline project, and some traders still expect yields and spreads to be some of the tightest the market has seen.

It was a busy and strong Tuesday on the buy side of the municipal market, despite of some underlying seasonal conditions that typically hinder activity, according to one New York trader.

The year-end seasonal pressure is building with political, market, and economic woes. However Tuesday's activity was brisk nonetheless, the trader said.

Treasury strength trickled down to the municipal market, he noted, and investors were doing some seasonal shopping with whatever supply is available.

"The percentages are not great in the belly, and rates are staying low, but there is so much cash at this time of the year," he said.

"There's always a lot of cash in December and Jan. 1 is always a big redemption date," he said.

The 10-year Treasury dipped below 0.90% Tuesday after hitting 0.97% last week, which indicates the market is stuck in a trading range given economic uncertainty going forward, according to the trader.

"Even though the five- to seven-year part of the yield curve is not attractive in munis, people are buying it," he said. "The front end is very cheap."

Billion dollar deals from the New York State Dormitory Authority and New York City will be highly sought after, and will be benchmark deals for deciphering the current credit impacts of the COVID-19 pandemic on the city and state economies. [New York City received a negative outlook](#) from S&P Global Tuesday.

The trader said the deals could be priced slightly cheaper than where they have been in recent pricings, but with the overwhelming demand in the market lately, that might not be necessary.

"The New Jersey deal last week was bumped up and was like 10 times oversubscribed — so there is going to be the same thing," he said. "There will be no problem with these deals getting gobbled up."

Political developments in Washington — from the COVID-19 vaccine, the economy, and the uncertainty over the vote count and presidential election — is also weighing on the market.

"Despite some of these cross-currents, the market is strong, demand is strong, and there is more supply coming," the trader said.

Primary market

Loop Capital Markets priced for institutions \$284 million of University of Connecticut (A1/A+/A/NR) general obligation new-money and refunding bonds. The first series, \$166.7 million, had 5s of 2022 yielding 0.27%, two basis points lower from Monday's retail scales and five points from Friday's day-one retail offering. 5s of 2025 at 0.46%, were three basis points lower than retail, 5s of 2030 at 1.11%, another basis point lower and 4s of 2035 at 1.65%, five basis points lower and 3s of 2041 at 2.09%, five basis points lower. The issuer also added 5s of 2041 at 1.69%, priced five basis point lower.

The second series, \$117 million of refunding bonds, had 5s of 2022 at 0.27%, 5s of 2025 at 0.49%, 1.5s of 2030 at 1.11% and 5s of 2030 at 1.11% and 5s of 2031 at 1.21%, four basis points lower than Monday's retail scale, priced to the call.

Siebert Williams Shank & Co. priced \$244 million of water system revenue refunding bonds for the Los Angeles Department of Water and Power (Aa2/NR/AA/AA+). The bonds mature in 2021 with a 5% coupon and yield 0.10%, 5s of 2032 yield 0.96%, 5s of 2035 at 1.06%, 2040 at 1.26% and 2041 at 1.30%.

Secondary market

Trading showed a firmer secondary.

North Carolina GO 5s of 2022, traded at 0.15%-0.13%. Fairfax County, Virginia, GO 5s of 2023 at 0.25%. Maryland GO 5s of 2028 at 0.54%-0.53%.

New York City water 5s of 2030 traded at 0.80%-0.79%.

Cal GO 5s of 2031 at 0.93% (originally priced at 1.27% in early September).

High-grade municipals were one to two basis points better, according to final readings on Refinitiv MMD's AAA benchmark scale. Short yields were at 0.13% in 2021 and 0.14% in 2022. The yield on the 10-year a basis point lower at 0.71% while the yield on the 30-year was at 1.41%.

The 10-year muni-to-Treasury ratio was calculated at 78% while the 30-year muni-to-Treasury ratio stood at 84%, according to MMD.

The ICE AAA municipal yield curve showed short maturities slightly firmer at 0.13% in 2021 and 0.15% in 2022. The 10-year maturity was firmer at 0.70% while the 30-year yield was little changed 1.44%.

The 10-year muni-to-Treasury ratio was calculated at 77% while the 30-year muni-to-Treasury ratio stood at 87%, according to ICE. The five-year ratio was at 50%.

The IHS Markit municipal analytics AAA curve showed short yields at 0.11% and 0.12% in 2021 and 2022, respectively, and the 10-year steady at 0.69% as the 30-year yield was at 1.41%.

Treasuries fell and equities rose on vaccination and stimulus news. The 10-year Treasury was yielding 0.91% and the 30-year Treasury was yielding 1.6%. The Dow gained 108 points to put it back above 30,000, the S&P 500 made back losses and was up 0.29%, while the Nasdaq rose 0.47%.

