

# Ramirez Municipal Strategy



October 15, 2019

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## Municipal Market Weekly

### Credit & Market Strategy

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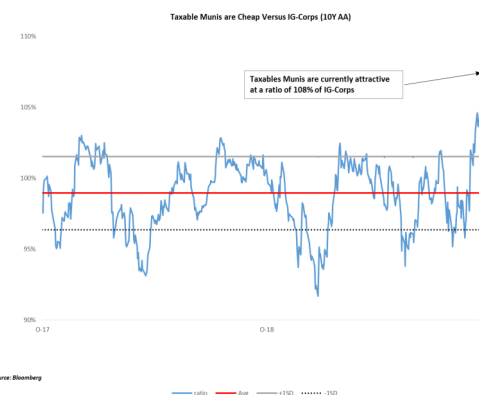
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### Global Markets: Rates Sell-Off and Equities Gain on US-China Temporary Trade Truce and Potential Brexit Deal

- ⇒ Markets were in risk-on mode, heavily influenced by a potential de-escalation of the US-China trade war and progress towards a Brexit deal. Meanwhile, Trump impeachment evidence gathering by the House continued apace, Turkey made incursions into Syria after Trump pulled US troops out, and PG&E whiffed its California power outages
- ⇒ China on Friday agreed to buy more US farm goods in exchange for US suspending tariffs originally scheduled for today
- ⇒ UK PM Johnson and Irish Premier Leo Varadkar had constructive talks on Friday where Varadkar said he believed a Brexit deal is possible by Oct 31
- ⇒ The favorable trade and Brexit news caused an equity rally and global rates sell-off Thurs / Friday. The 3m10yr Treasury curve steepened and turned positive ~ +5 bps
- ⇒ US economic data was mixed with Sept PPI posting the biggest monthly drop in more than four years (-0.3% MoM), Sept CPI meeting expectations at +0.1% MoM and Univ of Mich consumer sentiment unexpectedly rising to a three-month high
- ⇒ The aging US economic expansion and slowing EU and Asian economies has caused a market-implied 70% probability that the Fed will cut rates in Oct
- ⇒ Fed announced a new bond buying program focused on T-Bills of ~\$60 bil. / mo through 2020, designed to enhance excess reserves within the US banking system
- ⇒ Equity markets ended positive with NASD and DJIA both at +0.9% and S&P 500 at +0.6% (+18.49% YTD)
- ⇒ Treasuries lost -1.38% on the week (+7.33% YTD), led by the long-end which lost -2.77% (+19.36% YTD)
- ⇒ Treasury yields in 2-30yrs rose by an average of +18.5 bps across the curve led by the 5yr which rose +20 bps to 1.55% and the 10yr, which rose +19 bps to 1.73%. Significantly, 3m10s and 2s10s both bear steepened while 2s30s bear flattened
- ⇒ Headline data this week includes 3Q19 corporate earnings from a slew of companies including several major US banks on Wed, retail sales and mortgage apps also on Wed, industrial production, housing starts, building permits, initial and continuing claims, leading index
- ⇒ Headline events this week include continued Trump impeachment drama, US-China trade talks, Brexit negotiations, Turkey / Syria / Russia battles, several Fed speakers, UST auctions, Felicity Huffman reports to prison. Trump vs Turkey.

