



CABRERA CAPITAL
MARKETS

MUNICIPAL MARKET UPDATE

Public Finance

Mario Carrasco
Managing Director & Head of Investment Banking - Public Finance
(210) 857-8517
mcarrasco@cabreracapital.com

Underwriting

Merita Kulpinski
Director - Lead Municipal Underwriter
(312) 931-6654
mkulpinski@cabreracapital.com

Monday, January 13, 2025

PRIMARY MARKET ACTIVITY

This first week of the year proved to be a tough one for the municipal bond market with the yield curve steepening and rates increasing proportionately across the curve anywhere from 1-17 basis points. Some deals performed well while others struggled, and with an increase in primary market volume, there may still be some headwinds before things settle. The primary market, which has historically proven to be strong in the first part of January, was challenged by the continual push and pull of expectations from the Trump administration and the Fed, creating uncertainty. MMD has been playing catch up with the Treasury sell-off as the market is pricing in a delay in Fed rate cuts. On Friday, the jobs report came in hot with 256,000 added versus the estimate of 155,000 which has most certainly put a January rate cut on hold. The 1 year, 5 year, 10 year, 20 year and 30 year municipal benchmark rates ended the week at 2.78%, 2.95%, 3.17%, 3.83% and 4.06%, respectively. To highlight the muni yield curve's steepness, we are at the highs in the past 12 months on both the 10 year and the 30 year benchmarks, however 50 basis points lower than the highs of the 2 year rate in the past 12 months. Further, the short term SIFMA rate reset to 1.83%, which was 89 basis points lower than the week prior and the lowest rate in over two years.

Treasuries were weaker overall for the week with the 5 year, 10 year and 30 year finishing the week up 17 basis points at 4.49%, up 15 basis points at 4.77% and up 11 basis points at 4.96%. Treasury notes continue to remain steady ranging from 4.42% to 4.25%, and that gap between the 1 month and the 1 year note has been narrowing for some time now. The 5 year, 10 year and 30 year ratios have come down from their highs of 2024 to settle at 64%, 66% and 82%, respectively. This is a busy week in the market with deals from Triborough Bridge and Tunnel Authority \$1.3 billion, San Francisco Airport \$996 million, Plano ISD \$607 million, Jacksonville Electric Authority \$533 million, LA DWP \$371 million, Dallas ISD \$339 million and University of Colorado \$300 million, among others.

Deals priced last week include:

- ✦ The City of San Antonio Water System (Aa1/AA+/AA/NR) priced \$181 million of Junior Lien Revenue Refunding Bonds. The transaction's pricing level remained unchanged from the premarketing levels as the preliminary order period began. Early in the order period, the transaction was fully subscribed for, excluding 2032-2034. Towards the end of the order period, parts of the transaction were heavily oversubscribed and almost 11 times oversubscribed in 2035. The transaction was bumped 2-10 basis points, excluding 2033 which remained unchanged.
- ✦ San Diego Community College District (Aa1/AAA/NR/NR) (Cabrera Co-Manager) priced \$850 million of Election of 2024 General Obligation Bonds across a tax-exempt and taxable series. The \$700 million tax-exempt transaction did well in the primary market; it remained mostly unchanged except for a 2 basis



**CABRERA CAPITAL
MARKETS**

points bump in 2036, 1 basis points bump in 2041, and 3 basis points cut in 2055. The taxable portion of that transaction did very well and was bumped 5-13 basis points, excluding 2026, 2030, and 2031.

- Conroe Independent School District (PSF Aaa/AAA/NR/NR Underlying Aa1/AA+/NR/NR) priced \$595 million of Unlimited Tax School Building Bonds. Following premarketing early in the week, the scale was cheapened 3-5 basis points throughout the scale, excluding 2026. The transaction struggled during the institutional order period and had over \$100 million in unsold balances remaining. The District held a second order period after cheapening the scale 2-5 basis points from 2036-2050. After the second order period, the transaction still had around \$75 million of unsold balances.
- The Board of Regents of the University of Texas System (Aaa/AAA/AAA/NR) (Cabrera Co-Manager) priced \$388 million of Revenue Financing System Bonds. The scale remained unchanged following a brief premarketing period on Tuesday. The transaction did well in the preliminary order period and was oversubscribed approximately 2 times in aggregate. The deal was bumped 2-3 basis points in 2026, 2030-2032 with small balances remaining in 2028.

