

# Weekly Municipal Market - A Trader's Insight

16th AMENDMENT  ADVISORS LLC™

## A LOOK AHEAD – WEEK OF 2.18.19

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### COMMENTARY

The big news last week involved Puerto Rico. Last week Puerto Rico bond holders of COFINA senior and junior sales tax revenue bonds were officially exchanged for new tax-exempt and taxable securities, which completes a restructuring of at least 25% of the current Puerto Rico capital stack. This restructuring is estimated to save the island over \$17bln in debt service costs over the life of the bonds. The new bonds will be approximately \$12bln in exchange bonds, consisting of about \$5.4bln in tax free current interest bonds (coupon bonds) maturing 2034-2058, about \$3.6bln in taxable current interest bonds maturing 2040-2058 (bonds still awaiting an IRS tax determination ruling) and another \$3bln in capital appreciation bonds (zero coupon bonds) maturing 2024-2051.

Bondholders should know by Tuesday February 19<sup>th</sup> exactly what they will own on exchange. The new bonds will trade in 1,000m denominations. This should make for a very sloppy retail secondary trading environment on retail size pieces if/when retail decides they want to exit the trade once the exchange completed. We will continue to report on this going forward.

### Municipal (MMD) Treasury Ratios (as of 2/15/2019)

	Muni	Treas	Muni/Treas	Wkly Chg
5 Year	1.69%	2.49%	67.8%	-1.9%
10 Year	2.11%	2.66%	79.2%	-1.4%
30 Year	3.00%	3.00%	100.2%	0.5%

### FUND FLOWS

Lipper reported municipal bond funds experienced **\$1.45bln** of weekly inflows. Long term funds added **\$998 million**, high yield funds had **\$452mn**, intermediate funds **\$417mn**, and national funds saw inflows of **\$1.2bln**. Municipal ETF's had a light inflow of about **\$1mn**. Interestingly, this week we saw a sizeable out flow from the municipal money market funds again of around **(\$2.8bln)**

### SPOTLIGHT

We mentioned that the \$7bln new issue calendar last week was going to be concentrated in the high grade market. The three deals we highlighted, District of Columbia GO, Oregon State GO and NY University were all originally well received and several times oversubscribed. However, as treasuries were selling off, the dealers raised the price on the new issues and several institutional accounts dropped on the repricing, leaving dealers with unwanted inventory. In some cases, secondary offerings presented better value for opportunistic buyers.

This week is a short holiday week and there will be a very light negotiated new issue calendar coming in at roughly \$1.7bln. The largest deal of the week is the North Carolina Medical Care Commission for (Wake Forest Baptist Health) \$200mn deal A2/A rated. We will continue to focus on offerings in the 15-20yr part of the curve where ratios in our opinion are most favorable.

**Data Sources:** MMD from TM3 and Treasury data from Bloomberg; Lipper data from JP Morgan

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