

THE BOND BUYER

Munis deep in the red as selling pressure hangs over

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Municipals were slightly weaker Wednesday even as U.S. Treasuries pared back some recent losses and equities sold off.

New York City priced for institutions at higher yields than Tuesday's retail offering while several highly rated issues sold bonds in the competitive market at wider spreads than recent offerings. New York saw its yields rise 12 to 14 basis points from retail, in line with the rise in scales Tuesday and Wednesday, and triple-A Anne Arundel County, Maryland, saw its 10-year bought at 2.19%, well above triple-A scales.

Secondary trading was thinner than Tuesday, but several prints pointed to a weaker tone.

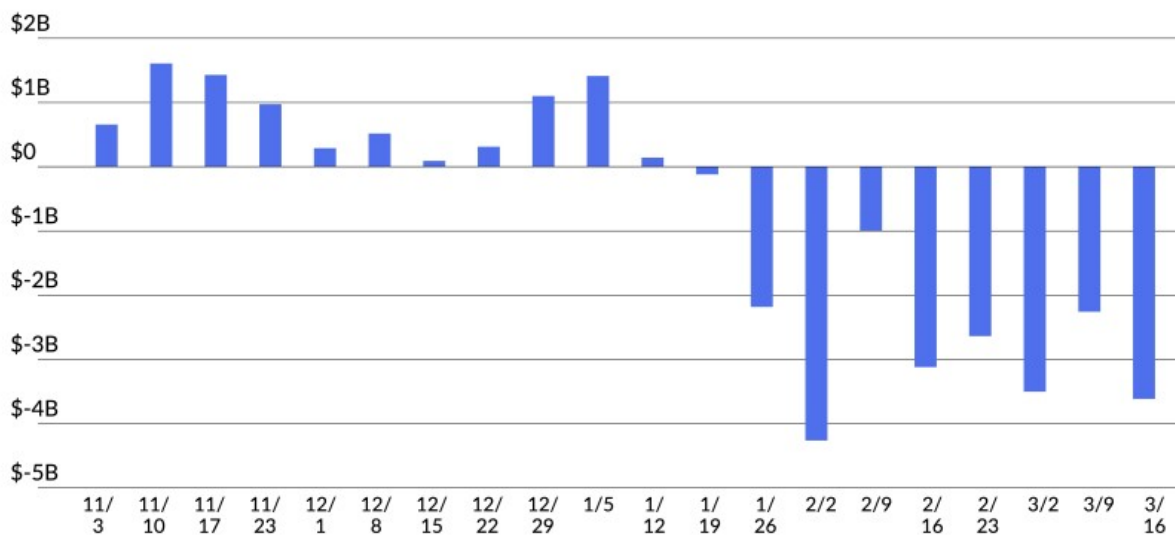
Triple-A yield curves saw up to four basis point cuts while UST yields fell up to nine basis points on the long bond, with municipal to UST ratios coming closer to 100% as a result.

Municipal to UST ratios on Tuesday were at 76% in five years, 90% in 10-years and 98% in 30, according to Refinitiv MMD's 3 p.m. read. ICE Data Services had the five at 77%, the 10 at 93% and the 30 at 102% at 4 p.m.

Municipals are deep in the red with the Bloomberg Muni Index posting negative 2.46% returns so far in March and losses of 5.47% year to date. High-yield is showing 2.57% losses for March and 5.51% for 2022 while taxables have lost 5.66% month-to-date and 8.89% in 2022 so far. Bloomberg's impact index is showing 3.17% losses for March and 6.59% year-to-date.

Outflows continue with the Investment Company Institute on Wednesday reporting \$3.615 billion of outflows in the week ending March 16, up from \$2.258 billion of outflows in the previous week.

ICI reports ninth week of outflows



Source: The Investment Company Institute

[Exchange-traded funds](#) saw inflows at \$438 million versus \$617 million of inflows the week prior.