### Municipal Market: Tax-Exempts Outperform; Massive New Issue Calendar on Tap for This Week

- ⇒ Munis sold off in sympathy with Treasuries but handily outperformed (+6.9 ratios avg) as \$10.3 bil. of new supply came to market (+12% above 12 wk avg), of which only \$7.7 bil. (75%) was tax-exempt. The dearth of tax-exempts last week partially contributed to the massive outperformance, which included an astounding -10.15 ratios of outperformance in the 5yr spot to 72.1% (from 82.2%)
- ⇒ Secondary market activity picked up vs the prior week although bid-wanted and trading flows remained slightly below average. We expect more of the same this week as the primary market calendar takes center stage vs the secondary
- ⇒ Fund flows were positive for the 40th consecutive week at +\$1.38 bil. (\$48.628 bil. YTD)
- ⇒ MMD 2s30s bear steepened +10 bps to 90 bps after the scale in 2-30yrs was bumped -1 bps in 2yrs and cut between +1 to +9 bps in 5yrs through 30 yrs. SIFMA was bumped -9 bp to 1.40%, or 100% of 10yr MMD
- ⇒ Tax-Exempts appear fairly valued through 10yrs: 2yrs (69.1%), 5yrs (72.1%), and 10yrs (81%). The 30yr spot looks rich on both a 1yr and 3yr basis at 91.4%
- ⇒ The surge in taxable Muni supply is causing taxable Munis to underperform (and appear 3 SD cheap) vs IG-Corp at 108% in 10yrs (see graph below)
- ⇒ S&P Main Muni index lost -0.17% on the week (+6.85% YTD), S&P Taxable Muni index lost -1.61% on the week (+10.19% YTD), IG-Corp lost -1.27% on the week (+12.70% YTD).
- ⇒ Munis are likely to underperform benchmarks (Treasuries, Corps) this week, given \$13.1 bil. (largest YTD) coming to market, including \$10 bil. of negotiated and \$2.9 bil. of competitive (approx 30% of total is taxable). Negotiated is led by \$2.65 bil. NYS Thruway, \$799 mil. Piedmont Healthcare, \$600 mil. Rutgers Univ, \$450 mil. Philly Sch Dist. Competitive deals are led by \$1.14 bil. State of California following an upgrade to Aa2 (from Aa3) by Moody's. Bonds should be priced to sell...
- ⇒ Gross supply YTD is \$292 bil., or +16% YoY, driven by taxable issuance (+76% YoY)
- ⇒ 30-day net supply is nearing positive territory at only -\$2.3 bil., comprised of \$18.88 bil. new issue, against \$21.18 bil. of maturing (\$10.85 bil.) and called bonds (\$10.33 bil.). The states that stand to experience the largest change in outstanding debt include CA (-\$2.23 bil.), PA (+\$1.07 bil.), IL (-\$772.4 mil.), MD (-\$724 mil.)
- ⇒ **Trade Ideas:** High-Quality Credit, Floating and/or 4%-5% Cpnns, 18yr-30yr Mtys (6yr-10yr Call); Taxables



### Strategy

- Currently like 30/70 barbell w/ eff dur 8-10 yrs (Bull)
- Barbell:
- 30%: 2-5yr mtys
- 70%: 18-30yr mtys (6-10yr calls)
- Coupons: floating and/or fixed 4%-5%
- Credit: 'AA-' or better GO and 'A' or better Revenue

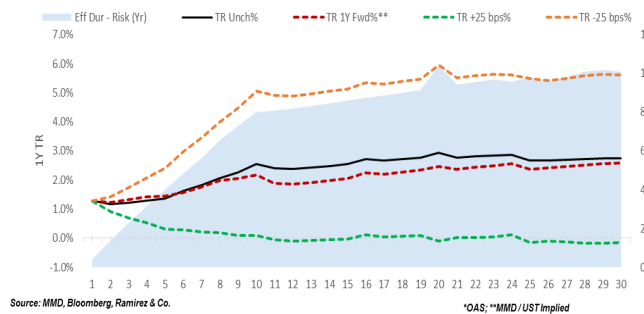
TR Scenarios (12M)			
Scenario	Bear	Base	Bull
Crv Shft (avg bps)*	25	3	-25
Strategy	Short Ladder	Long Ladder	Barbell
Mty Range (yrs)	1-7	22-30	1-7 & 18-30
Tot Rtrn % (Proj)	0.47%	3.13%	5.36%
OAS (bps)*	6	62	49
Eff Dur (yrs)	2.1	9.9	9.2
WAM	2.9	25.4	22.1
Cnvx	0.22	-0.52	-0.07

