CapitalMarketsAdvisors,LLC

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Citigroup to Exit Muni Business

On December 14th, Citigroup announced that it will be exiting the municipal underwriting business at the end of the first quarter 2024. The news came as a shock to most market participants, including the firm's municipal sales, trading and banking colleagues, some of whom have already moved elsewhere. Perennially ranked among the top underwriters in municipal securities for decades, Citi's exit comes after two years of decline in debt issuance in the muni markets that has resulted in increased competition for fewer deals and reduced underwriting spreads. Citi's news comes on the heels of UBS's announcement in October that it, too, is exiting the business. As major players exit the market, there are concerns that the reduced level of competition among underwriters will result in higher financing costs for issuers and reduced liquidity in the market. Commenting on the news in *The Bond Buyer*, Matt Fabian of Municipal Market Analytics Inc. said "It's a major disappointment. Near term, municipals already lack liquidity and dealer capital, and Citi was a major provider of those, so their removal makes things tighter, makes the market more prone to excess volatility in both up and down trends." He added "In the longer term, when we expect municipal bond issuance to see substantial growth because of climate change and legacy infrastructure issues, our industry is going to need to expand as well to minimize the pricing impact on our issuers, so a major underwriter withdrawing now will add to that challenge, further stretch[ing] personnel and committed dollars." According to *The Bond Buyer,* the rankings of the top, ten municipal bond underwriters during the first half of 2023 were as follows:

1. Bank of America Securities	**6. Stifel Nicolaus & Co.**
2. RBC Capital Markets	**7. Goldman Sachs**
3. Jefferies	**8. Wells Fargo**
4. Morgan Stanley	**9. Citigroup**
5. JP Morgan Securities	**10. Barclays**

Contributing to the decisions to exit both Citi and UBS had been banned from underwriting state and local municipal business in Texas after the state passed laws in 2021 aimed at protecting the fossil fuel and firearm industries against boycotts and discrimination.

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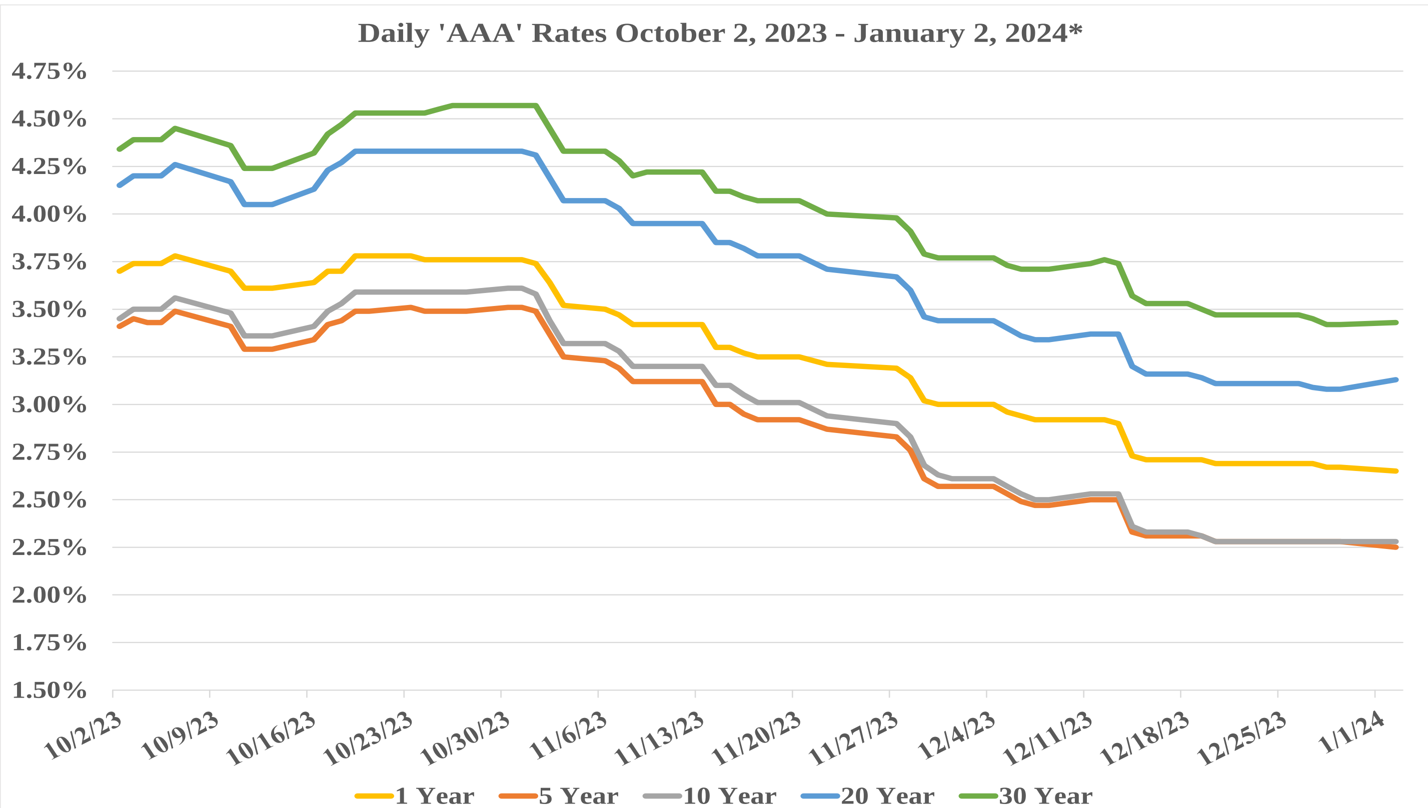
Recent CMA Client Sale Results

