CapitalMarketsAdvisors,LLC

# Capital Markets News

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## 2018 Industry Leaders

In its annual ***Municipals Review***, Thomson Reuters reported that Bank of America Merrill Lynch was the most active underwriter in 2018 having served as lead underwriter on 446 deals with a combined par amount of $48.7 billion. Trailing closely behind were Citigroup with 403 issues for $41 billion and JP Morgan Securities with 321 issues for $32 billion. These three firms held the same rankings in 2017. New York State issuers held four of the top five spots in terms of total par amount issued in 2018 with the NYS Dormitory Authority, NYC Transitional Finance Authority, New York City and the Metropolitan Transportation Authority issuing a combined total of $25.1 billion in debt. Only the state of California, with $6.28 billion, broke into the top five rankings with the New Yorkers. The largest deal of 2018 was negotiated by the New Jersey Tobacco Settlement Finance Corporation, which issued $3.15 billion through Jefferies and Citigroup. Among Financial Advisors on competitively sold bond issues, PRAG, PFM and Hilltop advised on a combined 689 issues. *Capital Markets Advisors ("CMA")* once again ranked among the top ten financial advisors nationally on competitive bond deals with 101 issues and a combined par amount of $1.68 billion. Among the three bond insurers, Assured Guaranty controlled 53.3% of the market, insuring 485 deals with a total par of $10.08 billion, while Build America Mutual ("BAM") controlled 44.3%, insuring 653 deals with a combined par of $8.36 billion. Municipal Assurance Corp. ("MAC") covered the balance of the insured market with 111 issues for $453 million and 2.4% of the market.

## DTC Requires Additional Paperwork

The Depository Trust Company ("DTC"), which processes debt service payments between issuers of debt and their investors, announced in December that it will require a Blanket Letter of Representations ("BLOR") to be completed and filed for all issuers using DTC after January 1, 2019 who haven't filed a BLOR since January 1, 2014. The form of the BLOR dates back to 2013 and can be found at:
http://www.dtcc.com/~/media/Files/Downloads/legal/issue-eligibility/eligibility/BLOR-Template.pdf.
CMA will complete and file the BLOR with DTC when it is required for CMA clients.

## Recent CMA Client Sale Results

| Issuer | Issue Type | Par Amount | Sale Date | Term | Rate | Purchaser |
|---|---|---|---|---|---|---|
| East Greenbush CSD | BAN | $5,700,000 | 19-Dec | 11 mos. | 2.13% | Piper Jaffray & Co. |
| Mamaroneck Fire District | Bonds | $1,400,000 | 18-Dec | 20 yrs. | 3.09% | Roosevelt & Cross, Inc. |
| Suffolk County | TAN | $403,930,000 | Negot. | 7 mos. | 2.47% | Bank of America Merrill Lynch |
| Stony Point Town | BAN | $464,239 | 13-Dec | 8 mos. | 2.82% | Sterling National Bank |
| Westbury UFSD | BAN | $3,200,000 | 12-Dec | 4 mos. | 2.07% | TD Securities (USA) LLC |
| Mount Kisco Village | Bonds | $12,500,300 | 11-Dec | 15 yrs. | 2.82% | Janney Montgomery Scott LLC |
| Saratoga Springs City SD | Bonds | $1,040,000 | 11-Dec | 5 yrs. | 2.76% | Roosevelt & Cross, Inc. |
| Islip UFSD | Bonds | $20,142,660 | 11-Dec | 15 yrs. | 2.76% | Raymond James |
| Tarrytown Village | Bonds | $6,443,640 | 4-Dec | 15 yrs. | 2.85% | Morgan Stanley & Co., LLC |
| East Fishkill Town | BAN | $3,425,770 | 4-Dec | 12 mos. | 2.42% | TD Securities (USA) LLC |
| Mount Vernon City SD | Bonds | $32,000,000 | 4-Dec | 15 yrs. | 2.88% | Mesirow Financial Inc. |