\*W.A. bps shift = implied by FWD rates =

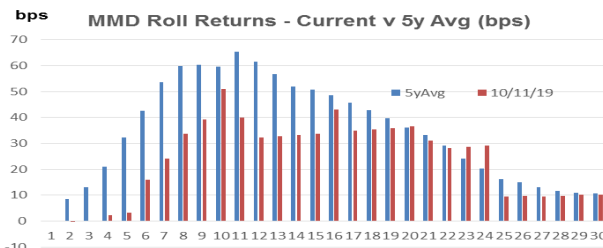
\*OAS Vol = 20

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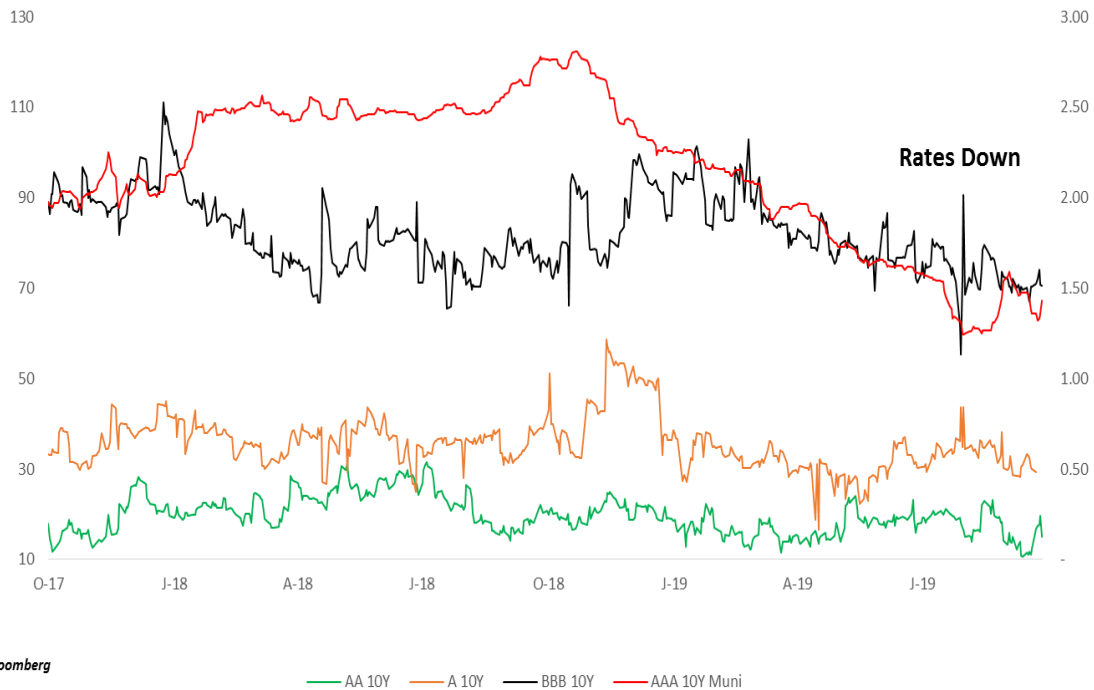
MMD Callable Curve (5% Cpn) - 12M FWD Total Return Projections\*



MMD Callable Curve (5% Cpn) - 12M FWD Total Return Projections*								
Mty	1-30y	1-5y	6-10y	11-15y	16-20y	21-25y	26-30y	
Eff Dur	7.7	2.8	6.7	8.3	9.3	9.6	10.0	
Scenarios	Unch	2.54%	1.29%	2.12%	2.45%	2.77%	2.79%	2.72%
	1Y Fwd Rates	2.22%	1.38%	1.95%	1.94%	2.31%	2.45%	2.51%
	Parallel +25 bps	0.01%	0.56%	0.16%	-0.06%	0.03%	0.01%	-0.15%
	Parallel -25 bps	5.06%	2.03%	4.12%	4.99%	5.50%	5.57%	5.55%



Spreads remain relatively stable as rates tumble toward 2 yr lows...



MUNI TAX-EXEMPT SECTOR CREDIT SPREADS (10Y)									
2y Historical									
Sector	Rating	10/11/19	Avg	Min	Max	SD	Z-Scr	Value	Sharpe
GO	AA	15	20	11	32	4	-1.12	Rich	-0.1
	A	37	41	16	67	7	-0.66	Fair	3.0
HOSP	AA	21	29	17	52	6	-1.41	Rich	0.9
	A	41	57	41	75	7	-2.25	Rich	3.7
HI ED	AA	17	16	4	27	5	0.09	Fair	0.3
	A	37	41	28	57	5	-0.77	Fair	4.2
TRANS	AA	16	17	5	28	4	-0.29	Fair	0.1
	A	29	35	22	43	4	-1.77	Rich	3.7
POWER	AA	16	16	3	39	5	-0.03	Fair	0.0
	A	27	38	22	53	6	-1.95	Rich	1.9
WTR / SWR	AA	15	17	5	27	4	-0.56	Fair	0.0
	A	28	41	26	68	7	-1.88	Rich	1.8
HY	<BBB-	219	277	173	472	76	-0.76	Fair	2.7

