CapitalMarketsAdvisors,LLC

Capital Markets News

Edition XXI, Volume II February 2023

January Debt Issuance Off from A Year Ago

On the heels of a down year in 2022, municipal bond issuance continued that trend in the month of January by declining 17% over the same period a year earlier. The total number of issues, both tax exempt and taxable, was down from 770 in January 2022 to 417 last month according to Refinitiv data. With the coffers of many issuers still flush with cash from federal stimulus funding following the COVID 19 pandemic, the need to issue debt to fund capital projects and cash flow needs was minimized. While significantly higher interest rates, especially in the short end of the yield curve, reduced the number of refunding bond issues by 58% in 2022, the number of refunding bond issues was up last month from one year ago. With the Fed hiking interest rates by only 25 basis points on February 1st, perhaps signaling that the end is near for future rate hikes in 2023, some issuers may continue to sit on the sidelines waiting for interest rates to decline as inflation is brought under control. While supply is weak, demand for tax-exempt debt offerings remains strong with tax-exempt mutual funds experiencing three straight weeks of inflows last month. With issuance down in 2022 and off to a slow start this year, a number of municipal underwriters have announced reductions in their staffs with more banks anticipated to follow suit in the coming weeks.

In New York State, municipal debt issuance totaled $1.71 billion in January, trailing far behind Texas which saw $4.53 billion of debt issued and California with $2.14 billion. With New York City's Transitional Finance Authority poised to enter the market the week of February 6th with a $1.1 billion negotiated offering and a $119 million competitive sale, the State will likely improve its standing this month.

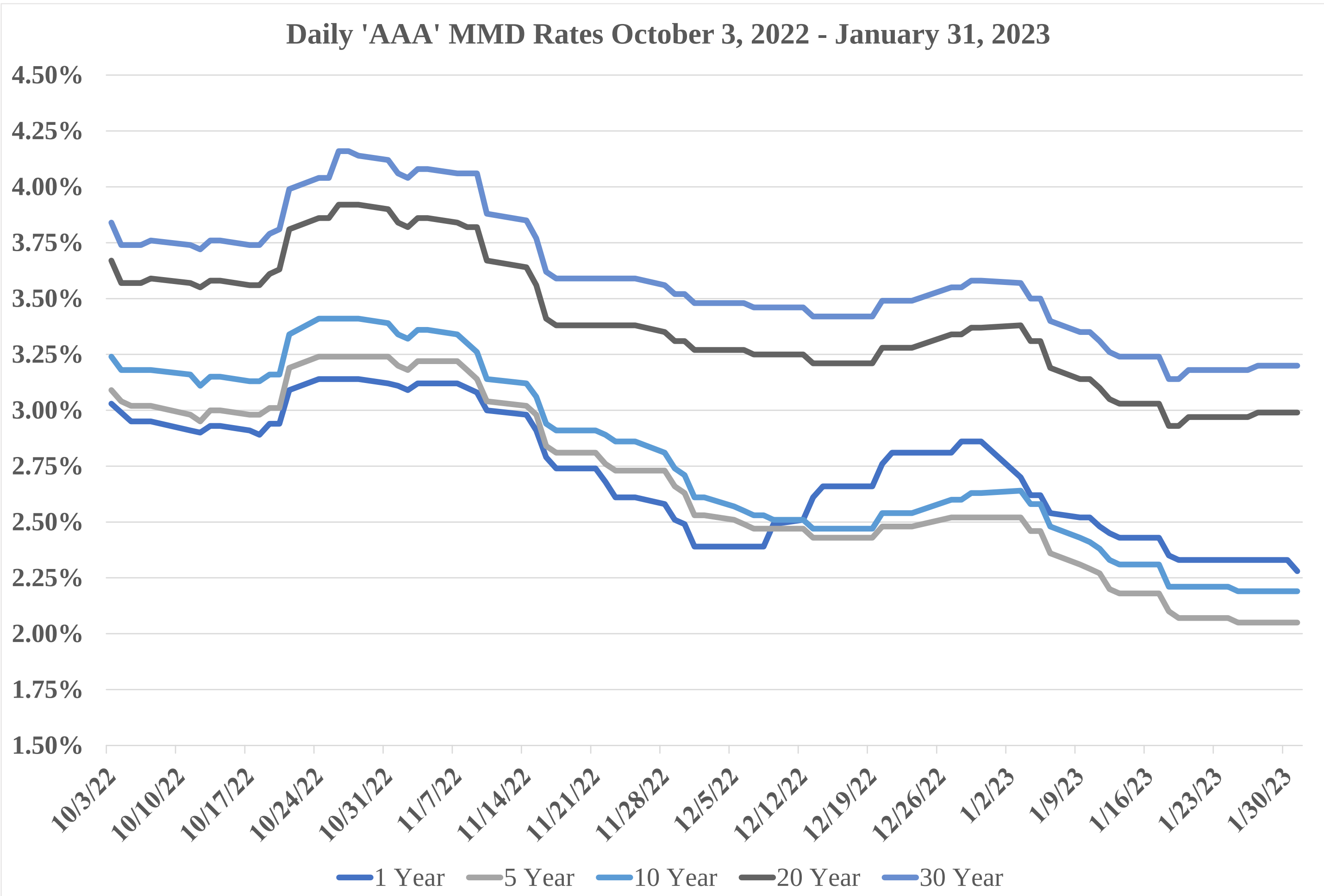
SLGS Window Stays Open Despite Debt Ceiling Issue

