

## ***Municipal Debt Issuance Continues to Decline***

According to a report from Thomson Reuters, the volume of municipal debt issuance nationwide continued to decline in February following the explosion of debt issuance in the last quarter of 2017 in anticipation of the changes to the Federal tax code. Long-term debt issuance in 2017 totaled \$477.13 billion in 11,983 transactions coming close to the industry record set a year earlier. February 2018's total debt issuance was the lowest for that month in close to 20 years at \$14.95 billion. Debt issuance for the same period a year earlier was \$23.38 billion or 36% higher. While new money deals were down 14% from last February, the issuance of refunding bonds was particularly low with only 65 deals for \$1.99 billion getting done last month versus 260 deals for \$6.03 billion a year earlier. Advance refunding bonds were eliminated effective January 1, 2018.

Jurisdictions in New York State issued \$1.19 billion last month making New York the fourth most active state in the nation following California (\$2.46 billion), Texas (\$1.82 billion) and Pennsylvania (\$1.62 billion). According to Thomson Reuters, for all of 2017, jurisdictions in New York State were involved in 728 long-term bond issues for a total par amount of \$48.89 billion. That's a significant decrease from 2016 when issuers in the state were involved in 1,500 bond issues with a total par amount of \$93.17 billion. In the note market, issuers in New York State were involved in 853 sales for a total par amount of \$10.41 billion down from 884 note sales for a par amount of \$8.95 billion in 2016.

## ***New Fed Chief Hints at Even More Rate Increases***

With his installation on February 26th, Jerome H. Powell succeeded Janet Yellen as the new Chairman of the Board of Governors of the Federal Reserve Board. In remarks made to Congress after his swearing-in, Powell stated "Today, unemployment is low, the economy is growing and inflation is low." He reiterated his view that the financial system "is now far stronger and more resilient" as a result of increased regulation and "we intend to keep it that way." His testimony before Congress was seen as an indication that he is inclined to raise interest rates more quickly than his predecessor. While Powell wouldn't say how many hikes he expected the Federal Open Market Committee ("FOMC") might make in the future, his comments lead the market to suspect that he would be in favor of more than the three anticipated hikes in 2018 followed by additional increases in 2019. While the municipal market certainly does not move in lock-step with the Fed funds rate, municipal rates generally increase along with other interest rates.

The Fed had dropped the Fed funds rate to zero following the fiscal crisis in December 2008. It kept rates at that level for several years before instituting its first rate hike of 25 basis points in December 2015. Subsequent ¼ point hikes were made in December 2016 and March 2017. The next meeting of the FOMC is set for March 21-22 at which time the first rate hike of 2018 is widely anticipated.

### **MMD GENERAL OBLIGATION INTEREST RATES**

Term	March 1, 2018					February 1, 2018					March 1, 2017				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr	1.39%	1.42%	1.50%	1.60%	1.87%	1.35%	1.38%	1.46%	1.56%	1.83%	0.80%	0.82%	0.90%	0.99%	1.26%
5	1.96	2.06	2.26	2.38	2.69	1.86	1.99	2.18	2.30	2.61	1.54	1.64	1.85	1.94	2.25
10	2.44	2.64	2.81	2.94	3.29	2.39	2.62	2.78	2.91	3.26	2.36	2.57	2.87	2.96	3.32
15	2.72	2.94	3.10	3.23	3.59	2.67	2.91	3.07	3.20	3.56	2.77	3.02	3.32	3.41	3.78
20	2.89	3.11	3.25	3.40	3.74	2.83	3.07	3.21	3.36	3.70	3.02	3.27	3.54	3.65	4.01

### **RECENT CMA CLIENT SALE RESULTS**

<u>Issuer</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Rochester City	Bonds	\$ 35,140,000	27-Feb	13 yrs.	2.34%	Morgan Stanley & Co. LLC
New Rochelle City	BAN	\$ 16,251,753	20-Feb	12 mos.	1.54%	TD Securities (USA) LLC
New Paltz CSD	BAN	\$ 44,759,300	14-Feb	12 mos.	1.45%	Jefferies LLC
Port Chester Village	Bonds	\$ 10,292,744	13-Feb	18 yrs.	2.95%	J.B.B. Hilliard, W.L. Lyons Inc.
East Meadow UFSD	BAN	\$ 16,625,000	13-Feb	12 mos.	1.55%	TD Securities (USA) LLC; Jefferies LLC
New Castle Town	Bonds	\$ 17,091,130	6-Feb	29 yrs.	2.91%	Roosevelt & Cross Inc.
Long Beach City	Bonds	\$ 26,206,870	6-Feb	12 yrs.	2.75%	SAMCO Capital Markets