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## Market Performance

WEEK ENDING: 10/11/19

INDEX	TOTAL RETURN (%)									YIELD (%)								
	WTD	Oct '19	4Q19	3Q19	2Q19	1Q19	2019	3Y	5Y	10/11/19	WTD Δ	YTD Δ	Lo	Hi	Mean	Vol	Z-score	
<b>TREASURY - TERM</b>																		
TREASURY - ALL	-1.38	-0.35	-0.35	2.40	3.01	2.11	7.33	2.54	2.66	1.74	0.22	-0.86	1.51	3.12	2.34	0.46	-1.30	-1.14
SHORT	-0.31	0.07	0.07	0.71	1.49	1.22	3.52	1.93	1.59	1.85	0.16	-0.92	1.68	3.14	2.44	0.43	-1.38	-0.51
SHORT-INT	-0.53	0.00	0.00	1.27	2.25	2.14	5.76	2.43	2.52	2.14	0.14	-0.84	1.95	3.40	2.67	0.41	-1.31	-0.80
INTRM D	-0.80	-0.08	-0.08	1.47	2.57	2.59	6.70	2.70	2.84	2.35	0.29	-0.91	1.98	3.61	2.91	0.46	-1.21	-1.35
LONG-INT	-1.51	-0.40	-0.40	2.77	3.64	3.08	9.36	3.16	3.63	2.38	0.21	-1.07	2.12	3.88	3.05	0.52	-1.30	-1.87
LONG	-2.77	-1.29	-1.29	6.58	6.59	6.45	19.36	6.25	6.48	3.04	0.18	-0.99	2.77	4.29	3.65	0.45	-1.35	-2.30
<b>MUNICIPAL - TERM</b>																		
SHORT	0.07	0.25	0.25	0.39	0.91	1.11	2.69	1.73	1.40	1.21	-0.03	-0.72	1.05	2.24	1.63	0.34	-1.25	-0.98
SHORT-INT	0.01	0.33	0.33	0.64	1.38	1.84	4.25	2.28	2.14	1.33	-0.01	-0.79	1.15	2.48	1.78	0.43	-1.19	-1.39
INTRM D	-0.11	0.34	0.34	1.28	2.05	2.74	6.53	3.35	3.48	1.60	0.02	-0.90	1.43	2.90	2.12	0.43	-1.22	-1.92
LONG-INT	-0.15	0.33	0.33	1.46	2.22	2.99	7.16	3.66	3.90	1.66	0.03	-0.94	1.50	3.02	2.21	0.44	-1.23	-2.02
LONG	-0.53	0.18	0.18	2.64	2.89	3.85	9.86	5.05	5.32	2.36	0.09	-1.03	2.20	3.79	3.00	0.49	-1.29	-2.17
<b>MUNICIPAL - QUALITY</b>																		
MUNI-EXEMPT	-0.17	0.26	0.26	1.56	2.12	2.76	6.85	3.54	3.78	1.83	0.02	-0.89	1.68	3.08	2.36	0.41	-1.28	-1.97
MUNI-TAXABLE	-1.61	-0.67	-0.67	3.38	3.65	3.52	10.19	5.18	5.55	3.23	0.16	-0.81	3.03	4.38	3.76	0.39	-1.35	-2.27
HIGH-GRADE	-0.11	0.35	0.35	1.20	1.94	2.65	6.26	3.01	3.11	1.43	0.02	-0.86	1.25	2.72	1.93	0.42	-1.19	-1.65
'A' RATED	-0.18	0.26	0.26	1.56	2.18	2.83	6.99	3.73	3.79	1.83	0.03	-0.93	1.67	3.11	2.37	0.43	-1.26	-1.95
'BBB' RATED	-0.23	0.23	0.23	1.87	2.87	3.30	8.49	5.03	5.12	2.34	0.03	-1.02	2.19	3.63	2.93	0.45	-1.31	-2.22
HIGH YIELD	-0.41	0.05	0.05	2.84	2.73	3.83	9.74	6.74	6.74	4.05	0.04	-0.95	3.94	5.19	4.64	0.39	-1.52	-1.80
<b>MUNICIPAL - SEC TOR</b>																		
PRE-RE	0.01	0.22	0.22	0.42	0.84	1.12	2.63	1.61	1.34	1.18	-0.01	-0.66	1.01	2.14	1.56	0.31	-1.22	-0.77
GO	-0.16	0.29	0.29	1.44	2.08	2.68	6.65	3.24	3.28	1.65	0.02	-0.88	1.50	2.93	2.17	0.42	-1.25	-1.71
DED TAX	-0.21	0.22	0.22	1.90	2.35	3.12	7.78	3.61	3.41	1.98	0.02	-0.86	1.81	3.20	2.49	0.40	-1.27	-2.07
WTR-SWR	-0.19	0.27	0.27	1.58	2.13	2.79	6.93	3.48	3.87	1.67	0.03	-0.92	1.51	3.01	2.22	0.44	-1.27	-2.03
PUB PWR	-0.13	0.27	0.27	1.36	1.96	2.48	6.20	2.85	3.53	1.61	0.02	-0.87	1.46	2.85	2.12	0.41	-1.26	-1.93
HEALTHCARE	-0.24	0.22	0.22	1.89	2.45	3.18	7.95	4.48	5.03	2.35	0.04	-0.99	2.20	3.67	2.93	0.45	-1.31	-2.12
HIGHER ED	-0.21	0.27	0.27	1.74	2.37	3.01	7.58	4.08	4.10	2.03	0.03	-0.93	1.89	3.33	2.59	0.43	-1.30	-2.11
TRANSPORT	-0.21	0.27	0.27	1.66	2.39	3.11	7.61	3.92	4.28	1.87	0.03	-0.98	1.70	3.22	2.43	0.45	-1.24	-1.94
HOUSING	-0.14	0.23	0.23	1.54	2.08	2.86	6.87	4.11	4.16	2.36	0.02	-0.83	2.21	3.55	2.88	0.39	-1.34	-2.30
TOBACCO	-0.39	-0.16	-0.16	3.84	2.24	3.92	10.16	9.19	12.48	3.08	-0.02	-1.77	3.04	5.09	4.33	0.61	-2.06	-2.25
IDB	-0.20	0.18	0.18	1.59	2.20	3.04	7.17	4.18	4.48	2.37	0.03	-0.90	2.20	3.53	2.87	0.40	-1.26	-2.14
<b>GLOBAL / CORP / EQUITY</b>																		
S&P 500	0.62	-0.22	-0.22	1.19	3.79	13.07	18.49	13.56	12.22	1.99	-0.02	-0.32	1.93	2.35	2.04	0.08	0.33	-0.44
GLOBAL AGG	-0.83	-0.05	-0.05	0.71	3.29	2.20	6.27	2.40	1.65	1.37	0.14	-0.65	1.17	2.27	1.76	0.33	-1.21	-1.46
US CORP-IG	-1.27	-0.44	-0.44	3.05	4.48	5.14	12.70	4.76	4.63	2.96	0.18	-1.24	2.77	4.37	3.63	0.51	-1.32	-1.36
US CORP-HY	0.31	-0.17	-0.17	1.33	2.50	7.26	11.21	6.16	6.07	5.79	-0.11	-2.16	5.55	8.12	6.46	0.60	-1.10	-0.63