Refinitiv Lipper's figures, to be reported Thursday, will show just how hard hit the market has been since the two days of post-Fed rate hike relative strength, only for the asset class to be whipsawed Tuesday following the rout in UST.

Municipals are holding an end-of-season sale, according to Kim Olsan, senior vice president at FHN Financial.

“Spread widening, coupon widening and higher yields are combining to create some of the most [buyer-friendly conditions](#) that have been in place in nearly two years,” she said.

Low reinvestment flows and a [heavier calendar](#) are weighing on end-of-quarter fundamentals, she said.

The Fed's increasingly bearish tone is affecting munis with upward yield biases – corrections above 10 basis points were seen in Tuesday's session, similar to

the March/April 2020 timeframe. On March 9, 2020, the 10-year triple-A spot was at 0.78%, and by the end of the month, it had risen to 2.79%. The yield had fallen below 1.50% by the end of April that year.

The current period began with the 10-year bond yielding around 1.00% in January and is now above 2.00%, she noted.

“One of the culprits is outsized bid list volume, exceeding \$1.5 billion [Tuesday] – brought on by both redemptions and cash raises for new issue,” Olsan said. “That dynamic is leading to a less-defined spread structure.”

Bids wanteds have surpassed the \$1 billion mark 22 times since the start of the year, per Bloomberg data.

Olsan said instances of double-A names compressing into triple-As indicate that sellers have received the best offer. She said wider spreads in high-grade names have opened up a new set of possibilities. Aa2/AA Adams and Weld Counties, Colorado, Schools' negotiated pricing offered a five-year at 2% and the 2046 maturity as 4s at 2.97% – roughly 30 basis points above implied 4% spreads and likely to force wider conditions in coming sessions as other deals come to market and compete for investor attention.

Actively traded state GO credits are a reliable gauge of wider market trends, Olsan said.

“Benchmark names Georgia and North Carolina GOs influence daily inputs and yield moves with a traditional peg of zero-spread to the respective maturity date,” she said. “Activity in each credit informs the broader scale each day, so that trades in either name at adjusted levels will usually direct a rise or fall in benchmarks.”

North Carolina GO 5s of 2023 traded at 1.42%-1.39% on Wednesday. Georgia 5s of 2032 at 2.10%. To see how much yields have risen, that maturity traded at 1.67% on March 3.

In the primary market Wednesday, Citigroup Global Markets priced for institutions \$901 million of tax-exempt general obligation bonds for New York City (Aa2/AA/AA-/AA+/) with cuts of 12 to 16 basis points along the curve from Tuesday's retail offering. The first tranche, \$657.995 million, Fiscal 2022 Series B, Subseries B-1, saw bonds in 8/2023 with a 5% coupon yield 1.49%, 5s of 2027 at 2.17%, 5s of 2032 at 2.61% and 5s of 2036 at 2.85% (+14), callable 8/1/2032.

The second tranche, \$243.220 million, Fiscal 2022 Series C, saw bonds in 8/2022 with a 5% coupon yield 1.31% (+12), 5s of 2027 at 2.17% (+16), 5s of 2032 at 2.61% (+13) and 5s of 2033 at 2.70% (+13), callable 8/1/2032.

J.P. Morgan Securities priced for Brevard County Health Facilities Authority (A2/A/) \$435.645 million of Health First Obligated Group hospital revenue bonds. The first tranche \$388.230 million, Series 2022A, saw bonds in 4/2040 with a 5% coupon yield 3.36%, 5s of 2042 at 3.40%. 5s of 2047 at 3.50%, 5s of 2052 at 3.60% and 4s of 2052 at 3.82%, callable 4/1/2032.

The second tranche, \$47.415 million of forward-delivery bonds, Series 2023A, saw bonds in 4/2025 with a 5% coupon yield 2.74%, 5s of 2027 at 3.00%, 5s of 2032 at 3.47%, 5s of 2037 at 3.79% and 5s of 2039 at 3.81%, callable 4/1/2033.

