

## ***Seasonality in Bond Issuance***

When is the best time of year to sell Bonds or Notes? Is there any seasonality to bond demand wherein investors are more or less inclined to purchase bonds during the year and does that translate into preferred timing for issuers to achieve better bids? Interesting question without a simple answer, particularly in current rising interest rate environment.

Although there is anecdotal information that might suggest particular months as more advantageous, long term studies and current data provide a fuller picture.

A recent study published by The Municipal Securities Rulemaking Board in May 2022 titled "Municipal Securities Market Trade Activity 2007-2021" reviewed municipal bond trading patterns and anomalies over the designated period. With respect to seasonality of bond issuance, the study found that although there is some seasonality in trading over time, the impact of seasonality is inconclusive.

Anecdotally, we know that there are several periods during the year during which investor demand may be higher/lower:

**January**—Somewhat higher bond maturities and coupon payments January 1st would suggest higher cash levels of investors for bond buying. New issue supply tends to be limited following slower issuance during holiday season.

**Late March/April**—Tax season tends to see a reduction in retail demand and selling of bonds to fund tax payments.

**June/July**—Heaviest period of maturing bonds and coupon payments leading to investor need to reinvest cash.

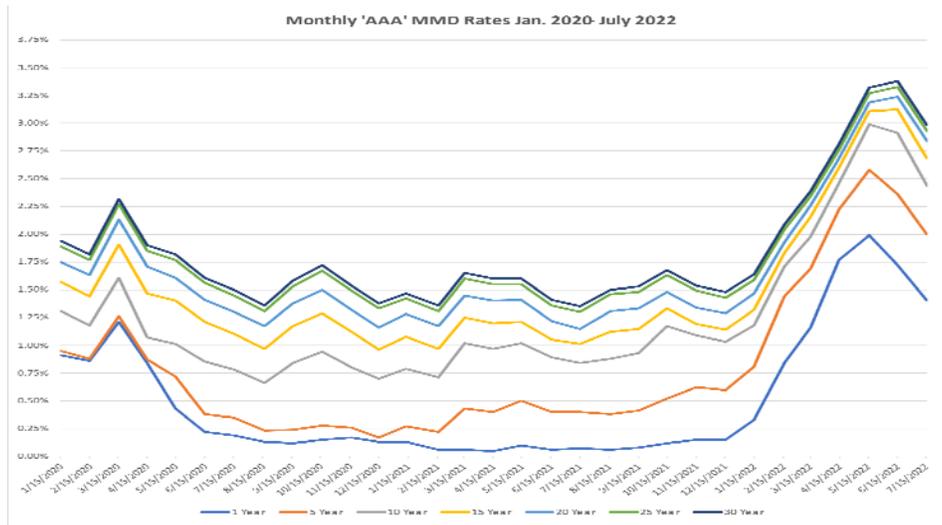
**November/December**—Very little supply during Thanksgiving week and last 2 weeks of December as market essentially shuts down and staffing is low.

Bond yields, of course, are determined by additional factors beyond supply and demand including, but not limited to, economic factors, tax environment, headline risk, event risk and competing issues pricing on any given day. For first half of 2022, municipal supply has been lower year-over-year, due to fewer refundings and less taxable municipal supply. Muni bond mutual fund net outflows for the first half of 2022 were significant and absent a quick turnaround in flows, will be the largest outflow in the past 15 years. In the current environment, the level of inflation and Fed policy dominate discussion regarding interest rate projections. Interest rate volatility is now moving in both directions with inflation the primary determinant for the path of interest rates.

