



Not-For-Profit Healthcare Investment Banking Group | Monthly Update

March 04, 2021

Market Update

- Financial markets were volatile last week as the selloff in fixed income markets that began in the prior week continued apace. **Equity prices hit a new all-time high midweek, but closed the week lower, thanks to a selloff in tech stocks.** Favorable developments on the vaccine front and a continuing march toward passage of the Biden administration's \$1.9 trillion Covid relief package drove forecasts of a strong economic recovery and, along with it, a return of inflation. **Municipals underperformed Treasuries on a heavier new issue calendar.** This week's municipal new issue calendar is projected to total approximately \$8.2 billion.
- By the close of the week, **US Treasuries were 15 basis points higher in the five year range, six basis point higher in the ten year range and one basis point higher in the thirty year range.** The Municipal Market Data AAA yield closed 21 basis point higher in the five year range, 27 basis points higher in the ten year range and 28 basis points higher in the thirty year range.
- Rates in the short-term municipal market remained at very low levels again last week.** Daily rates remained unchanged until the Friday trading session, when they increased only slightly to close the week. The general market high grade daily average closed the week at 0.02% on Friday, one basis point higher than the 0.02% closing rate set on February 19, 2021. Weekly rates held steady again last week. The SIFMA index reset at a rate of 0.03% on February 24, 2021. **The index has been at a rate of 0.03% since February 3, 2021. This rate is the lowest for the index since March 2, 2016.**
- Municipal issuance in February 2021 exceeded the long term average for issuance in the month,** compensating somewhat for the slightly more moderate January 2021 issuance. According to preliminary estimates from The Bond Buyer, **February new issue volume totaled \$30.6 billion, compared to the ten-year average for February issuance of \$25.9 billion and the \$24 billion issued in January 2021.** However, last month's volume was 27% lower than the comparable year ago February figure of \$42 billion. Issuance for the first week in March is projected to be \$8.2 billion consistent with the ten-year average for total March issuance of \$33 billion.
- Last week, municipal bond funds that report their flows on a weekly basis **reported their sixteenth consecutive week of inflows, but the level of inflows was significantly lower than it in recent weeks.** According to the Lipper US Fund Flows service, these funds saw \$38 million in net inflows in the week ended February 24, 2021 compared to the \$1.955 billion in net inflows reported in the prior week. **The high yield municipal bond fund subsector reported outflows of \$330 million. It was the first week of outflows in thirteen weeks for this subsector.** This week's inflow brings cumulative inflows reported by weekly reporting municipal funds since the beginning of 2020 to \$37 billion.

(Source: RBC Capital Markets [Municipal Markets Weekly Update](#) – March 01, 2021)

Rating Agency and Credit News

- On January 22, 2021 the US Department of Health and Human Services notified hospitals that the current public health emergency due to coronavirus will likely last through the remainder of 2021. **As a result, the temporary 6.2% increase in the Federal Medical Assistance Percentage will be in effect until at least December 2021. This is a credit positive for states as it will continue to receive a 20% add-on in benefits for patients with COVID-19** among various other incentives.
- The public health emergency extension will allow hospitals to continue to receive higher Medicare reimbursement for patients with COVID-19. This will help offset the losses some hospitals are seeing are forced to delay high-margin, non-emergency services, such as elective surgeries to care for COVID-19 patients.

(Source: Moody's Investor Service – [Extended public health emergency maintains higher federal funding for states and hospitals](#) – February 01, 2021)

- In 2020 S&P downgraded four times more organizations than they upgraded,** of those four out of the nine upgrades occurred in January, prior to the public health emergency due to COVID-19. The others primarily occurred due to affiliation or merger with a higher rated company. However, S&P maintained a majority of their ratings, reflecting strong balance sheets, enterprise profile strengths, and governmental support provided through various relief packages.
- S&P's healthcare portfolio is comprised of largely stand-alone hospitals (59%) and health care systems (35%) with the remaining on long-term care, human service providers, and physician group practices. As we move through 2021, **volume trends, virus and vaccine rates, economic factors and the rate of recovery for cash flow and margins will be closely monitored.**
- Broad-based government support, strong leadership through the pandemic, and a generally quick rebound in volume for most providers is **moving the sector toward more stability relative to spring 2020. However, S&P believes there is still broad-based rating pressure that will continue through 2021.**

(Source: S&P Global Ratings – [U.S. Not-For-Profit Health Care Rating Actions, 2020 Year-End Review](#) – February 25, 2021)