J.P. Morgan Securities priced for California Public Finance Authority (/AA/AA/) \$172.775 million of Hoag Memorial Hospital Presbyterian revenue bonds, Series 2022A. Bonds in 7/2028 with a 5% coupon yield 2.32%, 5s of 2032 at 2.63%, 4s of 2037 at 2.08%, 4s of 2042 at 3.20%, 5s of 2046 at 3.00% and 4s of 2051 at 3.37%, callable 7/15/2032.

In the competitive market, Anne Arundel County, Maryland, (Aaa/AAA/) sold \$194.690 million of general obligation bonds to BofA Securities. The first tranche, \$137.145 million of consolidated general improvement bonds, Series 2022, saw bonds in 10/2022 with a 5% coupon yield 1.25%, 5s of 2027 at 1.88%, 5s of 2032 at 2.19%, 5s of 2037 at 2.33%, 4s of 2042 at 2.80%, 4s of 2047 at 2.95% and 4s of 2051 at 3.00%, callable 4/1/2032.

The second tranche, \$57.545 million of consolidated water and sewer bonds, Series 2022, saw bonds in 10/2022 with a 5% coupon yield 1.25%, 5s of 2027 at 1.88%, 5s of 2032 at 2.19%, 5s of 2037 at 2.33%, 4s of 2042 at 2.80%, 4s of 2047 at 2.95% and 4s of 2051 at 3.00%, callable 4/1/2032.

The county also sold \$67.625 million of general obligation bonds to BofA Securities. The first tranche, \$44.780 million of consolidated general improvement refunding bonds saw bonds in 4/2023 with a 5% coupon yield 1.37%, 5s of 2027 at 1.84% and 5s of 2032 at 2.17%, noncall.

The second tranche, \$22.845 million of consolidated water and sewer refunding bonds saw bonds in 4/2023 with a 5% coupon yield 1.37%, 5s of 2027 at 1.84%, 5s of 2032 at 2.17%, 4s of 2037 at 2.72% and 4s of 2042 at 2.82%, callable 4/1/2032.

The Virginia Commonwealth Transportation Board (Aa1/AA+/AA+/-) sold \$119.510 million of U.S. Route 58 Corridor Development Program transportation revenue bonds, Series 2022, to TD Securities. Bonds in 5/2023 with a 5% coupon yield 1.43%, 5s of 2027 at 1.97%, 5s of 2032 at 2.29%, 4s of 2037 at 2.67%, 4s of 2042 at 2.87% and 4s of 2047 at 3.00%, callable 5/15/2032.

The Beverly Hills Unified School District, California, (Aa1/AA+/AA+/-) sold \$115 million of Election of 2018 general obligation bonds, Series B, to Citigroup Global Markets. Bonds in 8/2023 with a 5% coupon yield 1.35%, 5s of 2027 at 1.79%, 5s of 2032 at 2.05%, 5s of 2037 at 2.27%, 3.25s of 2042 at 3.37% and 3.25s of 2044 at 3.41%, callable 8/1/2032.

The school district also sold \$110 million of taxable Election of 2018 general obligation bonds to Morgan Stanley & Co. Bonds in 8/2023 with a 2.35% coupon yield at par, 2.8s of 2027 at 2.78%, 3.15s of 2032 at 3.12%, 3.75s of 2037 at 3.64%, 3.85s of 2042 at par and 3.95s of 2044 at 3.91%, callable 8/1/2032.

Secondary trading

Florida Board of Education 5s of 2023 at 1.41%-1.40%. North Carolina 5s of 2023 at 1.42%-1.39%. California 5s of 2025 at 1.88%-1.87%. California 5s of 2026 1.93%. It last traded in blocks on 3/2 at 1.49%-1.47%.

