Stephens

ARKANSAS GFOA

Market Update and Bond Issuance Reminders

Presented at 2022 Arkansas GFOA Annual Conference

July 28, 2022

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ECONOMIC CALENDAR – BUSY WEEK!

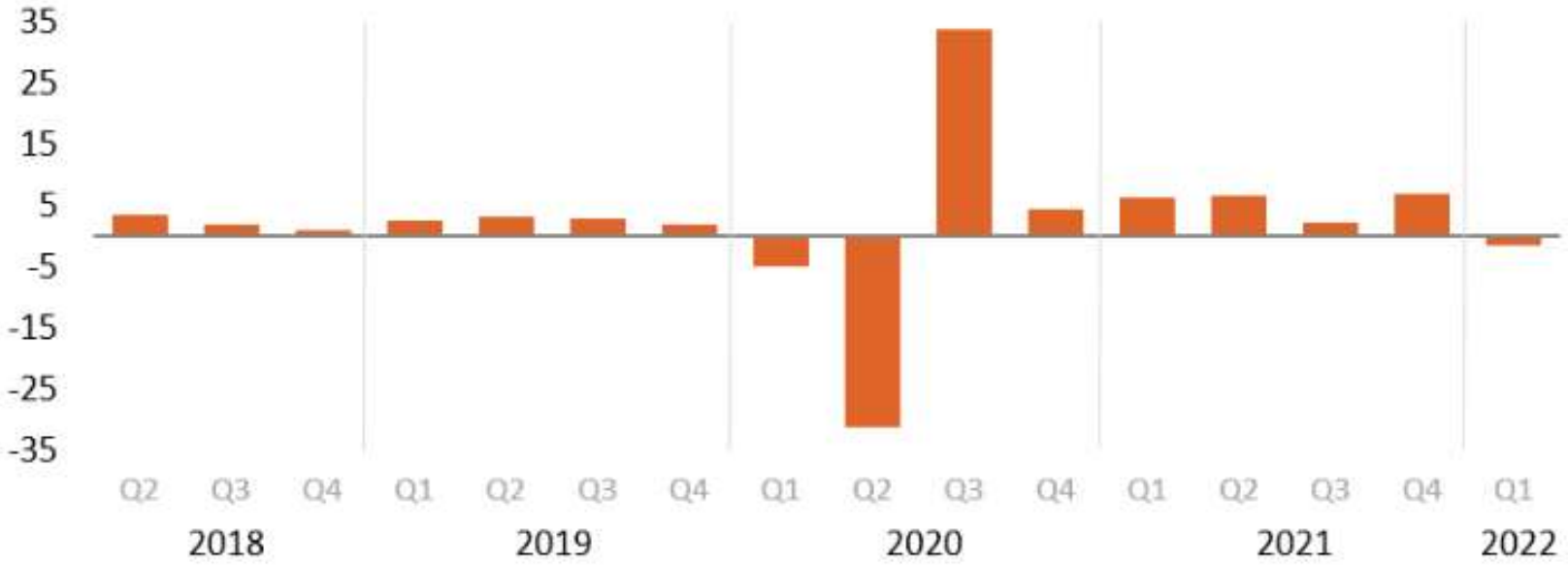
Economic Calendar		
TIME (ET)	REPORT	PERIOD
MONDAY, JULY 25		
8:30 AM	Chicago Fed Nat Activity Index	Jun
10:30 AM	Dallas Fed Manf. Activity	Jul
TUESDAY, JULY 26		
9:00 AM	FHFA House Price Index	May
9:00 AM	S&P CoreLogic Data	May
10:00 AM	Richmond Fed Manufact. Index	Jul
10:00 AM	Conf. Board Consumer Confidence	Jul
10:00 AM	New Home Sales	Jun
WEDNESDAY, JULY 27		
7:00 AM	MBA Mortgage Applications	22-Jul
8:30 AM	Advance Goods Trade Balance	Jun
8:30 AM	Wholesale Inventories	Jun P
8:30 AM	Retail Inventories	Jun
8:30 AM	Durables	Jun P
8:30 AM	Capital Goods	Jun P
10:00 AM	Pending Home Sales	Jun
2:00 PM	FOMC Rate Decision	27-Jul
2:00 PM	Interest on Reserve Balances Rate	28-Jul
THURSDAY, JULY 28		
8:30 AM	Initial Jobless Claims	23-Jul
8:30 AM	Continuing Claims	16-Jul
8:30 AM	GDP	2Q A
8:30 AM	Personal Consumption	2Q A
8:30 AM	Core PCE Deflator	2Q A
11:00 AM	Kansas City Fed Manf. Acitvity	Jul
FRIDAY, JULY 29		
8:30 AM	Employment Cost Index	2Q
8:30 AM	Personal Income & Spending	Jun
8:30 AM	PCE Deflator	Jun
9:45 AM	MNI Chicago PMI	Jul
10:00 AM	U. of Mich. Sentiment	Jul F

SOURCE: BLOOMBERG; FEDERAL RESERVE; THOMSON REUTERS

Economic Growth

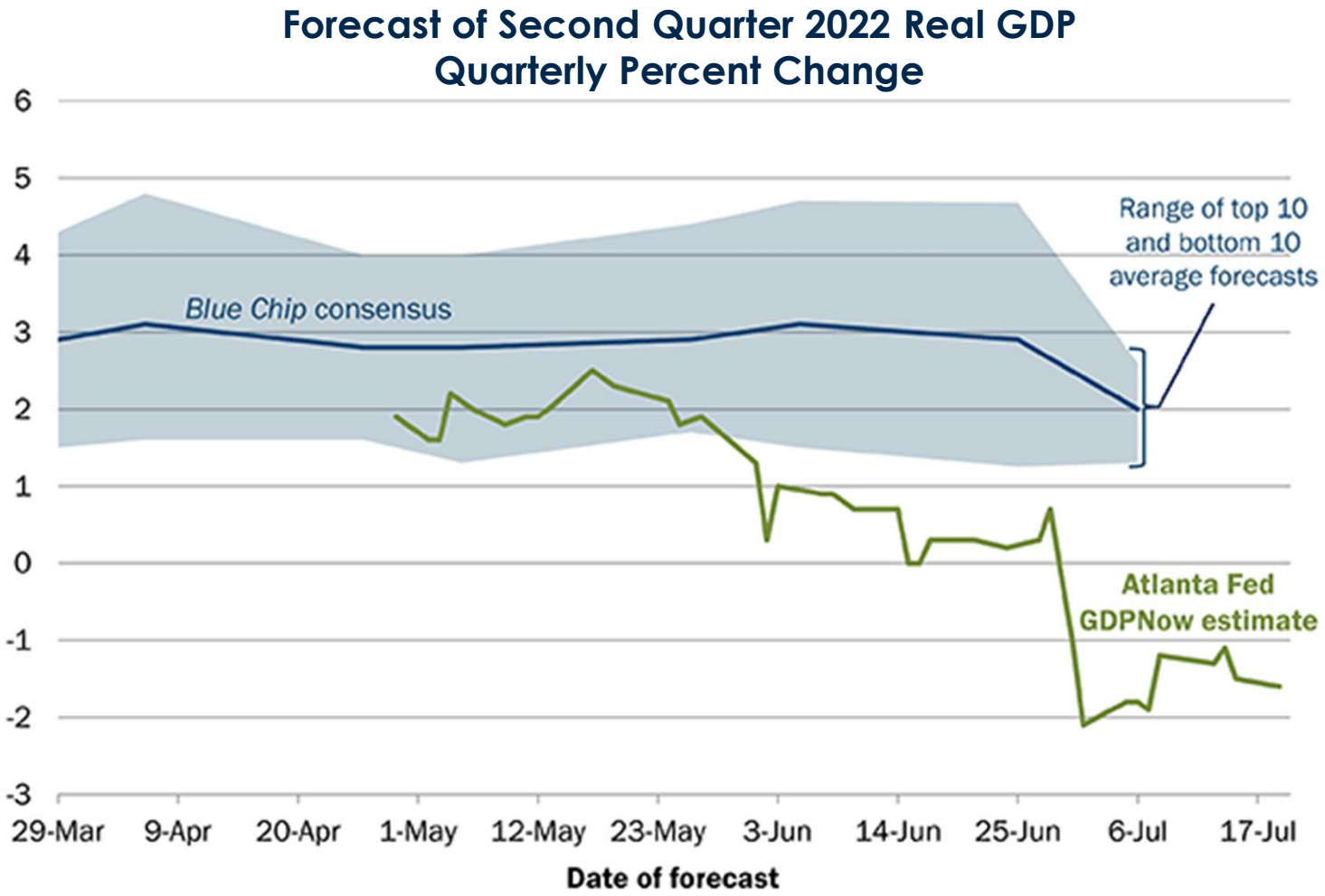
Real Gross Domestic Product ("GDP")
Percent Change from the Previous Quarter
(2018 to Present)

