CapitalMarketsAdvisors,LLC

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Market for Green Bonds Rapidly Expanding

With increased investor interest in environmentally friendly projects in recent years, the market for both private and public sector green and sustainable bond issuance has exploded with global issuance up by an average of 70% annually over the 5 years to 2021. Though 2022 issuance is expected to be flat overall due to bond market and geopolitical conditions, it is clear that green bond issuance will continue as investor interest and regulatory attention are focused on climate mitigation, decarbonization and sustainability.

What is a "Green Bond"? Green bonds are issues wherein the proceeds are exclusively used to promote environmentally sustainable activities. Most Green Bonds follow voluntary guidelines, the Green Bond Principles, set out by the International Capital Markets Association (ICMA). The Green Bond Principles don't actually define green bonds but rather recommend disclosure parameters centered around four components: use of proceeds, process for evaluating and selecting green projects, management of green project bond proceeds and project reporting. Green Bond principles recommend that clear environmental benefits are described, and where possible, quantified. Projects typically recognized as green under the principles include, but are not limited to:

*Renewable energy *Energy efficiency

*Pollution prevention and control *Terrestrial and aquatic biodiversity conservation

*Clean transportation *Sustainable water management

*Climate change adaptation *Green building

*Eco-efficient and/or circular economy adapted products, technology and processes

*Environmentally sustainable management to living natural resources and land use

Is there a benefit to issuing Green Bonds? Issuing a green bond taps a potentially larger pool of institutional investors capturing those that are specifically interested in sustainable and social financing. However, at the current time, the expanded investor base seems to have somewhat limited impact in bond pricing, particularly for self-designated green bonds. Increasingly, investors look to independent, second party opinions (SPO), which review a bond's alignment with ICMA green bond principles. An SPO outlines such compliance with a report accompanying the Green Bond issue. Limited data suggests there may be a marginal pricing benefit for an issuer when selling General Obligation green bonds (backed by an SPO) versus non-green bonds. As pricing benefit, if any, is uncertain and could vary depending on issuer, project and bond size, we would suggest for the time being that issuers consider green bonds as a means to expand investor base and promote sustainability initiatives and not necessarily as a means to reduce debt service expense. When considering Green Bonds, issuers should also be aware of additional administrative work associated with a green bond including recommended ongoing reporting.

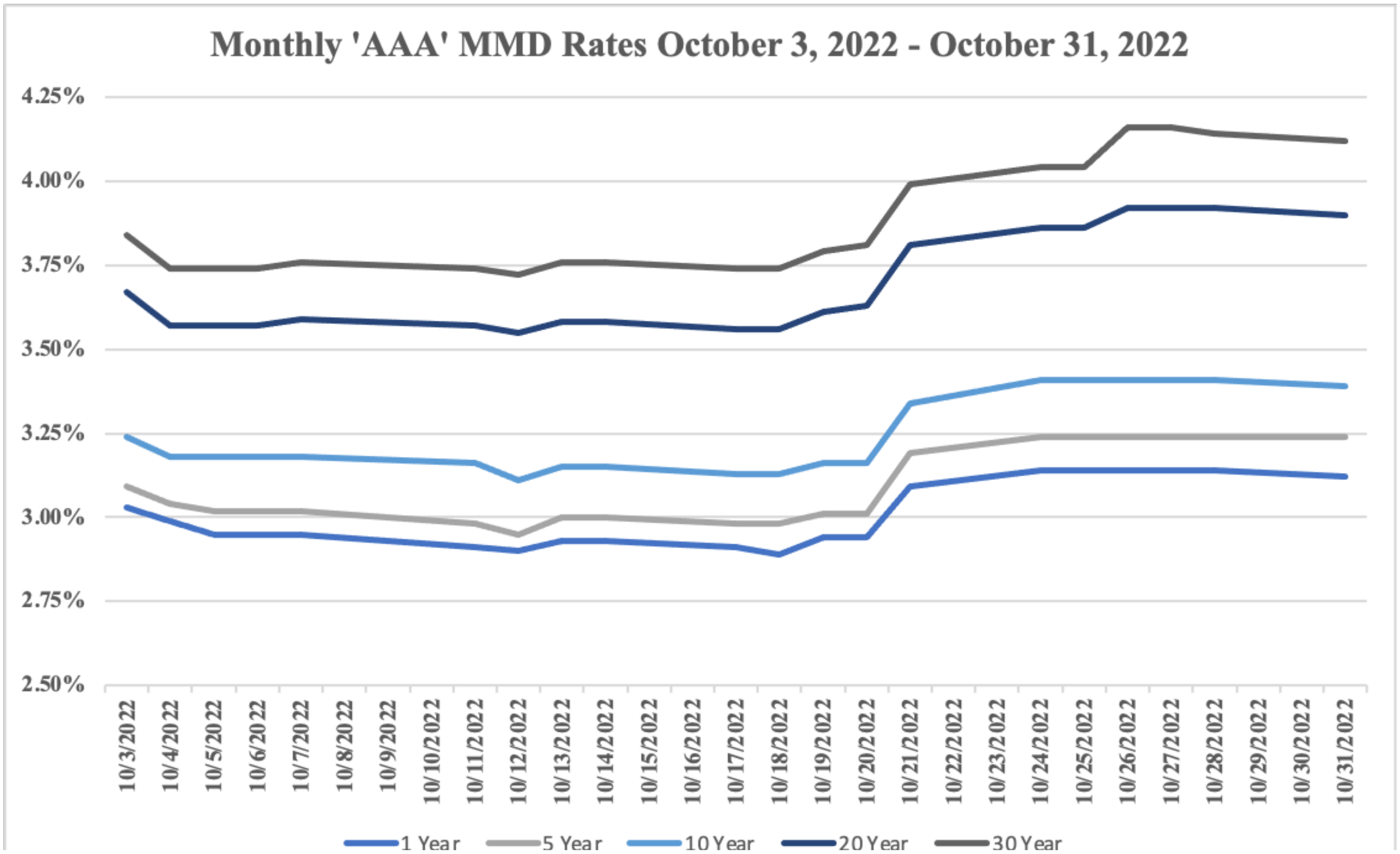
As always, CMA is happy to answer questions regarding the Green Bond market and how an issuance might fit into your debt planning. Please feel free to reach out to us at any time.