NY Dorm PIT 5s of 2027 at 2.03%-2.01% versus 1.98% original. Prince George's County, Maryland, 5s of 2027 at 1.90%-1.88%. Minnesota 5s of 2027 at 1.92%-1.90%. NY Dorm PIT 5s of 2028 at 2.11%-2.09% versus 1.96% Thursday and 2.11% original.

Baltimore County, Maryland, 5s of 2029 at 2.05%-2.03%. NY Dorm PIT 5s of 2029 at 2.22% versus 2.05%-2.03% Friday, 2.08% Thursday and 2.23% original. California 5s of 2029 at 2.15% versus 2.18%-2.15% on March 16.

NY Dorm PIT 5s of 2032 at 2.44% versus 2.25% Friday and 2.45% original. Virginia Commonwealth Transportation Board 5s of 2032 at 2.29%-2.28% versus 2.16%-2.14% on March 16. Georgia 5s of 2032 at 2.10% versus 2.10% Tuesday. Washington 5s of 2035 at 2.47%-2.45%.

Fairfax County, Virginia, 5s of 2046 at 2.62%. LA DPW 5s of 2051 at 2.79% versus 2.75% Tuesday, 2.63% Monday and 2.76% on March 16.

AAA scales

Refinitiv MMD's scale were cut up to two basis points at the 3 p.m. read: the one-year at 1.32% (+2) and 1.53% in two years (unch). The five-year at 1.79% (unch), the 10-year at 2.09% (+2) and the 30-year at 2.47% (+2).

The ICE municipal yield curve was cut three to four basis points: 1.30% (+4) in 2023 and 1.59% (+3) in 2024. The five-year at 1.80% (+3), the 10-year was at 2.13% (+3) and the 30-year yield was at 2.53% (+2) in a 4 p.m. read.

The IHS Markit municipal curve was cut two basis points: 1.31% (+2) in 2023 and 1.54% (+2) in 2024. The five-year at 1.81% (+2), the 10-year at 2.08% (+2) and the 30-year at 2.48% (+2) at a 4 p.m. read.

Bloomberg BVAL saw one to three basis point cuts: 1.26% (+2) in 2023 and 1.51% (+1) in 2024. The five-year at 1.79% (+1), the 10-year at 2.08% (+2) and the 30-year at 2.46% (+2) at a 4 p.m. read.

Treasuries fell while equities sold off.

The two-year UST was yielding 2.102%, the five-year was yielding 2.314%, the seven-year 2.327%, the 10-year yielding 2.287%, and the 30-year Treasury was yielding 2.466% at the close. The Dow Jones Industrial Average lost 361 points or 1.04%, the S&P was down 0.92% while the Nasdaq lost 0.96% at the close.

Informa: Money market muni assets, yields rise

Tax-exempt municipal money market fund assets added \$825 million, bringing their up to \$85.88 billion for the week ending March 22, according to the Money Fund Report, a publication of Informa Financial Intelligence.

The average seven-day simple yield for the 148 tax-free and municipal money-market funds rose from 0.03% to 0.07%.

Taxable money-fund assets lost \$7.77 billion, bringing total net assets to \$4.408 trillion in the week ended March 22. The average seven-day simple yield for the 774 taxable reporting funds rose from 0.02% to 0.07%

Primary to come:

New York City Housing Development Corp. is set to price Thursday \$400.395 million of taxable sustainable development capital fund grant program revenue bonds, Series 2022A. J.P. Morgan Securities.

Lamar Consolidated Independent School District, Texas, (Aaa/AAA//) is set to price Thursday \$393.035 million of unlimited tax schoolhouse bonds, Series 2022, serials 2024-2062, insured by Permanent School Fund Guarantee Program. RBC Capital Markets.

Competitive:

Albuquerque, New Mexico, is set to sell \$104.315 million of general obligation bonds, consisting of: \$76.395 million of general purpose bonds, Series 2022A; \$4.305 million of storm sewer bonds, Series 2022B and \$23.615 million of refunding bonds, Series 2022D, at 11 a.m. eastern Thursday.