Rich Fair Cheap  
\*Rich/Cheap +/- 100 Z-scr

## Rates & Ratios

	This Wk	Last Wk	End Qtr	End Yr	Mean		Value		WTD		MTD		QTD		YTD	
	10/11/19	10/4/19	9/30/19	12/31/18	12M	3Y	12M	3Y	Perf		Perf		Perf		Perf	
<b>AAA MMD / UST</b>																
2 Yr	69%	79%	74%	71%	68%	73%	Fair	Fair	-9.7	Out	-4.7	Out	-4.7	Out	-2.4	Out
5 Yr	72%	82%	77%	78%	72%	74%	Fair	Fair	-10.1	Out	-5.1	Out	-5.1	Out	-6.0	Out
10 Yr	81%	86%	82%	86%	80%	85%	Fair	Fair	-5.0	Out	-1.3	Out	-1.3	Out	-5.1	Out
30 Yr	91%	94%	93%	101%	94%	97%	Fair	Rich	-2.7	Out	-1.3	Out	-1.3	Out	-9.9	Out
<b>UST</b>																
2 Yr	1.59	1.41	1.65	2.49	2.22	1.92	Rich	Fair	18.4		-6.1		-6.1		-89.8	
5 Yr	1.55	1.35	1.59	2.49	2.21	2.21	Rich	Rich	20.4		-3.9		-3.9		-93.2	
10 Yr	1.73	1.54	1.73	2.65	2.39	2.49	Rich	Rich	19.3		0.4		0.4		-92.0	
30 Yr	2.19	2.03	2.17	2.98	2.78	2.91	Rich	Rich	15.9		2.1		2.1		-79.5	
<b>AAA MMD</b>																
2 Yr	1.10	1.11	1.22	1.78	1.50	1.37	Rich	Fair	-1.0		-12.0		-12.0		-68.0	
5 Yr	1.12	1.11	1.23	1.94	1.60	1.64	Rich	Rich	1.0		-11.0		-11.0		-82.0	
10 Yr	1.40	1.32	1.42	2.28	1.92	2.12	Rich	Rich	8.0		-2.0		-2.0		-88.0	
30 Yr	2.00	1.91	2.01	3.02	2.64	2.82	Rich	Rich	9.0		-1.0		-1.0		-102.0	

