CMA CapitalMarketsAdvisors,LLC

Capital Markets News

Edition XXIII, Volume VII July 2025

Harvard Bond Sale Provides Valuable Lessons for Issuers

A recent bond offering by Harvard University has drawn scrutiny from Rep. Elise Stefanik (R-NY), who called on the Securities and Exchange Commission to investigate whether the university failed to disclose material risk related to its conflict with the Trump administration. The episode underscores how quickly political tensions can spill over into financial markets—and offers timely reminders for municipal issuers navigating a volatile landscape.

Shortly after Harvard's $750 million taxable bond sale on April 9th, the university issued a supplemental disclosure warning that federal actions could jeopardize its funding. Stefanik's June 17th letter to the SEC questions whether Harvard had already decided to reject federal grant conditions and withheld such information prior to the April 9th bond sale. The university argues the government's funding conditions were not forthcoming until it received a letter dated on April 11th, two days after the bond sale. The supplemental filing, issued April 15th, acknowledged that the government had frozen grants and contracts to Harvard, citing noncompliance. While Harvard has denied any omission and defended its timeline, the delay drew market attention and political criticism.

Despite Harvard's "Aaa/AAA" credit ratings, Harvard's bonds have traded at widening spreads through the AAA scale this year, a reflection of perceived political and reputational risk. For municipal issuers, the incident illustrates that even highly rated credits are not immune to the influence of federal policy, politics, or investor opinion. Proactive and transparent disclosure, especially in moments of uncertainty, can help protect market access and pricing.

Harvard's decision to complete its bond sale ahead of further federal action may also be viewed as a form of contingency planning. Municipalities should consider how exogenous developments might impact borrowing as well as prudent and transparent disclosure.

In politically charged or fast-moving situations, issuers should consult with counsel and their financial advisor to ensure they're not only compliant, but also strategic and proactive. While this bond controversy may ultimately be resolved without enforcement action, it serves a reminder that reputational risk is real, and disclosure practices must keep pace with events on the ground.

Recent CMA Client Sale Results

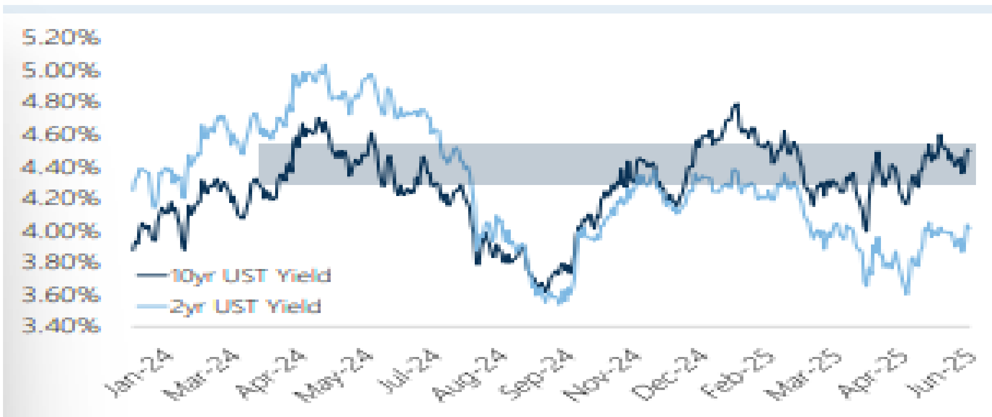
Issuer/Underlying Rating	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Island Trees UFSD	BAN	$14,300,000	4 – June	6 mos.	3.27%	Jefferies LLC
Valhalla UFSD	BAN	6,254,300	4 – June	1 yr.	3.17%	TD Securities
Croton Harmon UFSD	BAN	41,132,178	10 – June	1 yr.	3.01%	BNY Mellon Capital Mkts.
West Seneca CSD	BAN	27,230,000	12 – June	1 yr.	3.06%	BNY Mellon Capital Mkts.
Oyster Bay-East Norwich	BAN	22,985,000	12 – June	14 yrs.	3.44%	Janney Montgomery Scott, LLC
Kingston City SD	BAN	49,100,000	17 – June	1 yr.	3.05%	JP Morgan Securities
West Babylon UFSD	BAN	6,404,068	17 – June	14 yrs.	4.92%	Piper Sandler & Co.
Monroe County	Bonds	75,170,000	17 – June	19 yrs.	3.63%	UBS Financial Services
Niagara Falls City SD	Bonds	26,765,000	24 – June	14 yrs.	3.71%	Janney Montgomery Scott, LLC

Janney Montgomery Scott's Mid-Year Update

With the second half of 2025 underway, financial services firm Janney Montgomery Scott's Mid-Year Update offers important insights into macroeconomic conditions that will shape municipal borrowing for the remainder of the year. While the broader economic picture remains uncertain, key indicators—ranging from inflation and interest rates to budget and trade deficits—carry direct implications for public finance professionals planning market access in the months ahead.

The report points to persistently elevated core inflation and real interest rates, with 10-year Treasury yields still hovering around 4.3%. Although the Federal Reserve has held off on further hikes for now, there is little expectation of easing in the near term. For issuers, this translates to a continued environment of relatively high borrowing costs—especially on the long- end of the curve. Timing, structure, and credit positioning will remain critical as rates stay sticky.

Chart 9: 2-year and 10-year U.S. Treasury Yield



(Source: Janney ISG; Bloomberg)

Credit spreads for investment-grade issuers remain within a post-financial crisis average, but volatility in the data suggests that spreads could widen if economic sentiment deteriorates. For municipalities with large, planned issuances, particularly those relying on negotiated sales or unrated paper, this underlines the need for careful market entry and thoughtful credit communication. Perhaps most significantly, the report flags the growing disconnect between the federal budget and trade deficits. As deficits swell amid slowing growth, U.S. fiscal imbalances raise concerns about the long-term valuation of the dollar and investor appetite for U.S. debt. While these macro issues may seem distant, they ripple into the muni market through shifts in fund flows, demand for tax-exempt products, and general market tone.

The report's outlook paints a picture of cautious stability, one where issuers will need to be nimble, transparent, and forward-looking. Disruptions may not be imminent, but staying ahead of shifting economic conditions is key. For municipalities, that means revisiting funding strategies, staying engaged with market advisors, and planning now for possible dislocations later.

General Obligation Tax-Exempt Interest Rates

	July 1, 2025				1 Month Ago - June 2, 2025				1 Year Ago - July 1, 2024			
Term	Aaa	Aa	A	Baa	Aaa	Aa	A	Baa	Aaa	Aa	A	Baa
1 yr.	2.54%	2.57%	2.63%	3.01%	2.77%	2.80%	2.86%	3.24%	3.15%	3.19%	3.25%	3.62%
5	2.63	2.67	2.83	3.22	2.82	2.86	3.02	3.41	2.92	2.97	3.10	3.51
10	3.25	3.66	3.60	4.08	3.35	3.46	3.70	4.18	2.87	2.97	3.21	3.70
20	4.30	4.51	4.74	5.18	4.32	4.53	4.76	5.20	3.47	3.67	3.90	4.35
30	4.54	4.76	4.99	5.44	4.54	4.76	4.99	5.44	3.75	3.96	4.19	4.65

Questions? Comments? Contact any of CMA's 10 Municipal Advisor Representatives listed below:

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