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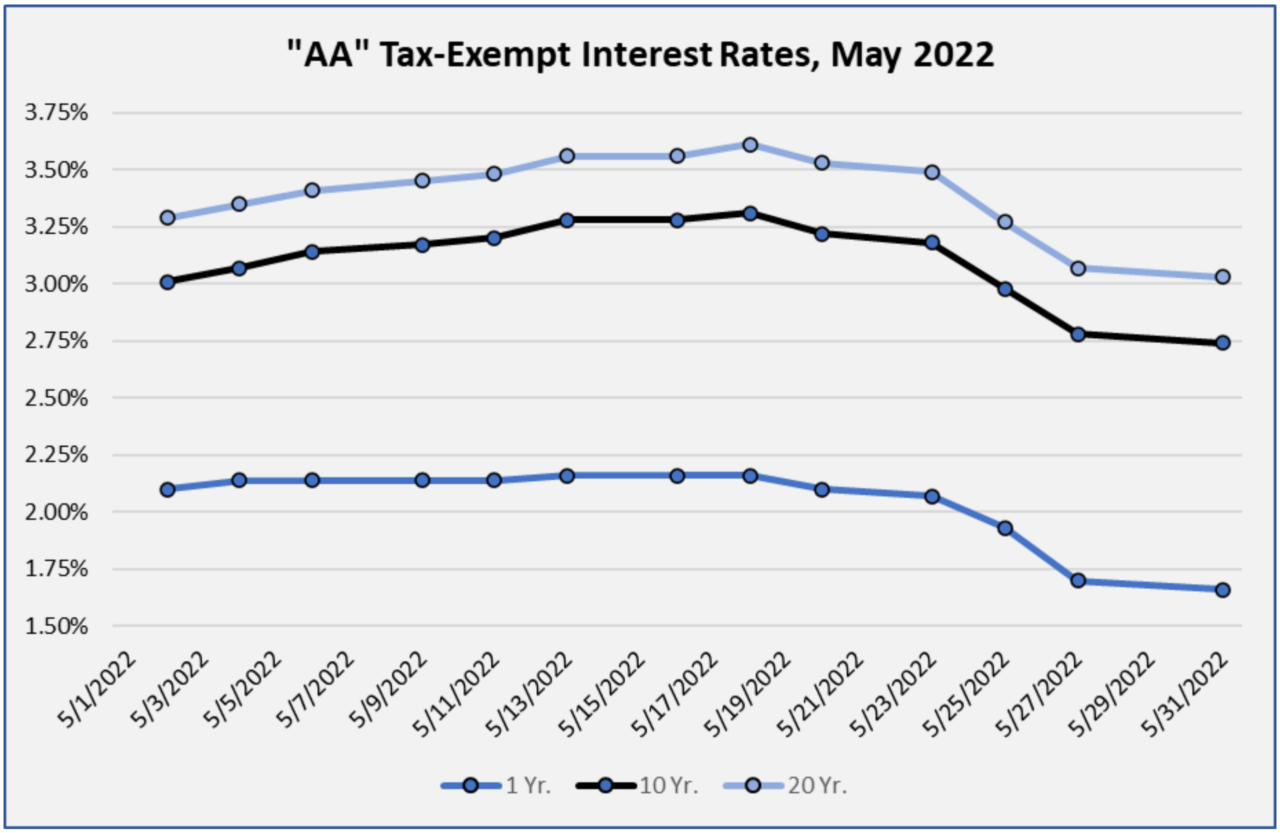
Rates Fall to End May: A Deviation from Prior Months' Trend

Despite tax-exempt interest rates' continued climb during the opening four and a half months of 2022, they began to fall in mid-May, declining across maturities by an average of 50 basis points (bps) from their mid-month highs. Across May as a whole, these rates moved on average 30 bps downward, erasing minimal increases throughout the first half of the month. 10-to-30-year rates experienced slightly less downward movement (approximately 25 bps) throughout May compared to shorter term 1-year and 5-year rates (approximately 40 bps decline).