\*Rich/Cheap +/- 1.0 Z-Score

# Municipal Market Weekly

## Ramirez Municipal Strategy



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### Muni Primary Market

#### Gross Supply (\$ in millions)

	As of 10/11/19
Last Week	10,256.7
12wk Moving Avg.	9,126.2
YTD	292,369.4

Source: Bloomberg

#### Weekly Visible Supply (\$ in millions)

	Week of 10/15/19
Total	13,011.2
Comp.	2,911.8
Neg.	10,099.4

Source: Bloomberg, Ramirez

#### 30-Day Visible Supply (\$ in millions)

	Current		2019 High		2019 Low	
	Total	\$	Date	\$	Date	
Total	16,919.9	17,594.0	(8/6)	2,205.4	(6/27)	
Comp.	4,845.6	6,556.7	(6/14)	1,266.4	(6/27)	
Neg.	12,074.3	12,074.3	(10/11)	939.0	(6/27)	

Source: Bond Buyer

#### Top Competitive Issuances Coming to Market

Issuer	State	Amount (\$ 000's)
California St	CA	1,140,565
Louisville Jefferson	KY	156,515
Charleston Cnty	SC	145,475
Cupertino Union SD	CA	121,660
Virginia Pub Sch Auth (Prince William County)	VA	110,925

Source: Bloomberg

#### Top Negotiated Issuances Coming to Market

Issuer	State	Amount (\$ 000's)
NY St Thruway Auth	NY	2,650,000
Piedmont Healthcare Inc Obligated Group	VAR	799,615
Rutgers St Univ	NJ	600,000
Philadelphia SD	PA	450,005
E Baton Rouge Sewerage	LA	392,380

Source: Bloomberg

#### Ramirez Negotiated Issuances Coming to Market

Underwriters will attempt to market \$13.01 bil. of munis during the week of 10/15, led in the negotiated space by \$2.65 bil. NYS Thruway, \$800 mil. Piedmont Health, \$600 mil. Rutgers, and \$450 mil. Philly SD. The competitive calendar is highlighted by \$1.14 bil. California.

Issuer	State	Amount (\$ 000's)	Senior Manager	Ramirez Role
NYS Hsg Fin Agy	NY	100,920	SAR	Senior
Philadelphia SD TRANS	NY	350,000	GS	Co-Senior
NY St Thruway Auth	NY	2,650,000	GS/Citi	Co-Manager
Ohio Wtr Dev Auth	OH	300,000	BAML	Co-Manager
San Antonio	TX	243,655	Citi	Co-Manager
MA Clean Wtr Trust	MA	205,680	Jefferies	Co-Manager
St Pub Sch Bldg Auth	PA	187,730	BAML	Co-Manager