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Yonkers City (A3/A+)	BAN (Txb)	$11,457,940	20 - Dec.	9 mos.	5.48%	Oppenheimer & Co.
Island Trees UFSD (Aa2)	BAN	$7,500,000	13 – Dec.	6 mos.	3.61%	Piper Sandler & Co.
Elmont UFSD (Aa3)	Bonds	$36,025,000	11 – Dec.	15 yrs.	2.85%	Bancroft Capital
Croton Harmon UFSD (Aa2)	BAN	$9,000,000	5 – Dec.	6 mos.	3.39%	Jefferies LLC
Center Moriches UFSD (Aa3)	BAN	$445,000	5 – Dec.	1 yr.	4.43%	Piper Sandler & Co.

In the past year, Texas has made reprisals against businesses it deemed to be promoting social or environmental agendas. The state's comptroller had previously banned state and local entities from doing business with ten financial firms. The Texas attorney general's office, determined in February that Citigroup "discriminates" against the firearms industry, and prohibited it from underwriting most bond deals in that state. Several other states, including Idaho, West Virginia, Oklahoma and Florida, have adopted or proposed laws targeting investments or doing business with firms that they believe have taken pro-ESG stances. *The Bond Buyer* ranks Texas along with Florida, California, Illinois and New York, among the top five issuers of municipal bonds in the nation.

Interest Rates Continue to Drop

Since the beginning of November, interest rates have been steadily decreasing and have continued to fall into the New Year, as shown in the chart below. It is anticipated, by industry professionals, that rates will continue to drop due to the expectation of Fed rate cuts in the second half of 2024. Rates had last been at this this level in April of 2023.



*As of October 20, 2023, rates are based on an interest rate scale devised by CMA.

General Obligation Interest Rates

	January 2, 2024					1 Month Ago - December 1, 2023					1 Year Ago - January 3, 2023				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	2.65%	2.66%	2.74%	2.72%	3.11%	3.00%	3.01%	3.09%	3.07%	3.46%	2.70%	2.75%	2.85%	2.86%	3.19%
5	2.25	2.28	2.39	2.40	2.81	2.57	2.60	2.71	2.72	3.13	2.52	2.62	2.71	2.76	3.11
10	2.28	2.35	2.53	2.55	3.11	2.61	2.68	2.86	2.88	3.47	2.64	2.82	2.95	3.02	3.54
15	2.85	3.00	3.18	3.23	3.72	3.13	3.29	3.47	3.52	4.03	3.22	3.52	3.62	3.73	4.17
20	3.13	3.30	3.49	3.53	4.03	3.44	3.63	3.82	3.86	4.37	3.38	3.72	3.83	3.93	4.37