CapitalMarketsAdvisors,LLC

Capital Markets News

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Economic Growth Translates into Higher Credit Ratings

According to a Global Market Intelligence report published by **S&P Global Ratings** on July 31, 2018, simultaneous increases in GDP growth and decreases in unemployment rates are accelerating the US economy while easing fiscal pressures across the state and local government sector. However, recent trade tensions with key U.S. partners have sparked a new risk to the nation's accelerating GDP. Although it's too early to determine the effect of these developments on local governments, it is safe to say that local economies with heavy involvement in the manufacturing and agricultural industries will be the most affected. Nevertheless, experts are reiterating their position that the risk of recession remains at the lower end of 10% to 15%.

Although local government revenue trends have been stable, federal policy changes such as the Tax Cuts and Jobs Act (specifically the $10,000 state and local tax deduction cap) and an increase in tariffs could pose negative implications to local economies and credit ratings. Credit quality changes are not likely to materialize until 2019 although the effects from the imposition of tariffs could come sooner.

S&P's report also notes that the incremental strengthening of credit ratings over the past five years are due to revenue growth, cost control, improved efficiency initiatives by management, the benefits of larger size and scale through acquisitions, and **S&P's** revised stand-alone criteria and application of group rating methodology. These factors have resulted in many more "AA" category ratings; however, these numbers are beginning to slow down.

On Long Island, municipalities and school districts could see a change in credit ratings in the near future. According to **S&P's** report, the Long Island Power Authority (LIPA) filed property tax grievances in 2010 revealing that local taxing jurisdictions have overvalued the authority by amounts totaling upwards of $538 million. This overvaluation should raise red flags for LIPA jurisdictions as they try to protect their credit ratings. Affected municipalities are working with LIPA to resolve the tax grievances with LIPA proposing to surrender its claims for the incorrect collections and allow a "phased-in" reduction in LIPA's power plants' property taxes. As LIPA comprises a large percentage of many municipalities property tax base any resolution that would mitigate the immediate impact on a jurisdiction's tax structure would be a welcome development and help to reduce impact on credit ratings.

Hudson Valley is on the Move!

CMA's Hudson Valley office has moved to a new address:
822 Route 82, Suite 310
Hopewell Junction, NY 12533

MMD General Obligation Interest Rates

	Today - August 1, 2018					1 Month Ago - July 2, 2018					1 Year Ago - August 1, 2017				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	1.48%	1.49%	1.57%	1.67%	1.94%	1.50%	1.52%	1.60%	1.70%	1.97%	0.85%	0.87%	0.95%	1.12%	1.32%
5	1.99	2.06	2.25	2.37	2.69	2.00	2.08	2.27	2.39	2.71	1.21	1.29	1.49	1.77	1.90
10	2.48	2.65	2.82	2.95	3.30	2.46	2.64	2.81	2.94	3.29	1.95	2.14	2.37	2.57	2.82
15	2.76	2.96	3.12	3.25	3.61	2.67	2.87	3.03	3.16	3.52	2.38	2.60	2.82	3.03	3.28
20	2.94	3.15	3.28	3.43	3.77	2.82	3.02	3.16	3.31	3.65	2.57	2.79	2.99	3.23	3.42

Recent CMA Client Sale Results

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Port Washington UFSD	BAN	$ 32,305,000	26-Jul	12 mos.	1.81%	JP Morgan Securities
Monroe County IDA	Rev. Bonds	$ 197,295,000	Negot.	17 yrs.	2.93%	Citi; Loop; Siebert Cisneros
Wappingers CSD	TAN	$ 6,000,000	18-Jul	3 mos.	1.50%	TD Securities (USA) LLC
East Aurora UFSD	BAN	$ 23,550,000	18-Jul	12 mos.	1.86%	Jefferies LLC
West Islip UFSD	TAN	$ 20,000,000	17-Jul	11 mos.	1.77%	Morgan Stanley; JP Morgan Securities
Rochester City	Bonds	$ 70,914,000	17-Jul	15 yrs.	2.49%	Jefferies LLC
Port Chester Rye UFSD	BAN	$ 25,175,000	17-Jul	11 mos.	1.81%	Jefferies LLC