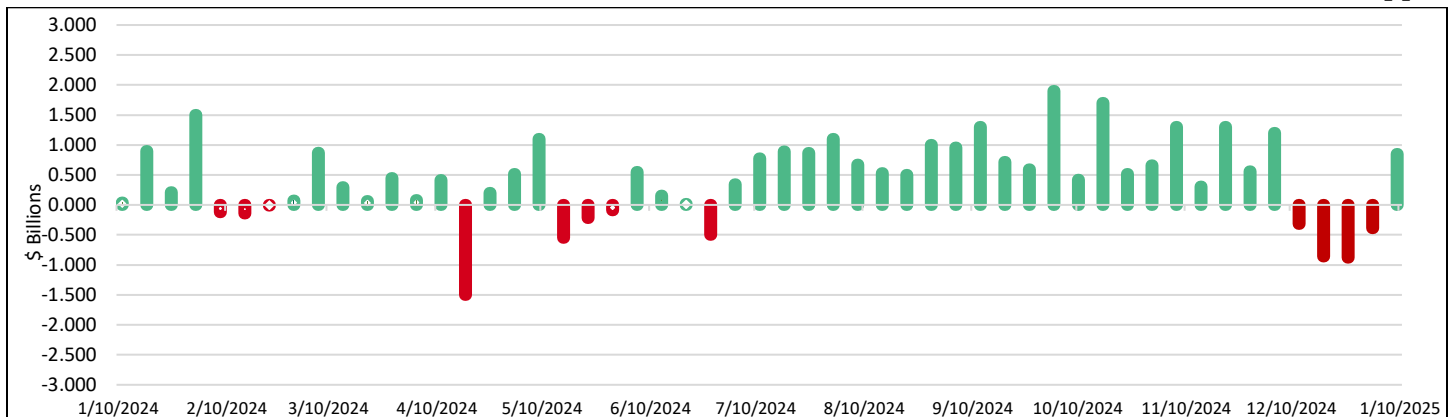
INTEREST RATE SNAPSHOT

Benchmark	Maturity	1/10/2025 AAA MMD	Change from Last Week (bps)	1/10/2025 U.S. Treasury	Change from Last Week (bps)	Muni/UST Ratio	Date of Week End	SIFMA Index	Municipal Fund Flow (in Millions)
1	2026	2.84	+ 7	4.25	+ 7	66.82%	1/10/2025	1.83	\$849
2	2027	2.87	+ 11	4.40	+ 12	65.23%	1/3/2025	2.72	(\$387)
3	2028	2.91	+ 11	4.46	+ 14	65.25%	12/27/2024	3.62	(\$879)
5	2030	2.96	+ 11	4.59	+ 18	64.49%	12/20/2024	3.60	(\$857)
10	2035	3.21	+ 13	4.77	+ 17	67.30%	12/13/2024	2.91	(\$316)
20	2045	3.88	+ 17	5.04	+ 16	76.98%	12/6/2024	2.15	\$1,200
30	2055	4.06	+ 17	4.96	+ 14	81.85%	11/29/2024	2.86	\$559

MUNICIPAL FUND FLOWS

Week Ended 1/10/2025 saw inflows of \$849 million

Source: Lipper





**CABRERA CAPITAL
MARKETS**

UPCOMING NEGOTIATED CALENDAR

Size (\$mm)	Issuer	State	Description
1,300.000	Triborough Bridge and Tunnel Authority	NY	Real Estate Transfer Tax Revenue Bonds
996.335	Airport Commission of the City and County of San Francisco	CA	Second Series Revenue Bonds
824.770	Orange County Health Facilities Authority	FL	Hospital Revenue Bonds
607.300	Plano Independent School District	TX	School Building Bonds
541.155	Massachusetts Clean Water Trust	MA	State Revolving Fund Bonds
533.255	JEA	FL	Water and Sewer System Revenue Bonds
410.770	Miami-Dade County School Board	FL	Certificates of Participation
350.925	Cypress-Fairbanks Independent School District	TX	Refunding Bonds
339.540	Dallas Independent School District	TX	Multi-Modal School Building Bonds
310.590	Idaho State Building Authority	ID	Sales Tax Revenue Education Bonds
300.000	The Regents of The University of Colorado	CO	University Enterprise Revenue Bonds
270.000	Pennsylvania Higher Educational Facilities Authority	PA	Revenue Bonds
268.315	Indiana Municipal Power Agency	IN	Power Supply System Revenue Bonds
250.000	Connecticut Health and Educational Facilities Authority	CT	Revenue Bonds
237.825	Massachusetts Development Finance Agency	MA	Revenue Bonds
205.940	Allen Independent School District	TX	School Building Bonds
200.000	Purdue University Trustees	IN	Purdue University Student Facilities System Revenue Bonds
186.845	Iowa Finance Authority	IA	State Revolving Fund Revenue Bonds, Series 2025A (Green Bonds)

NOTABLE FIXED DEALS FROM LAST WEEK

Notable Fixed-Rate Negotiated Municipal New Issue Results from Last Week

Board of Regents of the University of Texas System*				San Diego Community College District*				City of San Antonio - SAWS TX			
Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread	Maturity	Coupon	Yield	Spread
2026-2032	5.000	2.880-3.060	13-19	2036-2045	5.000	2.900-3.690	(20) - 3	2027-2039	5.000	2.890-3.460	12-27
				2050	4.000	4.150	33				
				2055	5.000	4.050	16				

*Cabrera served as Co-Manager

ECONOMIC CALENDAR (ALL TIMES IN ET)

Monday	Tuesday	Wednesday	Thursday	Friday
13-Jan	14-Jan	15-Jan	16-Jan	17-Jan
2:00 PM Monthly U.S. federal budget	8:30 AM PPI year over year	8:30 AM CPI year over year	8:30 AM Initial Jobless Claims	8:30 AM Building permits
	8:30 AM Core PPI year over year	8:30 AM Consumer price index	8:30 AM Import price index	9:15 AM Industrial production
20-Jan	21-Jan	22-Jan	23-Jan	24-Jan
None scheduled Martin Luther King Jr. holiday	None scheduled	10:00 AM U.S. leading economic indicators	8:30 AM Initial Jobless Claims	10:00 AM Consumer sentiment (final)
				9:45 AM S&P final U.S. services PMI