

## Weekly Municipal Commentary

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### MACRO

- Election 2020 is finally over, with both GA seats going blue giving a 50-48-2 breakdown in the Senate
- Since the two caucus with Democrats, Democrats will technically have the majority
- Equities moved higher w/w, with the S&P up 1.27% to start 2021
- Rates sold off due to the expectations of more fiscal spending and ultra-accommodative monetary policy
- Overall, the CRB CMTD Index hit 2 year highs as underlying inflation is much higher than what the Fed suggests
- WTI topped \$50/barrel for the first time since February

### ECONOMIC DATA

- 01/08 – Nonfarm payrolls
- 01/11 – No data
- 01/12 – NFIB Small Business Optimism
- 01/13 – CPI, Monthly Budget Statement
- 01/14 – Weekly Claims, Philly Fed revisions
- 01/15 – PPI, Empire Manufacturing, Retail Sales, Capacity Utilization, Industrial Production, UM Sentiment

### PRIMARY

- The largest deal of the week was a taxable private placement for Orange County, CA
- In all, the market priced \$4.2bln this week
- Next week, according to Bloomberg and IHS data, the market expects to price \$6.7bln comprised of \$4.7bln negotiated and \$2bln competitive
- On the negotiated side, three issuers are above \$400mln
  - \$1.3bln Baylor Scott & White Holdings, taxable corporate cusip,
  - \$1.1bln LBJ Infrastructure
  - \$442mln PA Turnpike
- On the competitive side, six deals are above \$100mln
  - \$356mln taxable VA college Builders
  - \$229mln taxable Multnomah County
  - \$157mln Multnomah County
  - \$130mln Washoe County School District
  - \$126mln Fremont USD
  - \$106mln Madison Met SD
- The 30 day visible supply is at \$8.69bln

## GENERAL MUNI MARKET

- Inflows continued for the 9<sup>th</sup> straight week, as \$1.1bln came in this week
- Last week, inflows totaled \$1.8bln
- Muni yields outperformed Treasury yields
  - 5YR (+2bps) vs. Treasury (+10bps)
  - 10YR (+3bps) vs. Treasury (+17bps)
  - 30YR (+4bps) vs. Treasury (+21bps)
- With the moves, ratios are lower
  - 5YR open ~44% (-9%)
  - 10YR open ~65% (-8%)
  - 30YR open ~78% (-8%)
- With ratios at or near record lows, it is seemingly tough to find much value in the space
- The outperformance over Treasury yields appears to y be the 'rip' traditionally seen in municipal yields turning over a new calendar year
- Seasonal fundamentals remain intact as supply/demand dynamics lean towards more demand and inflows only help the space
- The thought of massive tax hikes being a tailwind to municipals seems too far-fetched given the centric nature of the election
- For now, continued focus remains on credit and value

\*BVAL

	Rates		
	End of Day	5 Day Change	3 Month Change
BVAL Muni Benchmark 2YR	0.13	0.00	-0.01
BVAL Muni Benchmark 5YR	0.20	0.02	-0.10
BVAL Muni Benchmark 10YR	0.70	0.03	-0.21
BVAL Muni Benchmark 30YR	1.45	0.04	-0.28
TSY 2YR	0.14	0.02	-0.01
TSY 5YR	0.46	0.10	0.12
TSY 10YR	1.08	0.17	0.30
TSY 30YR	1.85	0.21	0.27
<i>* as of 7:30AM EST 01/08/2021</i>			
2YR RATIO	94.0%	-8.33%	0.84%
5YR RATIO	44.3%	-8.96%	-9.77%
10YR RATIO	64.9%	-8.38%	-11.09%
30YR RATIO	78.0%	-8.03%	-8.56%
	Inventory		
	End of Day	5 Day Change	3 Month Average
Pick Value (in millions)	3,610	2,726	2,433
	Bid Wanted		
	End of Day	5 Day Change	3 Month Average
MBWD Par (in millions)	883	789	520
MBWD Items	4,101	3,219	3,500
	Trade Volumes		
	End of Day	5 Day Change	3 Month Average
MSRB Par (in millions)	10,221	7,813	8,465
MSRB Transactions	14,040	8,811	12,786
	Primary		
	End of Day	5 Day Change	3 Month Average
Visible Supply (in millions)	8,690	3,614	7,896
Next Week's Supply	\$6.7bln		
Next Week's Negotiated	\$4.7bln		
Next Week's Competitive	\$2bln		
	Inflows		
	Week Ending 01/06/21		Week Ending 12/30/20
Weekly Inflow	\$1.1bln		\$1.8bln

\*Source: Bloomberg, Ipreo

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