CapitalMarketsAdvisors,LLC

Capital Markets News

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S&P Releases Mid-Year Outlook

In its midyear report for 2023 released on July 18th, S&P Global Ratings noted that "Extreme weather events, including hurricanes, droughts, and flooding remain one of the key emerging risks we're watching for U.S. governments and not-for-profit enterprises. Summer storm and fire season heightens the possibility of catastrophic events that require swift response and resource allocation. "The report went on to say continued higher interest rates and inflation have reduced debt issuance. It added that "credit conditions have been largely stable, and upgrades have exceeded downgrades this year for most sectors" noting that the U.S. economy "has been resilient despite 500 basis points of official rate increases by the Fed and recent market stresses such as the U.S. debt ceiling negotiations and banking sector uncertainty." Federal stimulus and healthy financial reserves continue to provide significant flexibility. The firm's "baseline U.S. economic forecast is now for a shallower but more protracted slowdown rather than a recession".

With regard to local governments, S&P is watching for "any pressures related to inflation or the potential for lower consumer spending that could affect collections of economically sensitive revenues" which might be expected to include sales, energy and hotel/motel taxes. The report states that "reserve growth has been supported by good revenue collections and ongoing tax base growth while pandemic-related federal stimulus is helping to support capital needs and offset rising operating costs." As for the balance of 2023, S&P expects "credit quality and stability will continue to be supported by federal stimulus dollars, which many local governments have yet to spend."

US No Longer AAA with Fitch

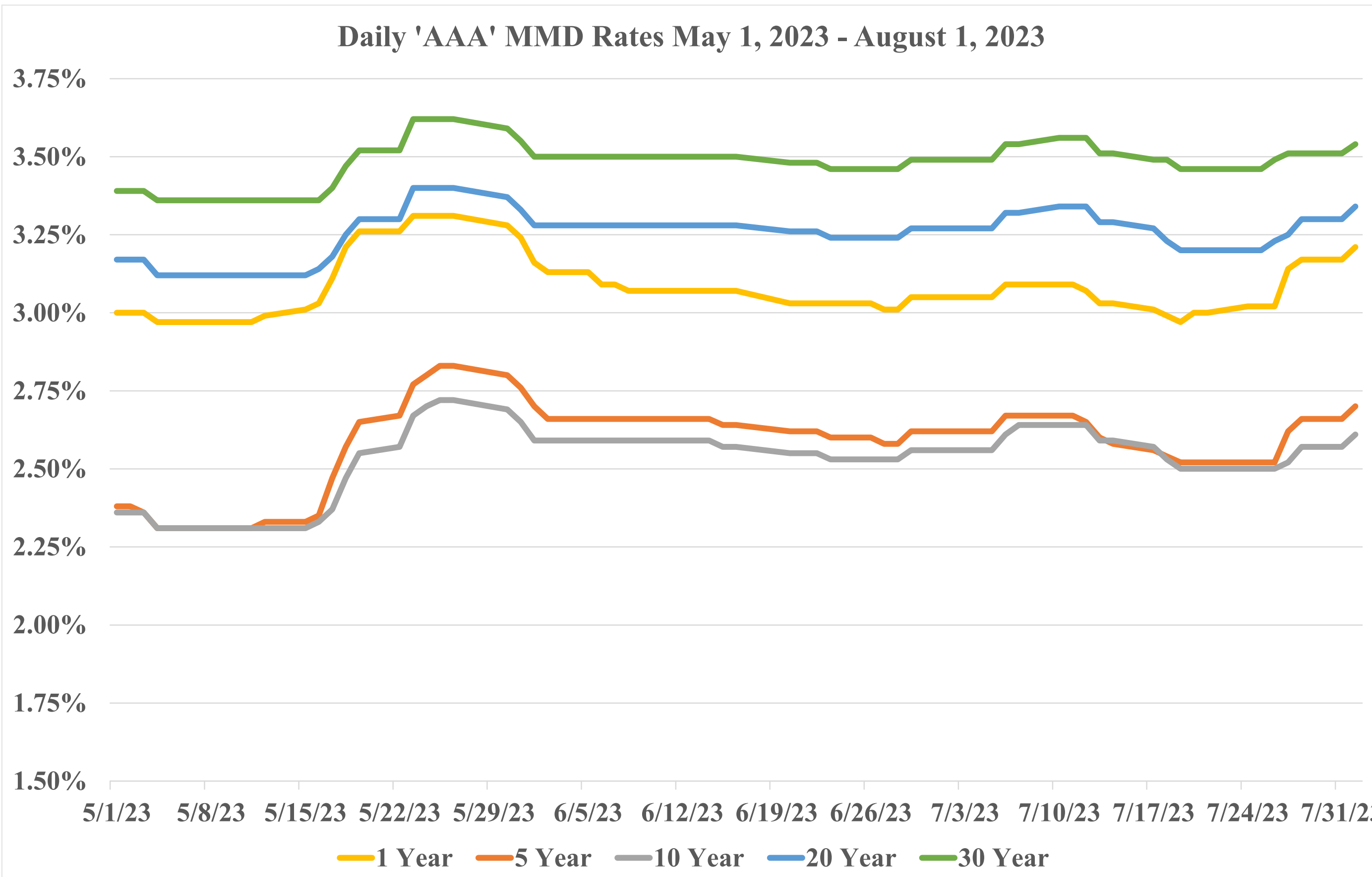
On August 1st, 2023, Fitch Ratings downgraded the United States' Long-Term Foreign-Currency Issuer Default Rating one notch to AA+, stripping the country of its pristine AAA rating. In its report, Fitch cites that the rating downgrade "reflects the expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to 'AA' and 'AAA' rated peers over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions."