Recent Healthcare Transactions

Borrower	State	Amount ('000s)	Ratings (M/S/F)	Final Maturity	Put Date	Coupon	MMD / UST	Yield	Spread (bps)	Structure
Bowling-Green County Hospital	KY	\$35,510,000	NR/A+/AA-	04/01/2032		5.000%	0.780%	1.250%	47	Tax-Exempt Fixed Rate
Bowling-Green County Hospital	KY	\$44,360,000	NR/AA/AA- (Insured)	04/01/2035		2.330%	1.055%	2.330%	128	Taxable Fixed Rate
Willis-Knighton Medical Center	LA	\$400,000,000	NR/A/AA-	03/01/2051		3.065%	1.920%	3.065%	115	Taxable Fixed Rate
HonorHealth	AZ	\$168,180,000	A2/NR/A+	09/01/2051		4.000%	1.380%	1.930%	55	Tax-Exempt Fixed Rate
HonorHealth	AZ	\$50,000,000	A2/NR/A+	09/01/2051		3.167%	1.912%	3.167%	126	Taxable Fixed Rate
Seattle Children's Hospital	WA	\$402,075,000	Aa2/NR/AA	10/01/2050		2.719%	1.930%	2.719%	79	Taxable Fixed Rate
Stamford Hospital	CT	\$68,820,000	NR/BBB+/BBB+	07/01/2030		4.000%	0.610%	1.140%	53	Tax-Exempt Fixed Rate
Stamford Hospital	CT	\$76,820,000	NR/BBB+/BBB+	07/01/2051		3.539%	1.924%	3.539%	162	Taxable Fixed Rate
Henry Mayo Newhall Hospital	CA	\$30,310,000	NR/BBB-/NR	10/15/2028		4.000%	0.760%	1.590%	83	Tax-Exempt Fixed Rate
Henry Mayo Newhall Hospital	CA	\$5,490,000	NR/BBB-/NR	10/15/2051	10/15/2031	4.000%	1.740%	1.910%	17	Tax-Exempt Put Bonds
Henry Mayo Newhall Hospital	CA	\$73,890,000	NR/AA/NR (Insured)	10/15/2043		3.271%	2.242%	3.271%	103	Taxable Fixed Rate

Source: Bloomberg, EMMA, MuniOS, and TM3.com

Note: RBCCM makes no representation regarding RBC Capital Markets' involvement in the transactions referenced herein, or that the above listed transactions have closed or will close.