Still to come this week

Massachusetts plans to sell \$1.2 billion of taxable general obligation revenue anticipation notes. J.P. Morgan Securities is head underwriter.

The Florida Development Finance Corp. (NR/NR/NR/NR) is set to sell \$950 million of Brightline Passenger Rail Project surface transportation facility revenue green bonds subject to the alternative minimum tax on Thursday. The bonds mature on 1/1/2049. Morgan Stanley & Co. is lead underwriter.

Connecticut plans to sell \$800 million of general obligation bonds. The unlimited tax GOs are serials from 2022-2041. Jefferies is bookrunner on the deal.

The New York Transportation Development Corp. (BAa1/NR/BBB/NR) plans to sell \$628 million of Terminal 4 John F. Kennedy International Airport Project special facility revenue refunding bonds. J.P. Morgan Securities LLC is lead underwriter.

Miami-Dade County, Florida (NR/A+/A+/NR) is set to price \$507 million of taxable subordinate special obligation bonds. J.P. Morgan Securities runs the books.

The Georgia State Road and Tollway Authority has \$491 million of grant anticipation revenue bonds (A2/AA/A+) and reimbursement revenue bonds (A1/AA/A+) in two series on the day-to-day calendar. The first, \$393 million of GARBs, are serials 2021-2032 and the second, \$98 million of RRBs, also serials, 2021-2032. Citigroup Global Markets Inc. is set to price the deal.

The New York City Housing Development Corp. (Aa2/AA+/NR/NR) has \$473 million of multifamily housing revenue sustainable development bonds in two series, \$321 million and \$152 million, with Morgan Stanley & Co. running the books.

The Suffolk County, New York, will price \$410 million of tax anticipation notes for 2021 taxes. J.P. Morgan Securities is head underwriter.

The Texas Public Finance Authority (Aa1/AA+/NR/NR) plans to issue \$400 million of taxable lease revenue and refunding bonds (Texas Facilities Commission) serials 2022-2041. Siebert Williams Shank & Co. is lead underwriter.

The Tarrant County Cultural Education Facilities Finance Corp., Texas, (A2/AA//) will price \$303 million of taxable Hendrick Medical Center hospital revenue bonds insured by Assured Guaranty Municipal Corp. Serials 2021-2030 and terms in 2040 and 2050. KeyBanc Capital Markets will run the books.

The Jefferson County School District, Colorado, (Aa2/AA//) plans to price \$279 million of revenue bonds in two series, 2025-2040, series 2020B, 2021-2025. Baird will run the books.

The Sports Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee, (Aa3/AA/NR/NR) plans to price taxable public improvement revenue bonds, serials 2023-2035, Terms 2040, 2051. Citigroup Global Markets Inc. will run the books.

The State of Ohio's Public Facilities Commission (Aa1/AA+/AA+/NR) plans to price \$206 million of infrastructure improvement general obligation and conservation project GOs. Morgan Stanley & Co. is head underwriter.

The Port of Morrow, Oregon, (Aa2/NR/AA/NR) plans to price \$202 million of taxable refunding transmission facilities revenue bonds (Bonneville Cooperation Project No. 8) with terms in 2041, 2043. Wells Fargo Securities is lead underwriter.

The William S. Hart Union High School District north of Los Angeles, California, (Aa2///) plans to issue \$177 million of taxable GO refunding bonds. Stifel, Nicolaus & Company, Inc. is head underwriter.

The City of Boston, Massachusetts, (Aaa/AAA//) plans to sell \$163 million of GO and GO refunding bonds. BofA Securities leads the deal. Boston also plans \$106 million of taxable general obligation and GO refunding bonds on Wednesday. BofA Securities is lead underwriter.

The City of Scottsdale, Arizona (Aaa/AAA/AAA/) plans to price \$159.8 million of taxable general obligation bonds on Thursday. Morgan Stanley & Co. LLC is head underwriter.

The Minnesota Housing Finance Agency (Aa1/AA+//) is set to price \$125 million of residential housing finance AMT and non-AMT bonds on Wednesday. The first series, \$16.5 million of AMT bonds, are serials 2021-2028. The second series,

\$108 million are serials 2021-2022, 2028-2032, terms in 2035, 2040, 2045 and 2051. RBC Capital Markets is head underwriter.

The Oklahoma Water Resources Board (NR/AAA/AAA/) is set to price \$100 million of master trust revolving fund revenue bonds on Tuesday. BofA Securities is bookrunner.

The New Jersey Housing and Mortgage Finance Agency (NR/AA-/NR/NR) is set to price \$98 million of multifamily revenue bonds non-AMT and taxables. Wells Fargo Securities is bookrunner.

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