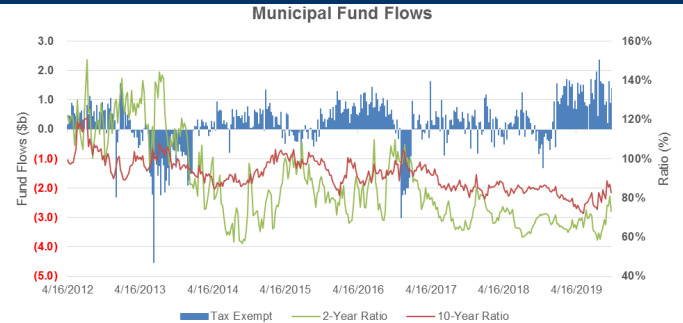
#### Economic Calendar

Monday (10/14)	Tuesday (10/15)	Wednesday (10/16)	Thursday (10/17)	Friday (10/18)
***Columbus Day***	Monthly Budget Statement	MBA Mortgage Applications	Building Permits	Leading Index
***Indigenous People's Day***	U.S. to Sell USD45 Bln 13-Week Bills	Retail Sales Advance MoM	Housing Starts	Fed Speakers - Kaplan/George/Clarida
Empire Manufacturing	U.S. to Sell USD42 Bln 26-Week Bills	Retail Sales Ex Auto MoM	Philadelphia Fed Business Outlook	
	Fed Speakers - Bullard/Bostic/George/Daly	Retail Sales Ex Auto and Gas	Initial/Continuing Jobless Claims	
		Net Long-Term TIC Flows	Industrial Production MoM	
		Total Net TIC Flows	Capacity Utilization	
		US Fed Releases Beige Book	Bloomberg Consumer Comfort	
		Fed Speakers - Evans/Kaplan	U.S. to Sell USD55 Bln 4-Week Bills	
			U.S. to Sell USD40 Bln 8-Week Bills	
			U.S. to Sell USD17 Bln 5-Year TIPS	
			Fed Speakers - Evans/Bowman/Williams	

Source: Bloomberg

### Muni Market Demand

Tax-exempt mutual funds reported inflows for the 40th consecutive week with inflows of \$1.39 bil. for the week ended October 9th. This compares to the 12-week moving average of a \$1.28 billion inflow.

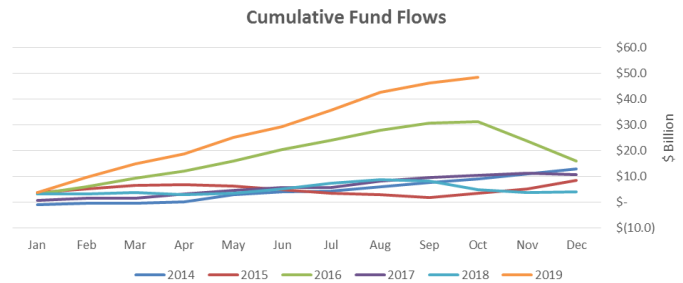


Source: Lipper Fund Flows

### US Lipper Fund Flows

Sector	Flow Change (\$B)	YTD (\$B)
Tax-Exempt	Inflow: 1.385	Inflow: 48.628
Money Market	Inflow: 14.680	Inflow: 385.363
Taxable	Inflow: 2.914	Inflow: 115.888
Equities	Outflow: -6.928	Outflow: -175.701

Source: Lipper Fund Flows

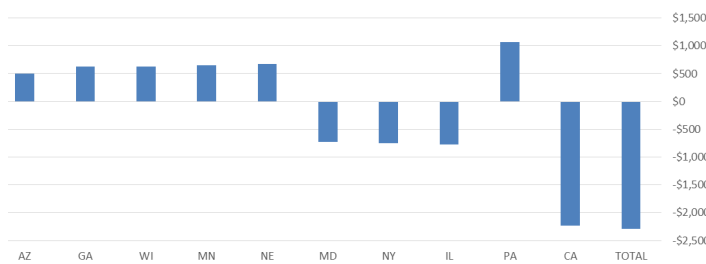


Source: Bloomberg

### Muni Market Supply

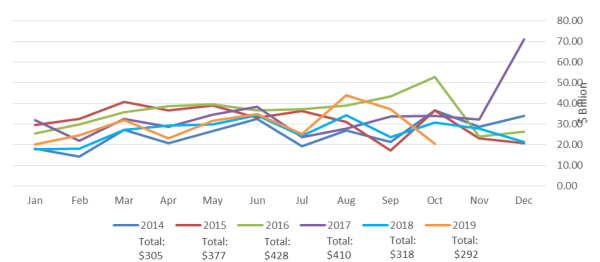
Over the next 30 days, we see net muni market supply at -\$2.30 bil., comprised of \$18.88 bil. new issues, \$10.85 bil. maturing, and \$10.33 bil. announced calls. The states that stand to experience the largest change in outstanding debt include California (-\$2.23 bil.), Pennsylvania (+\$1.07 bil.), Illinois (-\$772.4 mil.), New York (-\$752.1 mil.), and Maryland (-\$724.1 mil.).

