

Weekly Municipal Market - A Trader's Insight

16th AMENDMENT  ADVISORS LLC™

A LOOK AHEAD – WEEK OF 2.25.19

COMMENTARY

The shortened holiday week provided some 30yr muni out-performance with muni/treas ratios declining 1.1%. An interesting note this week was that weekly SIFMA (the 1-week municipal swap yield) settled in at 1.75%, roughly the equivalent of a 6 year AAA fixed rate municipal bond. According to J.P. Morgan, this is the first time this has happened since the credit crisis. Currently it seems as though parking cash in short term municipal money market funds might be a good alternative vs. buying fixed rate bonds in the 5-7yr part of the curve given this dynamic. Next week's negotiated calendar is projected to be light yet again coming in around \$3.5bn.

We mentioned last week that Puerto Rico bond holders of COFINA senior and junior sales tax revenue bonds were officially exchanged into their new structures. The exchange went well and liquidity was strong. The performance on the week was mixed for the different series. On the week the tax-exempt CIB (current interest bonds) 4.50% of '34 and the 4.55% of '40 traded up anywhere from 10 to 15 basis points, while the tax-exempt 4.75% of '53 and the 5.00% of 2058 traded flat to up 1 basis point for the week. A separate series of CIB bonds still awaiting a tax opinion trades flat. The CAB's (Capital Appreciation bonds/Zero Coupon bonds) however, performed the best trading up anywhere from 20 to 28 basis points for the week. Retail selling was not robust and overall the reception was well received. Secondary market trading was very orderly.

Municipal (MMD) Treasury Ratios (as of 2/22/2019)

	Muni	Treas	Muni/Treas	Wkly Chg
5 Year	1.69%	2.47%	68.5%	0.6%
10 Year	2.10%	2.65%	79.1%	-0.2%
30 Year	2.99%	3.02%	98.9%	-1.1%

FUND FLOWS

Lipper reported combined weekly and monthly inflows of \$1.5bn for the period ending February 20th. This was the 7th consecutive week of inflows. Year-to-date we have seen inflows of \$10.7bn. The YTD inflows of \$10.7bn is the second-best start to a year since Lipper began recording the data back in 1992.

SPOTLIGHT

One deal we will be focusing on this week will be the loan for The Los Angeles International Airport a \$437mm negotiated deal with serial bonds maturing 2020-2039 and two term bonds, one in 2044 and the other in 2049. The bonds are rated Aa3/AA-/AA-. We will continue to follow the new issue calendar as we start entering into tax season. Historically, we believe tax season leads to weaker municipal performance, so moving forward municipal fund flows and new issue volume should be closely monitored.

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

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