Q1: - 1.4%
Q2: - 0.9%



Source: U.S. Bureau of Economic Analysis. "Gross Domestic Product, First Quarter 2022. June 2022"

Economic Growth



Source: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip Survey.

Economic Growth

Forecasts of Quarterly Real GDP Growth For 2022 and 2023

	REAL GDP (%)	
	PREVIOUS	NEW
Quarterly data:		
2022:Q2	4.2	2.3
2022:Q3	3.0	2.5
2022:Q4	2.9	2.3
2023:Q1	2.8	2.1
2023:Q2	N.A.	2.3

Source: Federal Reserve Bank of Philadelphia. "Survey of Professional Forecasters." May 15, 2022

Unemployment

Unemployment Rate
2002 to Present

Shaded area indicate U.S. recessions.

Source: Federal Reserve of St. Louis. Federal Reserve Economic Data (data provided from the U.S. Bureau of Economic Analysis). Extracted from the database on July 8, 2022.

MARKET COMMENTARY

Municipal Market Overview

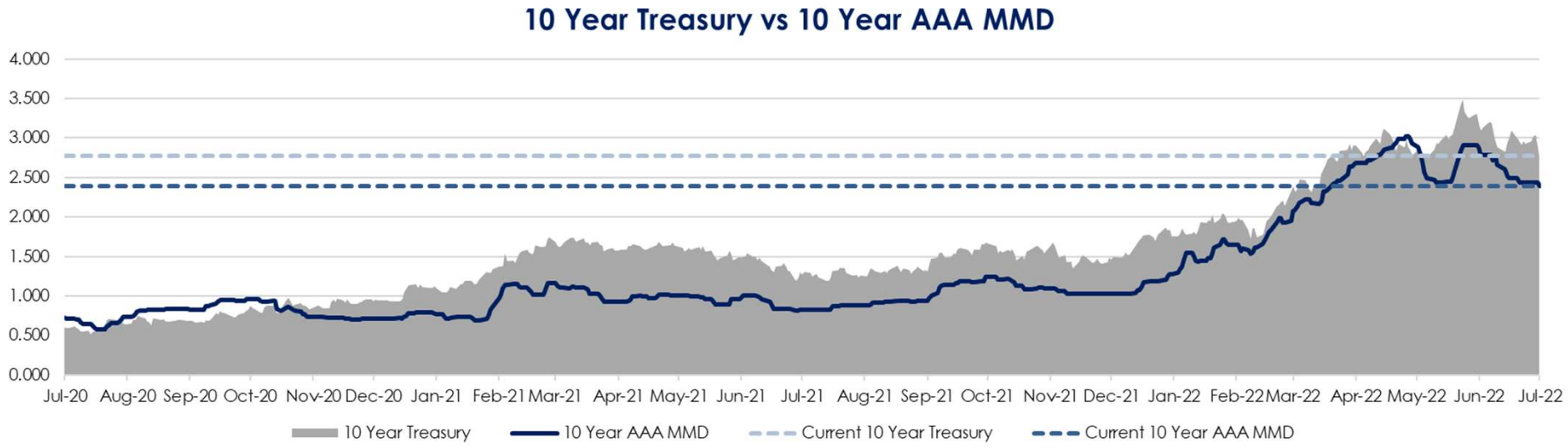
Treasury and MMD Snapshot

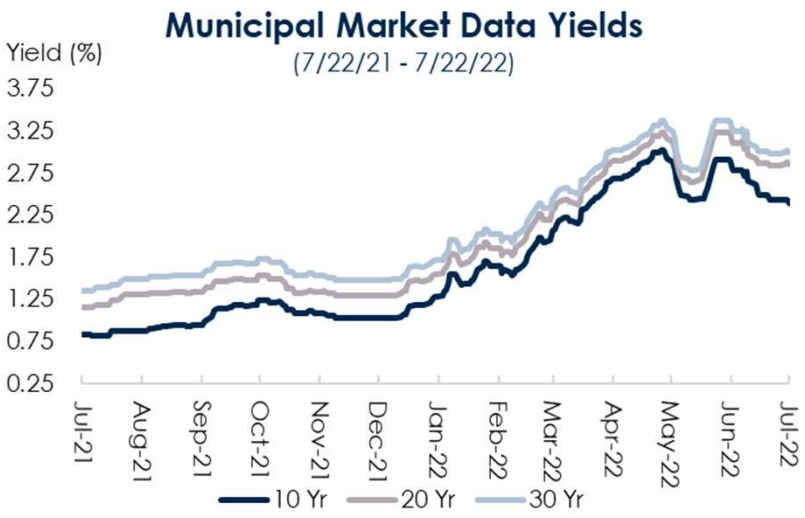
Treasury Yields							
Trsy	7/22/2021	12/31/2021	7/15/2022	7/22/2022	Last Week Change (bps)	YTD Change (bps)	Year Change (bps)
2 Yr	0.20	0.73	3.13	2.98	-15	225	278
5 Yr	0.71	1.26	3.05	2.87	-18	161	216
10 Yr	1.27	1.52	2.93	2.77	-16	125	150
30 Yr	1.90	1.90	3.10	3.00	-10	110	110

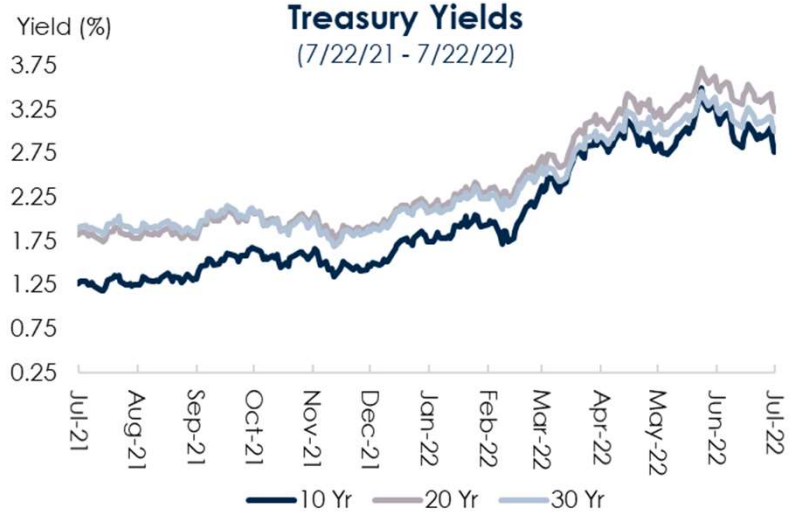
AAA MMD Yield							
MMD	7/22/2021	12/31/2021	7/15/2022	7/22/2022	Last Week Change (bps)	YTD Change (bps)	Year Change (bps)
5 Yr	0.37	0.59	2.00	1.94	-6	135	157
10 Yr	0.83	1.03	2.44	2.39	-5	136	156
20 Yr	1.16	1.30	2.84	2.85	1	155	169
30 Yr	1.36	1.49	2.98	2.99	1	150	163