Even with May's break in the upward momentum of tax-exempt rates for 2022, a continuance of rate increases is still expected. The Federal Reserve's agenda continues to include anticipated rate hikes throughout the balance of 2022. The Fed's most recent federal funds interest rate hike, of 50 bps, occurred on May 4th. The Fed is scheduled to meet June 14th–15th.

RECENT CMA CLIENT SALE RESULTS

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Tonawanda CSD (A1)	BAN	$ 47,469,266	26-May	12 mos.	1.88%	Jefferies LLC
Mount Pleasant Town (Aaa)	Bonds	$ 19,500,000	17-May	29 yrs.	4.17%	RBC Capital Markets
Erie County Industrial Development Agency (Aa2/AA)	Ref. Revenue Bonds	$ 71,150,000	Negot.	4 yrs.	2.81%	Loop Capital Markets
Warren County (AA)	BAN	$ 7,900,000	10-May	12 mos.	2.39%	Piper Sandler & Co.
Briarcliff Manor Village (AA+)	Bonds	$ 3,265,000	3-May	26 yrs.	3.82%	Roosevelt & Cross, Inc.

New York State Issuances Lead the Nation for the Calendar Year Through May

Municipal issuances in New York were up 21.6% (to $22.354 billion) for the calendar year through May, year-over-year, which also marked the largest issuance total by a state for the same period (about 13% of the national total). This result occurred against the backdrop of an overall issuance decline by 9% in the U.S. during the month, as compared to May 2021. The overall decline was driven by a downturn in refundings, partially offset by a monthly uptick in new money issuances across the country. Debt in New York also experienced narrowing credit spreads (variation in yields due to variation in credit quality), following the overall trend across the U.S. but to a more significant degree.

Market Supply and Demand: The Outlook for Municipal Debt

Municipals' prices have been stronger in secondary trading than U.S. Treasuries to close May, even with yields on 10-year 'AAA' municipals (2.43%) significantly exceeding the June average over the last ten years (1.79%). While investors saw opportunity in municipals relative to corporate bonds the past few months given corporate bonds' higher prices (rendering their yields lower and hence less attractive), the rally in municipals last week returned them to parity with corporate bonds. And, U.S. Treasury yields have again surpassed municipal yields, now by nearly 50 bps for the 10-year term. Against this backdrop of shifting investor demand, there is also the limited supply of municipal debt to consider. Contraction of supply – due to the reduced municipal issuance volume nationwide paired with the significant number of redemptions expected in June – means investors may potentially be willing to pay higher prices for municipals. This would put downward pressure on municipal yields, even as the broader context of expected rising rates remains.

MMD General Obligation Interest Rates

	Today - June 1, 2022					1 Month Ago - May 2, 2022					1 Year Ago - June 1, 2021				
Term	**Aaa**	**Aa**	**Insured**	**A**	**Baa**	**Aaa**	**Aa**	**Insured**	**A**	**Baa**	**Aaa**	**Aa**	**Insured**	**A**	**Baa**
1 yr.	1.51%	1.66%	1.77%	1.78%	1.98%	1.97%	2.10%	2.21%	2.22%	2.42%	0.07%	0.09%	0.14%	0.15%	0.36%
5	2.05	2.25	2.35	2.40	2.65	2.49	2.67	2.77	2.82	3.07	0.48	0.53	0.58	0.64	0.93
10	2.43	2.70	2.83	2.90	3.27	2.76	3.01	3.14	3.21	3.58	0.99	1.12	1.17	1.24	1.67
15	2.56	2.87	2.97	3.08	3.42	2.88	3.17	3.27	3.38	3.72	1.15	1.30	1.35	1.47	1.83
20	2.65	3.00	3.11	3.21	3.55	2.96	3.29	3.40	3.50	3.84	1.32	1.47	1.53	1.64	2.00