In a move that differs from past practice, the US Treasury announced in mid-January that it will continue to sell State and Local Government Series ("SLGS") securities despite the fact that the Federal government is quickly approaching its debt limit. Prior to the demise of advance refunding bond issues on January 1, 2018, SLGS were used by state and local issuers of tax-exempt refunding bonds to fund the escrows created to hold refunding bond proceeds prior to their being used to redeem refunded debt, often many months into the future. SLGS can be tailored to ensure that the issuer does not exceed its arbitrage cap and also enables issuers to structure perfectly efficient escrows with invested proceeds. Under present law, municipal bonds can only be currently refunded with the proceeds from a tax-exempt refunding bond issue within 90 days of the refunded bonds' call date. In the past, the Treasury has closed the SLGS window as a tool to avoid breaching the debt ceiling. The SLGS window was last closed in July 2021 and has been closed more than 15 times since 1995. No reason was given by the Treasury for this change in policy.

Recent CMA Client Sale Results

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Tarrytown Village (Aa2)	Bonds	$8,865,000	26-Jan.	20 yrs.	2.88%	Raymond James
Lloyd Town	BAN	$4,500,000	26-Jan.	1 yr.	3.34%	Piper Sandler & Co.
Scarsdale Village (Aaa)	BAN	$1,735,000	17-Jan.	1 yr.	3.13%	Fidelity Capital Markets
Uniondale UFSD (Aa2)	Bonds	$74,245,000	12-Jan.	20 yrs.	3.30%	Jefferies LLC
Atlantic Beach Village (AA)	Bonds	$1,000,000	5-Jan.	5 yrs.	2.50%	SWBC
Corning CSD (Aa3)	BAN	$694,000	5-Jan.	5 mos.	4.11%	Piper Sandler & Co.

As January came to an end, interest rates continued to trend downward following the four-month high at the end of October. As shown in the graph below, the yields on 1-year maturities have surpassed those on 5 and 10-year maturities which started to rise in mid-December and continued that trend over the course of the month of January creating an inverted yield curve, historically an indicator of recession. The fed's February 1st rate hike of 25 basis points and the continued expectation of rate increases leads many industry professionals to anticipate an ongoing decrease in MMD rates in the coming months.



MMD General Obligation Interest Rates

	February 1, 2023					1 Month Ago - January 3, 2023					1 Year Ago - February 1, 2022				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	2.27%	2.32%	2.42%	2.43%	2.76%	2.70%	2.75%	2.85%	2.86%	3.19%	0.64%	0.70%	0.71%	0.72%	0.90%
5	2.03	2.13	2.22	2.27	2.62	2.52	2.62	2.71	2.76	3.11	1.24	1.33	1.33	1.38	1.61
10	2.19	2.37	2.50	2.57	3.09	2.64	2.82	2.95	3.02	3.54	1.50	1.66	1.69	1.76	2.11
15	2.82	3.12	3.22	3.33	3.77	3.22	3.52	3.62	3.73	4.17	1.63	1.83	1.83	1.94	2.26
20	2.99	3.33	3.44	3.54	3.98	3.38	3.72	3.83	3.93	4.37	1.75	1.99	2.00	2.10	2.42