SOURCE: BLOOMBERG; FEDERAL RESERVE; THOMSON REUTERS

Taxable and Tax-Exempt Rate Indications







SOURCE: BLOOMBERG; FEDERAL RESERVE

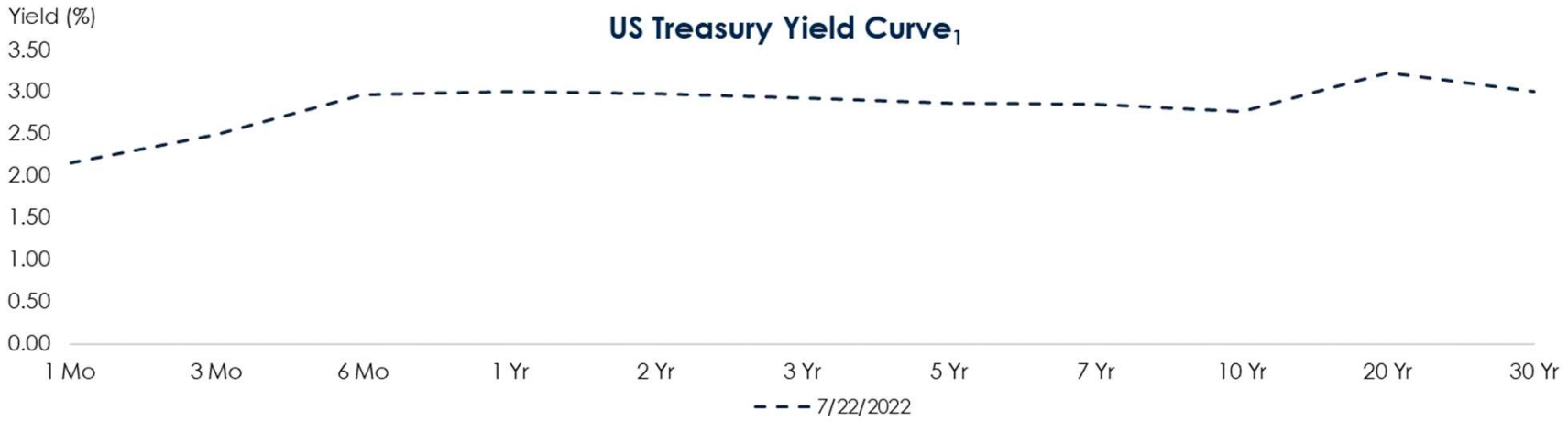
Municipal 30-Day Visible Supply

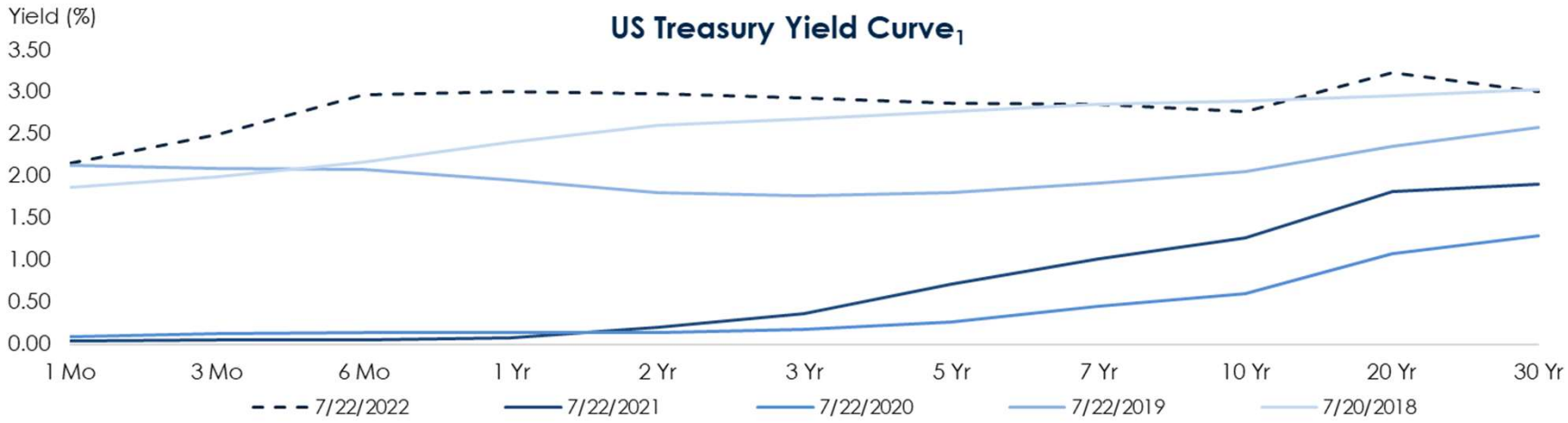
Week Ending	5/20/22	5/27/22	6/3/22	6/10/22	6/17/22	6/24/22	7/1/22	7/8/22	7/15/22	7/22/22
($ millions)										
Arkansas - C	0.0	0.0	36.6	17.1	0.0	0.0	1.6	0.0	0.0	0.0
Arkansas - N	32.4	106.7	106.7	20.2	49.9	20.2	23.4	23.4	23.4	23.4
Total Arkansas	**32.4**	**106.7**	**143.3**	**37.3**	**49.9**	**20.2**	**25.0**	**23.4**	**23.4**	**23.4**
Georgia - C	0.0	0.0	0.0	0.0	1,163.2	0.0	0.0	0.0	0.0	0.0
Georgia - N	6.0	577.8	624.4	23.9	30.0	14.5	0.0	0.0	0.0	11.1
Total Georgia	**6.0**	**577.8**	**624.4**	**23.9**	**1,193.2**	**14.5**	**0.0**	**0.0**	**0.0**	**11.1**
Mississippi - C	31.0	0.0	0.0	0.0	1.3	1.3	1.3	0.0	0.0	0.0
Mississippi - N	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	88.0
Total Mississippi	**31.0**	**0.0**	**0.0**	**0.0**	**1.3**	**1.3**	**1.3**	**0.0**	**0.0**	**88.0**
North Carolina - C	27.3	0.0	0.0	0.0	0.0	0.0	46.9	46.9	0.0	0.0
North Carolina - N	0.0	0.0	100.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total North Carolina	**27.3**	**0.0**	**100.3**	**0.0**	**0.0**	**0.0**	**46.9**	**46.9**	**0.0**	**0.0**
South Carolina - C	0.0	139.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Carolina - N	0.0	0.0	0.0	0.0	143.1	0.0	0.0	0.0	0.0	0.0
Total South Carolina	**0.0**	**139.6**	**0.0**	**0.0**	**143.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Tennessee - C	0.0	0.0	0.0	0.0	113.8	0.0	0.0	0.0	620.4	0.0
Tennessee - N	238.1	229.6	229.6	229.6	240.6	240.6	0.0	0.0	0.0	3.9
Total Tennessee	**238.1**	**229.6**	**229.6**	**229.6**	**354.4**	**240.6**	**0.0**	**0.0**	**620.4**	**3.9**
Texas - C	50.8	136.3	77.4	83.6	570.3	431.8	179.2	197.3	150.8	147.3
Texas - N	997.7	816.4	965.6	552.6	1,667.3	2,004.8	1,435.7	1,958.8	1,469.0	259.9
Total Texas	**1,048.5**	**952.7**	**1,043.0**	**636.2**	**2,237.6**	**2,436.6**	**1,614.9**	**2,156.1**	**1,619.8**	**407.2**
United States - C	1,260.9	1,985.8	2,297.6	825.4	3,603.5	1,666.0	1,183.2	4,739.2	2,661.1	493.7
United States - N	9,561.0	6,845.4	8,380.6	4,471.6	7,686.8	8,329.3	11,258.1	13,345.3	7,437.5	6,220.2
Total United States	**10,821.9**	**8,831.2**	**10,678.2**	**5,297.0**	**11,290.3**	**9,995.3**	**12,441.3**	**18,084.5**	**10,098.6**	**6,713.9**