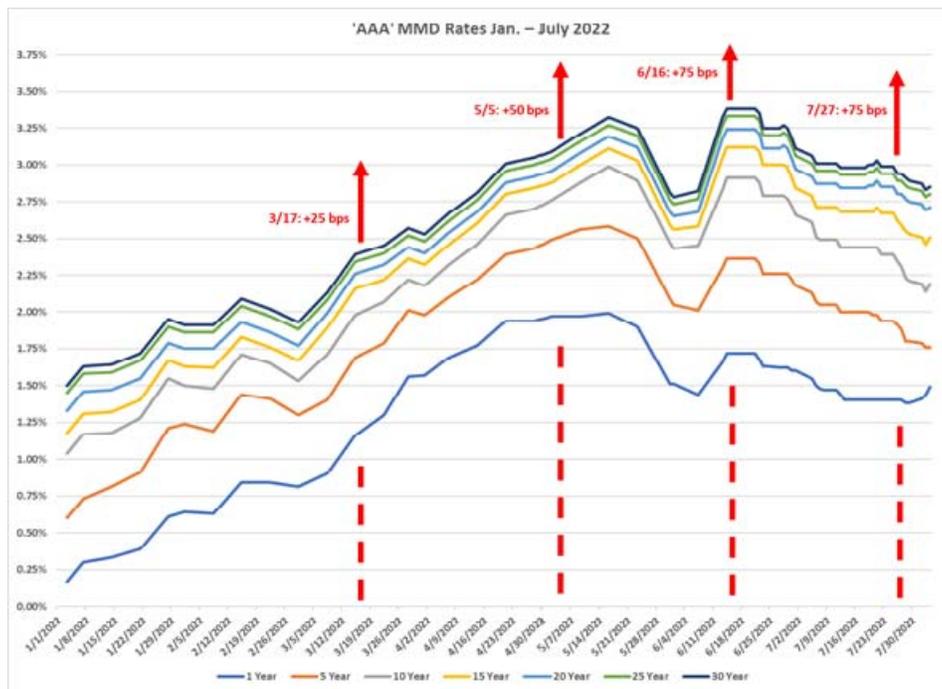
The below chart depicts 'AAA' MMD yields since January 2020. In reviewing the below trends, anecdotal information regarding municipal bond demand and seasonality would provide little guidance as to optimal timing for a bond issue.

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

<b><u>Issuer</u></b>	<b><u>Issue Type</u></b>	<b><u>Par Amount</u></b>	<b><u>Sale Date</u></b>	<b><u>Term</u></b>	<b><u>Rate</u></b>	<b><u>Purchaser</u></b>
Sewanhaka CHSD (Aa3)	TAN	\$ 14,000,000	30-August	9 mos.	2.59%	Piper Sandler & Co.
Rockland County (Aa1/AA/A)	Bonds	\$ 54,950,000	23-August	30 yrs.	3.51%	Roosevelt & Cross, Inc.
Suffolk County (A+/A-/Baa2)	Bonds	\$ 136,615,000	23-August	14 yrs.	3.31%	Mesirow Financial, Inc.
Tonawanda Town (Aa2)	BAN	\$ 41,742,905	11-August	1 yr.	2.15%	J.P. Morgan Securities LLC
West Babylon UFSD (Aa3)	TAN	\$ 22,000,000	4-August	10 mos.	2.18%	Jefferies LLC
Islip Town (Aaa/AA+)	BAN	\$ 29,210,000	3-August	14 yrs.	2.55%	Mesirow Financial, Inc.



The next chart below provides MMD yields for 2022 with Fed rate hike dates highlighted. Looking at this chart, CMA would suggest that in the current market, seasonality is less a factor in determining yield or marketability than inflation/ recessionary pressures and market expectations.



Looking forward, it is currently expected that the Fed will continue its tightening stance with markets predicting a 75bp rate hike at the Fed meeting later this month. Given rising interest rates and lack of clarity with respect to optimizing marketability and yield with issuance timing in a particular month, CMA would currently suggest that timing issuance of a BAN and/or Bond issue should be driven largely by project timing needs, municipal cash flow and budgetary requirements.

	September 1, 2022					1 Month Ago - August 1, 2022					1 Year Ago - August 2, 2021				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	2.28%	2.33%	2.43%	2.44%	2.77%	1.41%	1.46%	1.59%	1.60%	1.93%	0.08%	0.10%	0.14%	0.15%	0.33%
5	2.35	2.48	2.57	2.62	2.97	1.79	1.92	2.04	2.09	2.44	0.41	0.46	0.49	0.51	0.77
10	2.67	2.89	3.02	3.09	3.56	2.19	2.41	2.54	2.61	3.08	0.93	1.05	1.11	1.18	1.52
15	3.03	3.34	3.44	3.55	3.94	2.51	2.82	2.92	3.03	3.42	1.15	1.30	1.33	1.44	1.73
20	3.24	3.59	3.70	3.80	4.19	2.73	3.08	3.19	3.29	3.68	1.33	1.48	1.52	1.62	1.91