The markets reacted mildly to the downgrade, the Dow dipped initially by 1% and Treasury yields have risen with the 1-year Treasury up 3 basis points to 4.078%. The downgrade is not expected to have an impact on government debt or the demand for U.S. Treasuries which remain the world's pre-eminent safe and liquid asset. This latest downgrade is the second time that the US federal government has seen in recent years. S&P Global Ratings also downgraded the long-term credit rating of the U.S. to AA+ back in August 2011. Moody's Investor's Service is the sole rating agency to maintain a rating of Aaa.

Bond sales following the rating downgrade have received bids with coupons as high as 6% for noncallable maturities. This rate is higher than we've seen in recent years.

Recent CMA Client Sale Results

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Newburgh City (A3)	BAN	$9,000,000	27-July	1 yr.	4.28%	Jefferies LLC
Bethpage UFSD (Aa2)	Bonds	$6,830,000	25-July	15 yrs.	2.96%	Fidelity Capital Markets
Wappingers CSD (A2)	Bonds	30,710,000	27-July	23 yrs.	3.60%	Fifth Third Securities
Port Washington UFSD (Aa2)	TAN	15,570,000	20-July	10 mos.	3.57%	Jefferies LLC
Rochester City (AA-)	BAN	$105,250,000	19-July	1 yr.	3.45%	BofA Securities
Hempstead Village (AA-)	BAN (Txb.)	$4,000,000	6-July	1 yr.	5.92%	Piper Sandler & Oppenheimer
Lancaster Town (Aa3)	BAN	$11,069,500	6-July	1 yr.	3.95%	BNY Mellon



	August 1, 2023					1 Month Ago - July 3, 2023					1 Year Ago - August 1, 2022				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	3.21%	3.24%	3.33%	3.33%	3.70%	3.05%	3.08%	3.20%	3.19%	3.54%	1.41%	1.46%	1.59%	1.60%	1.93%
5	2.70	2.76	2.87	2.90	3.29	2.62	2.70	2.81	2.84	3.21	1.79	1.92	2.04	2.09	2.44
10	2.61	2.73	2.90	2.95	3.51	2.56	2.72	2.87	2.92	3.46	2.19	2.41	2.54	2.61	3.08
15	3.11	3.35	3.49	3.60	4.06	3.09	3.39	3.49	3.60	4.04	2.51	2.82	2.92	3.03	3.42
20	3.34	3.63	3.77	3.87	4.33	3.27	3.61	3.72	3.82	4.26	2.73	3.08	3.19	3.29	3.68