C - Competitive N - Negotiated

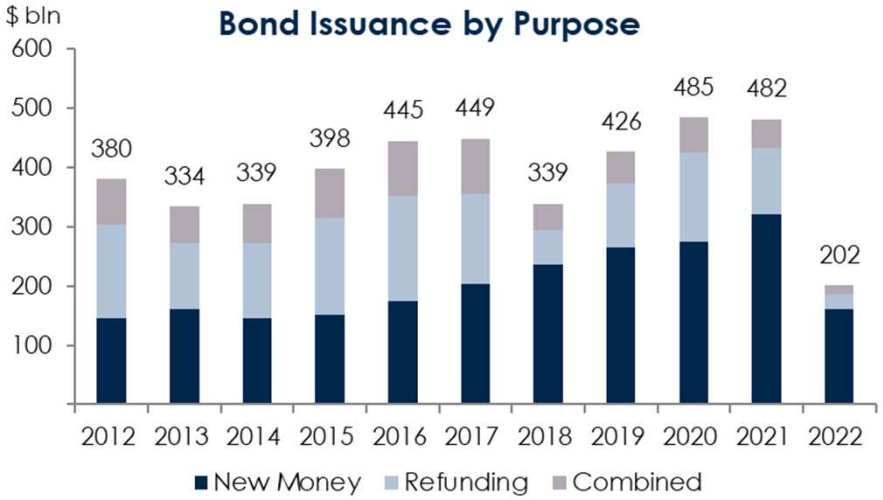
SOURCE: BLOOMBERG

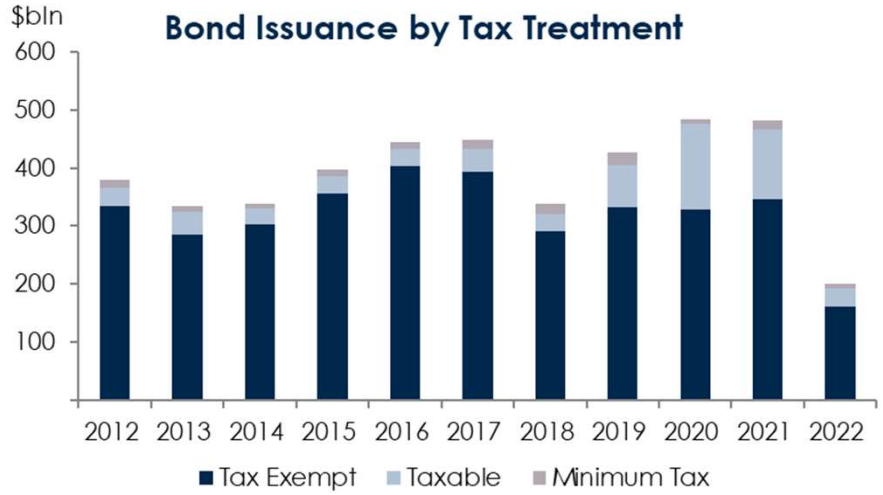
Yield Curve

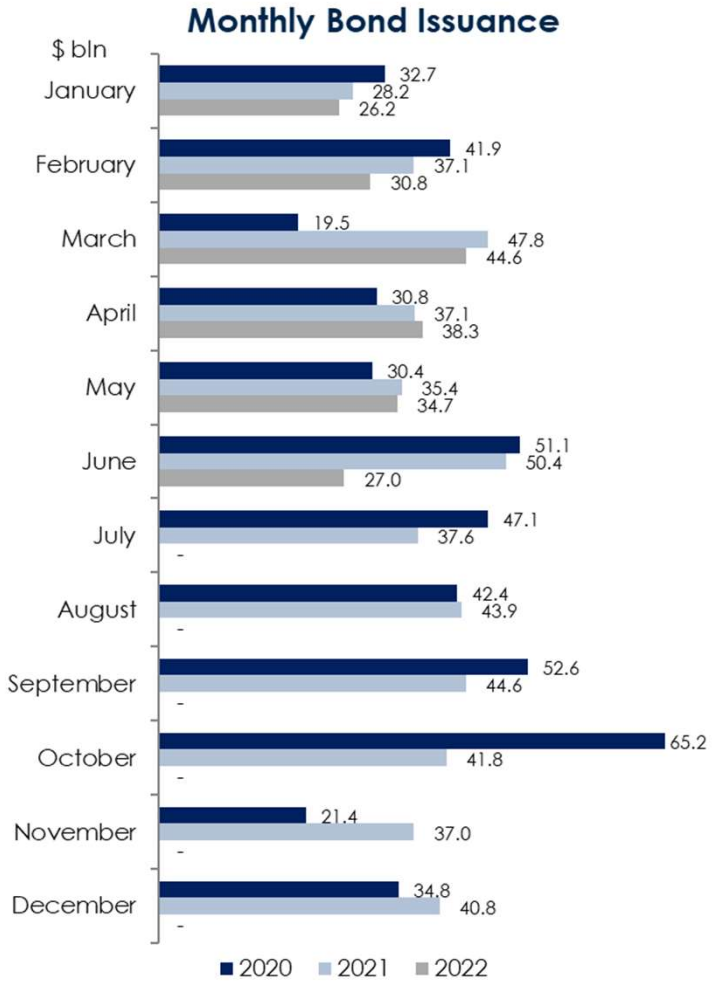

US Treasury Yield Curve1
Yield (%)
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1 Mo
3 Mo
6 Mo
1 Yr
2 Yr
3 Yr
5 Yr
7 Yr
10 Yr
20 Yr
30 Yr
7/22/2022


US Treasury Yield Curve1
Yield (%)
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1 Mo
3 Mo
6 Mo
1 Yr
2 Yr
3 Yr
5 Yr
7 Yr
10 Yr
20 Yr
30 Yr
7/22/2022
7/22/2021
7/22/2020
7/22/2019
7/20/2018