Largest Net Flows - Next 30 Days



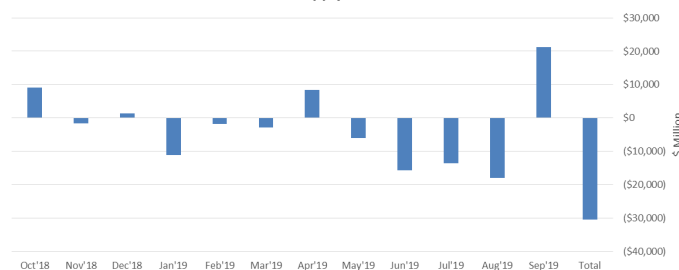
Source: Bloomberg

Monthly Gross Supply



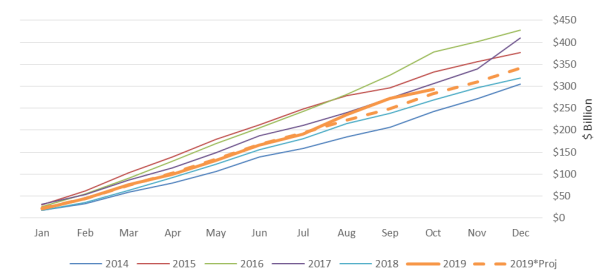
Source: Bloomberg, Ramirez

Net Supply - 12 Months



Source: Bloomberg

Cumulative Gross Supply



Source: Bloomberg, Ramirez

### Ramirez Managed Deals

**\$100,920,000**  
**New York State Housing Finance Agency**  
**Affordable Housing Revenue Bonds**  
**2019 Series N/O**  
**(Climate Bond Certified/Sustainability Bonds)**

**Issue:** Rated Aa2. Pricing - Thursday, October 17, 2019. Ramirez & Co. is **Senior Manager** of this transaction. The proceeds of New York State Housing Finance Agency (the HFA or Agency) Affordable Housing Revenue Bonds (the 2019 Bonds) will be used to finance mortgage loans for the construction of certain multi-family projects (see pages 7-16 in POS), fund the debt service reserve fund, and pay costs of issuance.

**Security:** The 2019 Bonds are special revenue obligations of the New York State Housing Finance Agency (the HFA or Agency), secured by first-lien mortgage loans and investments held in accounts under the Affordable Housing Revenue Bonds General Resolution (the Resolution). Mortgages are uninsured or enhanced by supplemental security, including mortgage insurance policies, a guaranteed mortgage-backed security, a letter of credit, a surety bond, or an escrow deposit, which may be obtained through a GSE. Most properties securing the mortgages also receive State and/or Federal rental assistance. All mortgage loans pledged under the Resolution carry credit enhancement. Cash flows and rating confirmation is required for various actions, including additional bonds, release of general revenues to the HFA, mortgage sales, cross-calls, and/or application of principal other than to redeem outstanding bonds. The Bonds are also secured by a Debt Service Reserve Fund (DSRF) and the General Reserve Fund. As of April 30, 2019, there was approximately \$3.72 billion bonds outstanding under the Resolution.

**Credit Overview:** The Agency was created in 1960 as a public benefit corporation. The legislation creating the Agency determined its purpose to be the providing of safe and sanitary housing accommodations, at rentals which families and persons of low income can afford, and which the ordinary operations of private enterprise cannot provide. The Agency utilizes the Affordable Housing Revenue Program ("the Program"), established in 2007, as its primary vehicle to finance mortgage loans for low-income multi-family housing throughout the State.

As of April 30, 2019, the Resolution's aggregate mortgage loan balance was \$3.35 billion, representing 232 mortgage loans. 148 loans (or 38% of total) were permanent loans and 84 loans (62%) were construction loans. The construction loans are enhanced by bank-provided LOCs, and upon permanent financing, insured by the State of New Mortgage Agency ("SONYMA") Mortgage Insurance Fund's ("MIF") project pool insurance (Aa1/Stable), or covered by a Fannie Mae or Freddie Mac credit enhancement. Approximately 95% of the permanent loans are insured by SONYMA's MIF. Projects securing the mortgages may also receive State or Federal mortgage or rental assistance (Section 8/236). As of April 30, 2019, Resolution reserves, which include the DSRF and the General Reserve Fund, totaled \$85.7 million. The Resolution's loan loss coverage is provided by a high level of overcollateralization, given an asset-to-liability ratio of 110% in fiscal 2018. The Agency plans on issuing roughly \$143 billion of additional bonds under the Resolution in 2019 and 2020 to finance mortgage loans.

## **Samuel A. Ramirez & Co., Inc.**

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<sup>1</sup> For purposes of the debt Rule FINRA 2242, a "debt security" excludes any equity security, municipal security and security-based swap (each as defined under the Exchange Act) and any US Treasury (as defined in FINRA Rule 6710 (p)).