Recent CMA Client Sale Results

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
North Babylon UFSD (Aa3)	TAN	$13,000,000	27-Oct.	3 mos.	3.28%	Piper Sandler & Co.
Amherst Town (Aa3)	Bonds	$18,040,850	25-Oct	20 yrs.	3.93%	Roosevelt & Cross, Inc.
West Seneca Town (A1)	Bonds	$ 1,500,500	13-Oct	15 yrs.	3.98%	Huntington Securities
Oyster Bay-East Norwich UFSD (Aa1)	BAN	$ 5,200,000	11-Oct	9 mos.	3.46%	Fidelity Capital Markets
Huntington UFSD (Aa1)	TAN	$16,000,000	4-Oct.	8 mos.	3.29%	JP Morgan Securities

Fed Raises Rates 75 bps Yet Again

To no one's surprise, the Fed's Open Market Committee raised Its Fed Funds rate by 75 basis points on November 2nd, making it the fourth 75 bp bump since June of this year. In a statement made accompanying the rate hike, Fed Chairman Powell. while noting the need for additional rate increases to tame persistent inflation, suggested that the pace of future increases could slow down in the coming months. Following the Fed's action, economists at TD Securities forecast "a higher terminal Fed Funds rate of 5.25 – 5.50% …including 50 bp hikes in December and February, followed by 25 bp hikes in March and May.   S&P Global Markets noted "Higher interest rates are starting to put funding pressure on banks as the competition for deposits heats up. Financial institutions face a need to increase the rates they pay for deposits in order to slow outflows. Higher rates are also leading to mark-to-market losses on bond holdings and taking a bite out of banks' tangible capital. However, the moves by the Fed have yet to cool down the job market. "



MMD General Obligation Interest Rates

	November 1, 2022					1 Month Ago - October 3, 2022					1 Year Ago - November 1, 2021				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	3.11%	3.18%	3.28%	3.29%	3.62%	3.03%	3.10%	3.20%	3.21%	3.54%	0.16%	0.18%	0.22%	0.23%	0.38%
5	3.20	3.35	3.44	3.49	3.84	3.09	3.24	3.33	3.38	3.73	0.65	0.70	0.73	0.78	0.98
10	3.34	3.58	3.71	3.78	4.30	3.24	3.48	3.61	3.68	4.15	1.22	1.34	1.40	1.47	1.79
15	3.63	3.98	4.08	4.19	4.63	3.48	3.83	3.93	4.04	4.43	1.35	1.51	1.54	1.65	1.94
20	3.84	4.23	4.34	4.44	4.88	3.67	4.06	4.17	4.27	4.66	1.49	1.69	1.73	1.83	2.12