Municipal Bond Issuance



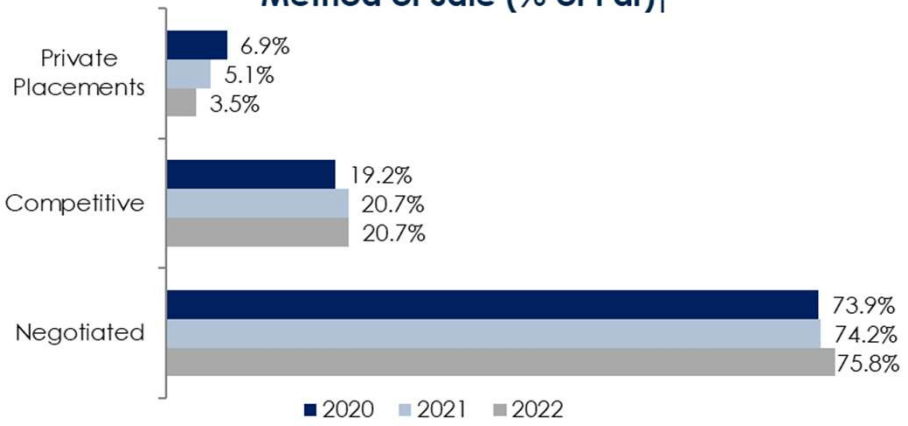




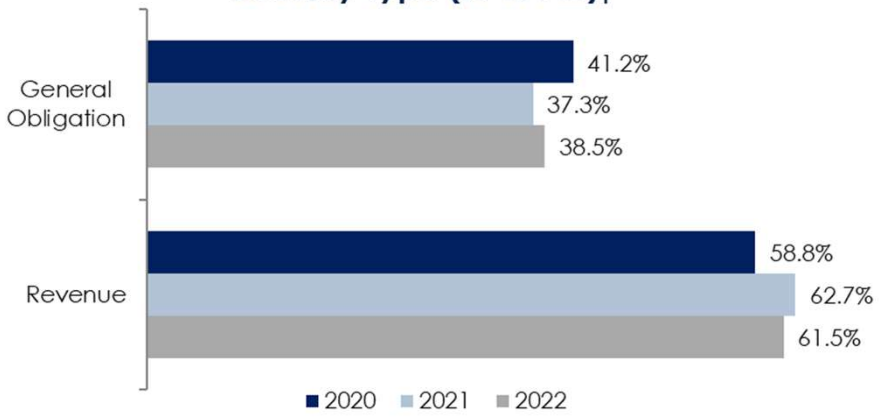
SOURCE: BOND BUYER

Municipal Bond Issuance

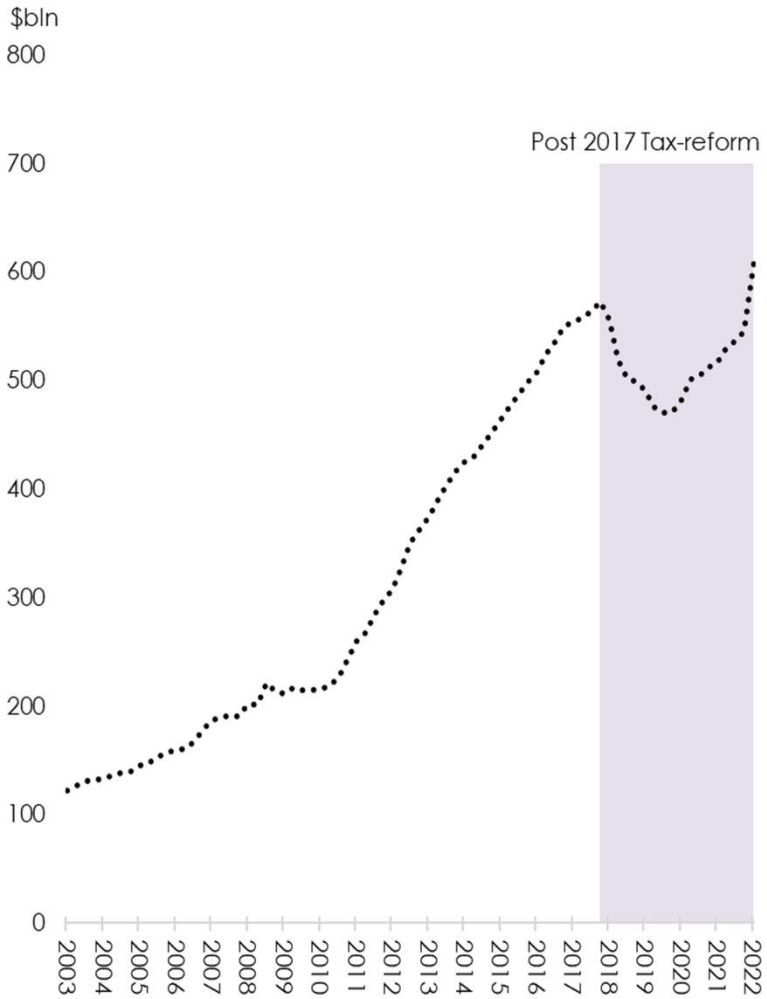
Method of Sale (% of Par)[1]



Security Type (% of Par)[1]



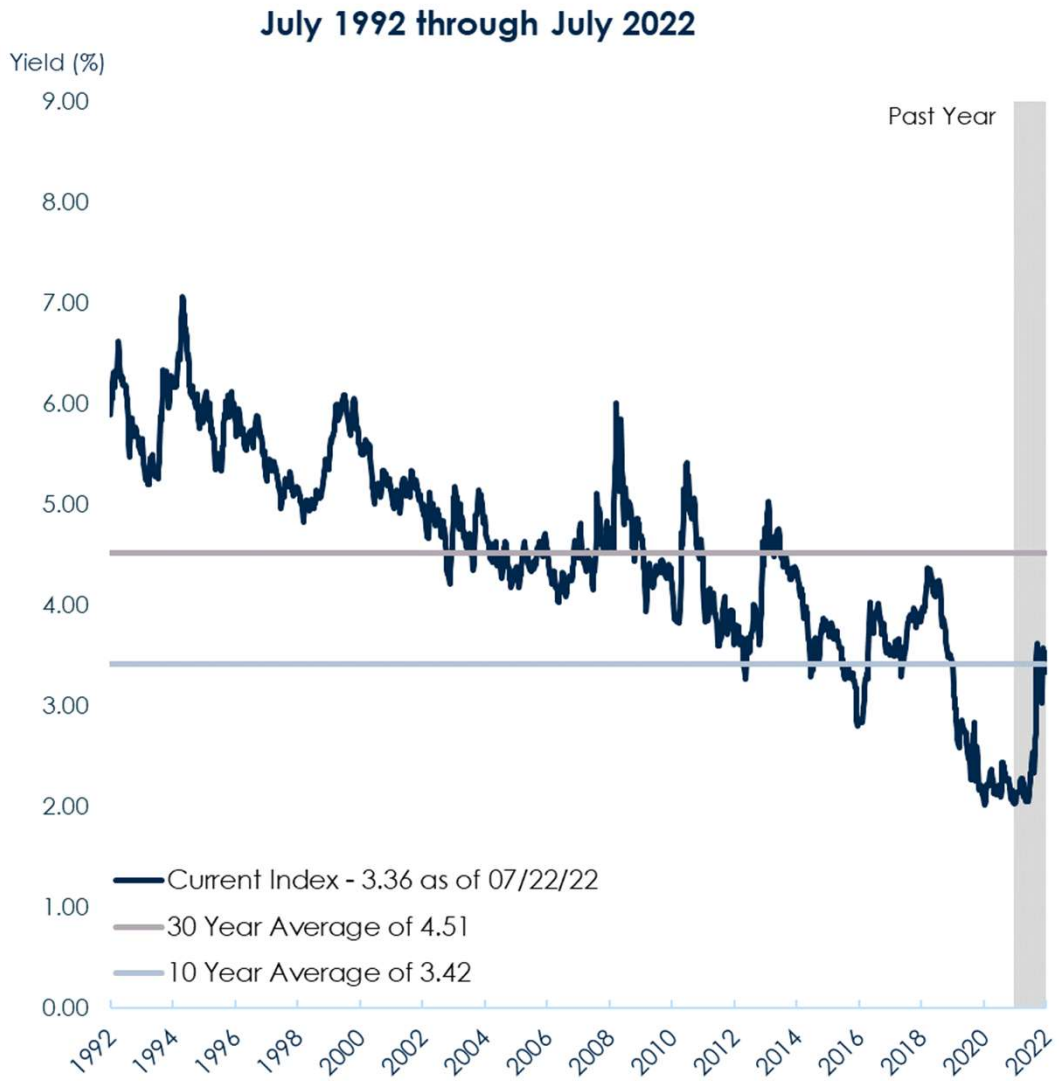
Bank Holdings of Municipal Bonds[2]