## *Debt Issuance Drops in 2018*

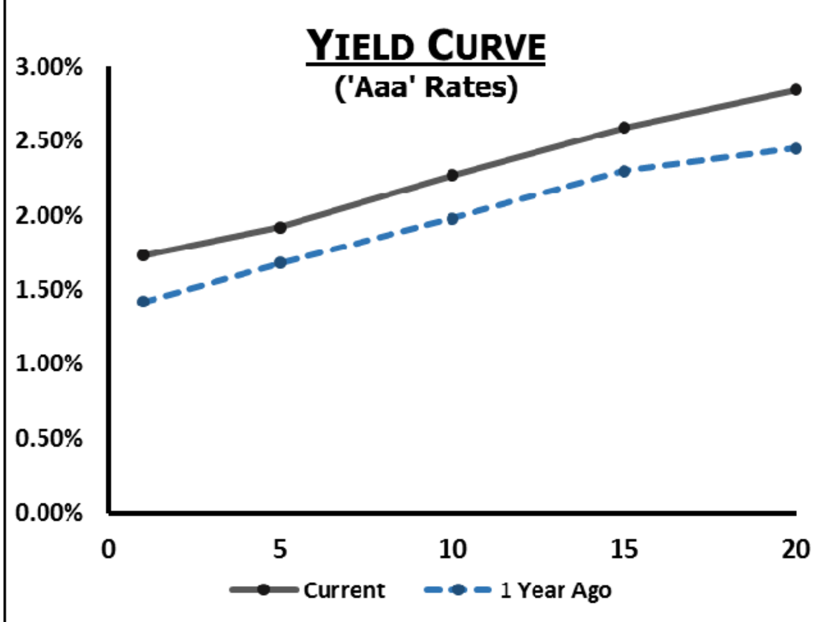
In its first edition of the New Year, ***The Bond Buyer*** reported that total par amount of municipal debt issued in 2018 dropped to $338 billion from $448 billion or almost 25% from the prior year. The number of issues in December 2018 was less than half the number issued during the same month a year earlier when issuers were scrambling to refund their outstanding debt prior to the implementation of new rules that eliminated advance refunding bonds in the new year. In an advance refunding, an issuer uses the proceeds from the sale of refunding bonds to redeem outstanding bonds on a date that is beyond 90 days of the closing of the refunding bond issue. A change in the tax code eliminated advance refundings as of January 1, 2018. In 2018, the issuance of tax-exempt debt declined almost 26% while taxable debt declined 23% from a year earlier. The number of issues secured by bond insurance declined by 24% in 2018 as compared to 2017. The issuance of variable rate bonds provided one of the only bright spots in the market, as issuance was up almost 51% for the year to $12.85 billion from $8.52 billion in 2017.

## *Interest Rates*

The Fed raised interest rates four times in 2018 including its most recent hike in December. Fed Chair Jerome Powell signaled that two hikes were likely in 2019 marking a slowdown in the steady increase in rates that began two years ago. Whether Powell will survive as Fed Chairman following his nomination by President Trump in November 2017 and appointment the following February, has recently come into question as the President has become increasingly critical of the Fed and Powell in recent weeks.

### MMD General Obligation Interest Rates

| | Today - January 2, 2019 | | | | | 1 Month Ago - December 3, 2018 | | | | | 1 Year Ago - January 2, 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Term | Aaa | Aa | Insured | A | Baa | Aaa | Aa | Insured | A | Baa | Aaa | Aa | Insured | A | Baa |
| 1 yr. | 1.73% | 1.75% | 1.88% | 1.98% | 2.28% | 1.84% | 1.85% | 1.93% | 2.03% | 2.30% | 1.42% | 1.45% | 1.53% | 1.63% | 1.90% |
| 5 | 1.92 | 2.00 | 2.20 | 2.33 | 2.68 | 2.14 | 2.21 | 2.40 | 2.52 | 2.84 | 1.68 | 1.77 | 1.95 | 2.07 | 2.38 |
| 10 | 2.27 | 2.45 | 2.62 | 2.75 | 3.12 | 2.51 | 2.68 | 2.85 | 2.98 | 3.34 | 1.98 | 2.16 | 2.34 | 2.46 | 2.81 |
| 15 | 2.59 | 2.78 | 2.95 | 3.08 | 3.47 | 2.79 | 2.99 | 3.15 | 3.28 | 3.67 | 2.30 | 2.50 | 2.67 | 2.79 | 3.15 |
| 20 | 2.84 | 3.04 | 3.18 | 3.34 | 3.70 | 3.05 | 3.26 | 3.39 | 3.55 | 3.92 | 2.45 | 2.65 | 2.80 | 2.93 | 3.26 |




As shown in the graph to the left, short-term interest rates have risen 31 basis points (bps) in the past year, while long-term rates have risen by about 40 bps. However, the chart above shows that interest rates have actually decreased by between 11 and 24 bps over the past month (depending on the term). This is due to fears of a global economic slowdown and the Fed stating that they would only expect to hike rates twice in 2019.

### Questions? Comments?

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