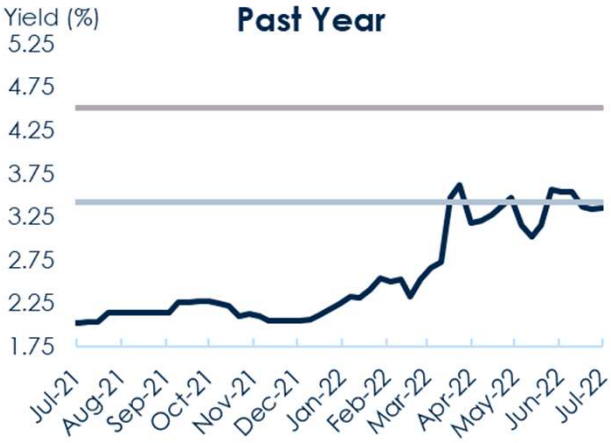


1- BOND BUYER

2-FEDERAL RESERVE

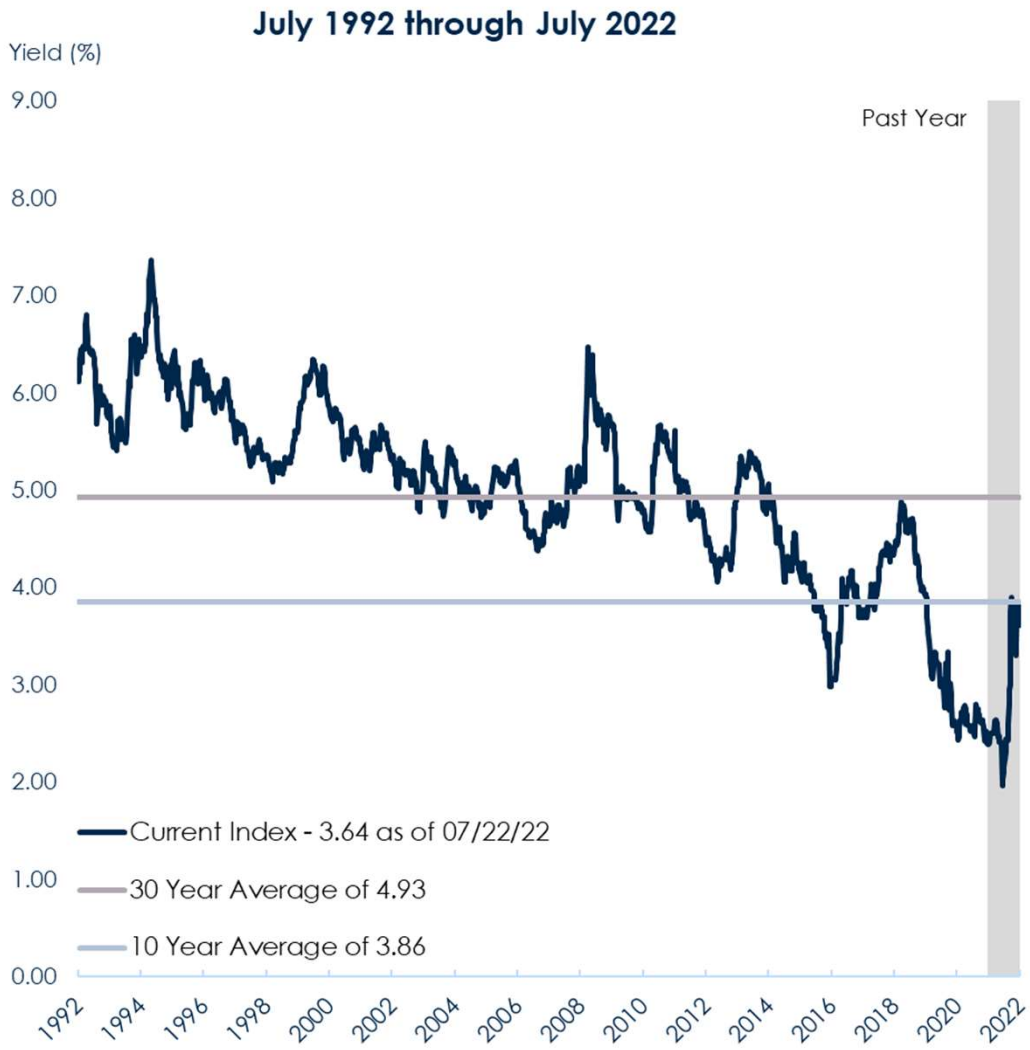
General Obligation Bond Index





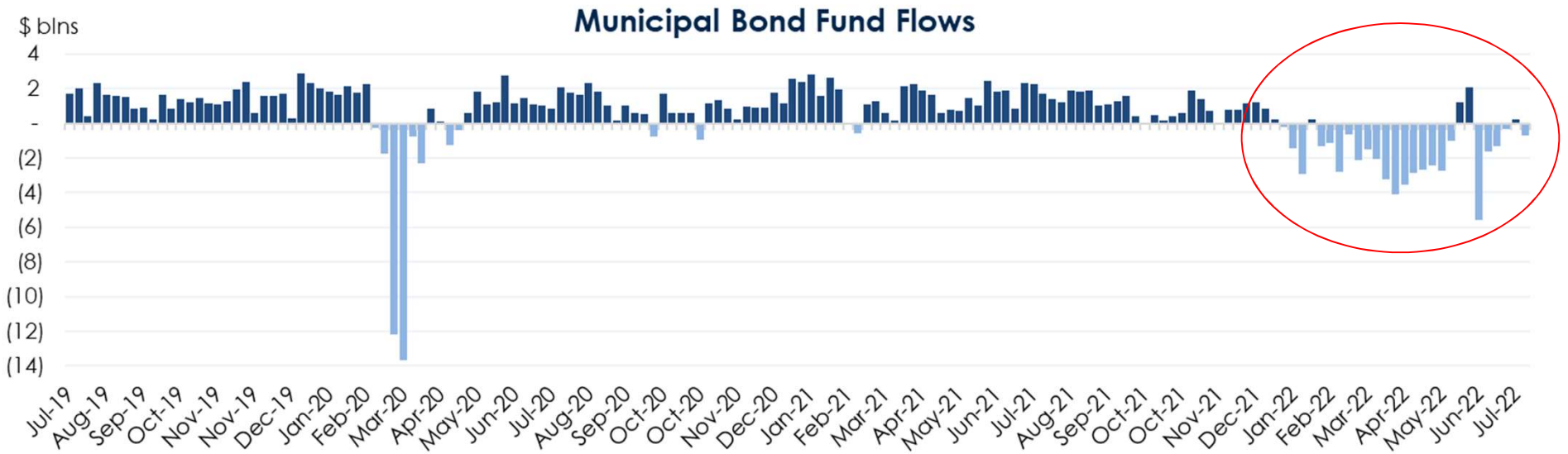
SOURCE: BOND BUYER

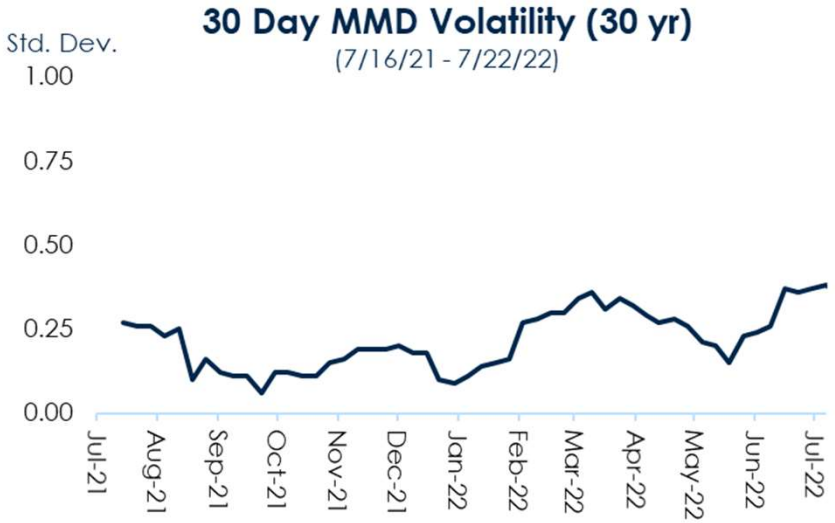
Revenue Bond Index

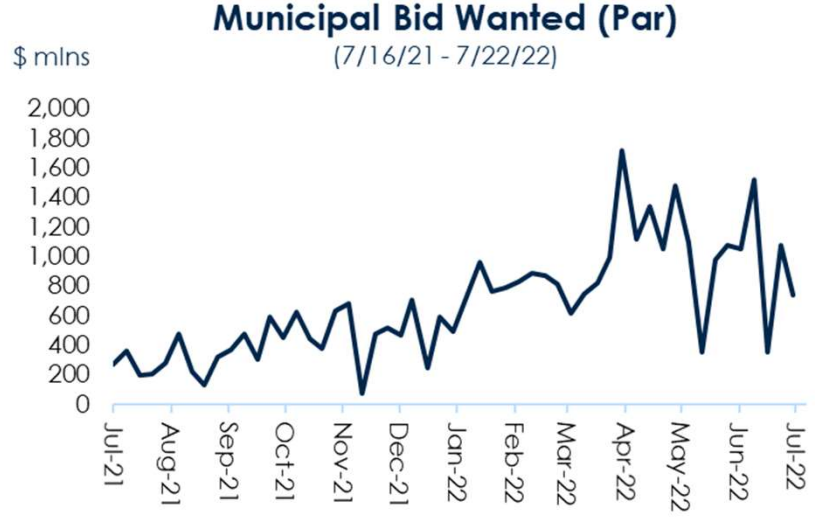


SOURCE: BOND BUYER

Municipal Bond Data

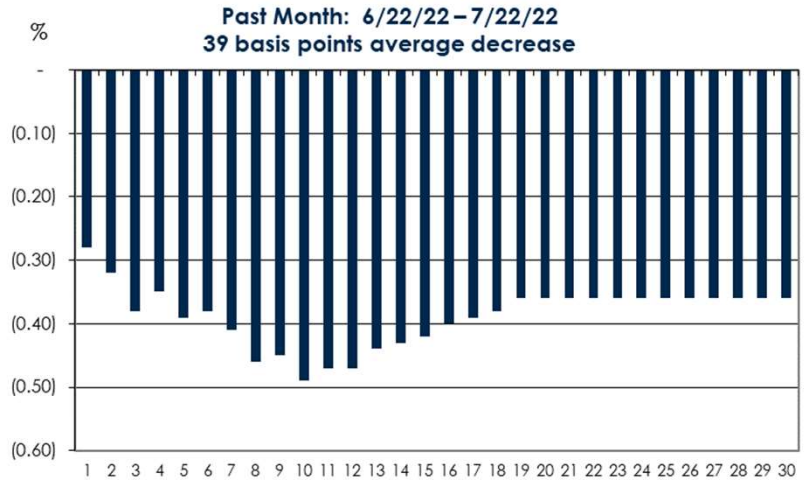


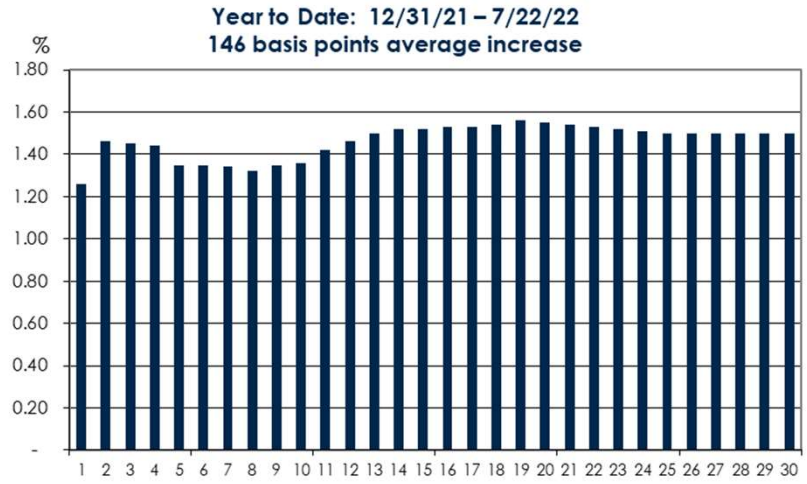


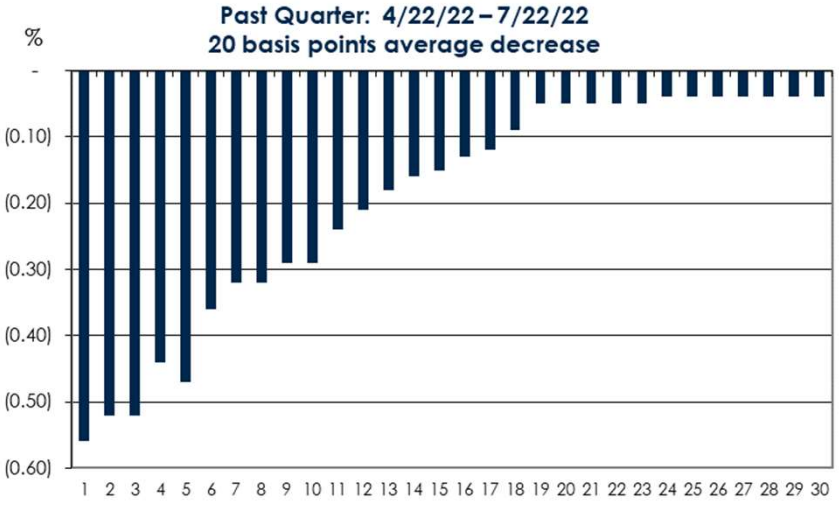


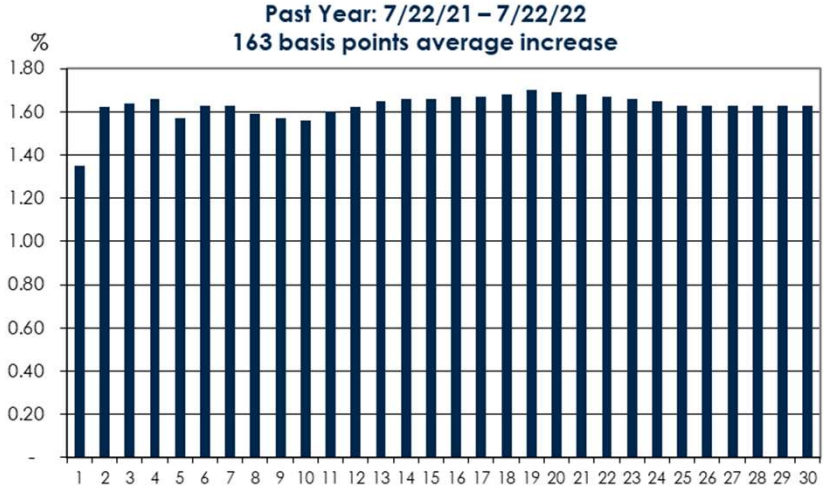
SOURCE: BLOOMBERG

Changes in AAA MMD Rates per Maturity



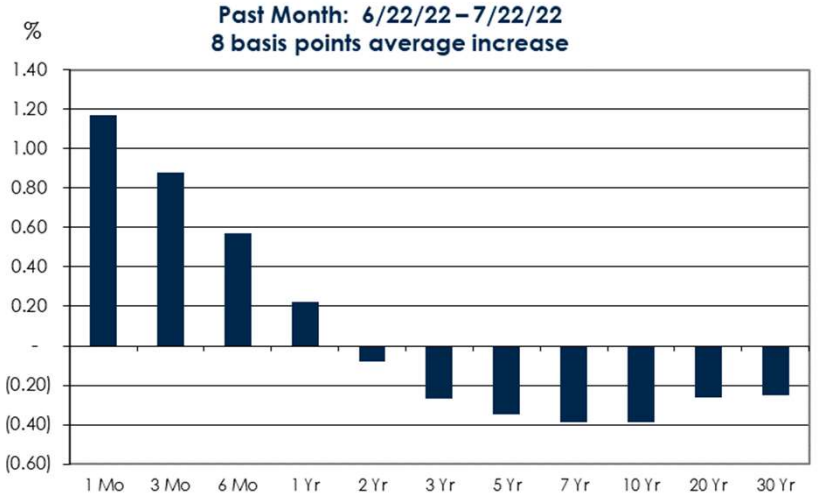


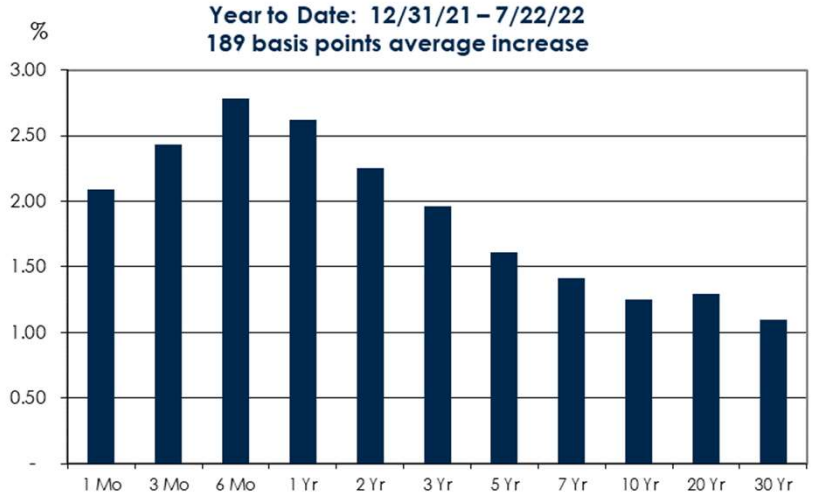


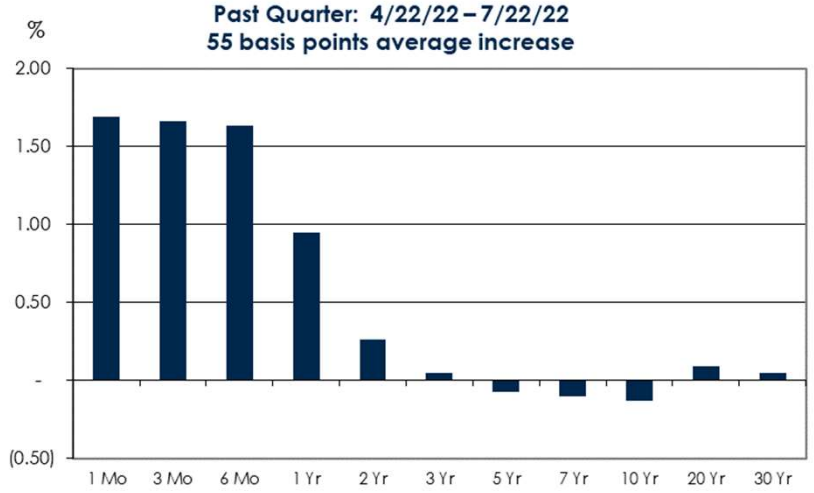


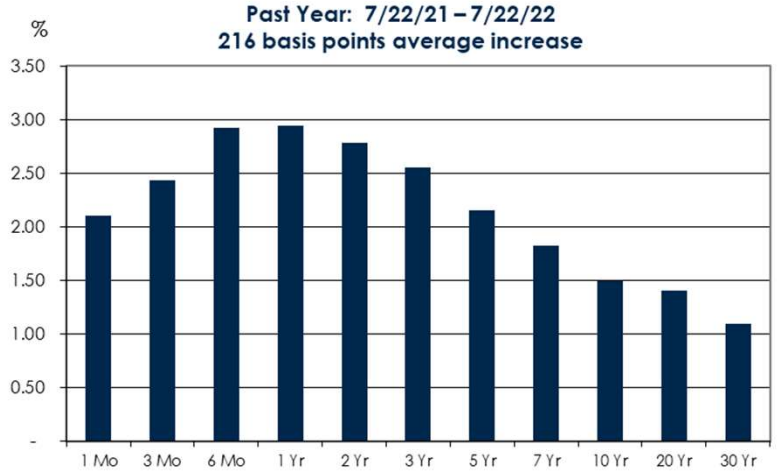
SOURCE: THOMSON REUTERS

Changes in US Treasury Rates per Maturity









SOURCE: THOMSON REUTERS

Stephens

YOUR MUNICIPAL BONDS

BOND ISSUANCE REMINDERS

ARKANSAS GFOA

TAX EXEMPT BONDS and CONSTRUCTION FUNDS

The IR Code requires that bond proceeds from the issuance of tax exempt bonds (i.e., construction or project funds) be spent within certain time frames.

In addition, the IR Code limits the amount that can be earned when bond proceeds are invested. This may be a new concern for your entity due to market conditions. Check your Form 8038 for the tax exempt yield and monitor investment earnings. Arbitrage rebate may be an issue that you haven't had to deal with before!

When in doubt – talk to bond counsel. They issue the tax exempt opinion.

CONTINUING DISCLOSURE AGREEMENT (CDA)

SEC Rule 15c2-12 ensures issuers enter into agreements to provide certain information to the MSRB about their securities on an ongoing basis.

*** MATERIAL EVENT → INCURRENCE OF FINANCIAL OBLIGATION**

The term "financial obligation" is defined as (i) a debt obligation, (ii)derivative instrument entered into, in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) Guarantee of (i), or (ii).
The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12.

Check your CDA –
disclosure on EMMA may be required within 10 days!

*Included in August 2018 amendment to 15c2-12 to enhance transparency in the municipal securities market.

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