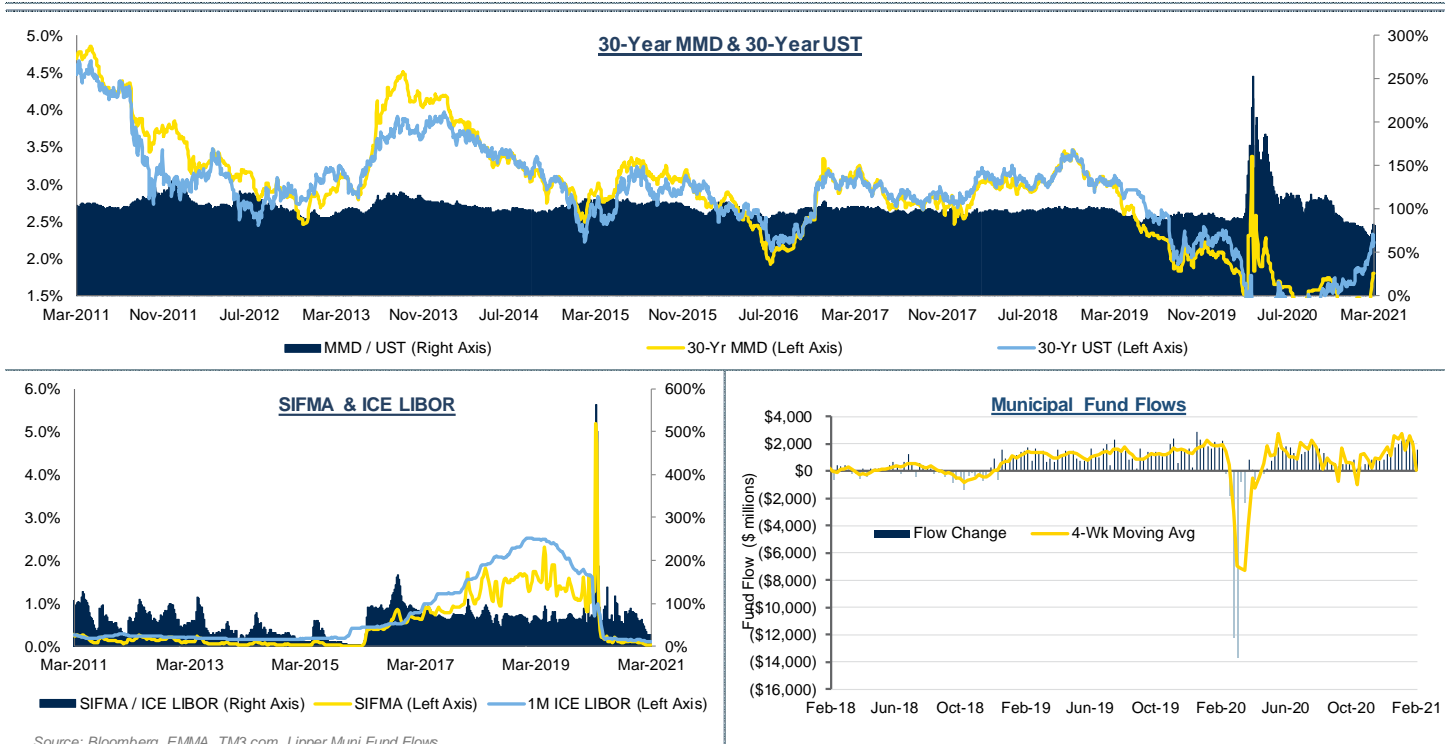
Municipal Market Yield

UST			AAA MMD			Tax-Exempt Healthcare			Short Term Rates		
Year	01-Mar-21	Week Change	01-Mar-21	Week Change	01-Mar-21	01-Mar-21	01-Mar-21	01-Mar-21	01-Mar-21	Week Change	
1-Year	0.08%	0.02% ▲	0.12%	0.04% ▲	0.16%	0.22%	0.55%	SIFMA	0.03%	-	
2-Year	0.13%	0.02% ▲	0.20%	0.06% ▲	0.24%	0.34%	0.72%	1-Month ICE LIBOR	0.11%	(0.01%) ▼	
3-Year	0.27%	0.05% ▲	0.33%	0.10% ▲	0.39%	0.50%	0.92%	SIFMA / 1M ICE LIBOR Ratio	27.4%	0.01% ▲	
5-Year	0.71%	0.10% ▲	0.57%	0.14% ▲	0.64%	0.84%	1.22%	3-Month ICE LIBOR	0.14%	(0.00%) ▼	
10-Year	1.45%	0.08% ▲	1.15%	0.18% ▲	1.30%	1.47%	1.96%	Fed Funds Target (Upper)	0.25%	-	
15-Year	1.78%	0.09% ▲	1.40%	0.17% ▲	1.58%	1.78%	2.24%				
20-Year	2.11%	0.09% ▲	1.60%	0.17% ▲	1.79%	1.98%	2.44%				
30-Year	2.23%	0.04% ▲	1.80%	0.18% ▲	1.99%	2.18%	2.64%				

Source: Bloomberg; TM3

Source: Bloomberg, EMMA, MuniOS, and TM3.com

Note: RBCCM makes no representation regarding RBC Capital Markets' involvement in the transactions referenced herein, or that the above listed transactions have closed or will close.



Source: Bloomberg, EMMA, TM3.com, Lipper Muni Fund Flows

Not-for-Profit Healthcare Forward Calendar

Expected Pricing	Issuer	Borrower	State	Par Amount	Structure	Ratings
Week of March 8	Public Finance Authority	Appalachian Regional Healthcare	W/NC	\$112,135,000	TE Fixed	NR/BBB-/NR
Week of March 8	Jackson Laboratory	Jackson Laboratory	ME	\$203,000,000	Taxable Fixed	A1/NR/NR

Source: Bloomberg, Preliminary; subject to change - issues expected to price over the coming weeks

RBC Capital Markets Not-For-Profit Healthcare Investment Banking Team

Adrian Balderrama, Managing Director & Group Head

T: (602) 381-5367 | C: (480) 318-7636
adrian.balderrama@rbccm.com

Teri Hartman, Managing Director

C: (404) 386-3846
Teri.hartman@rbccm.com

Timothy Wons, Managing Director

T: (312) 559-2024 | C: (312) 399-9926
timothy.wons@rbccm.com

Jenn Ewing, Director

T: (212) 301-1435 | C: (917) 406-9960
jennifer.ewing@rbccm.com

Blake Pinell, Vice President

T: (212) 301-1438 | C: (347) 409-4331
Blake.pinell@rbccm.com

Mary Alice Pope, Analyst

T: (212) 847-8624 | C: (423) 557-4976
mary.pope@rbccm.com

Alisha Thanawala, Analyst

C: (929) 389-2093
Alisha.thanawala@rbccm.com

Jerry Berg, Managing Director

T: (312) 559-1649 | C: (630) 207-1923
jerry.berg@rbccm.com

Peter Stevens, Managing Director

C: (617) 388-2844
peter.stevens@rbccm.com

Jeff Appel, Director

T: (617) 725-1753 | C: (617) 774-7222
jeff.appel@rbccm.com

Safi Najdawi, Director

T: (610) 729-3655 | C: (610) 999-2667
safi.najdawi@rbccm.com

Thomas O'Brien, Associate

C: (847) 525-1828
Thomas.obiren@rbccm.com

Ashley Shields, Analyst

T: (212) 905-5907 | C: (646) 630-2574
ashley.shields@rbccm.com

RBC Capital Markets Healthcare Underwriting Team:

Jaime Durando, Managing Director & Municipal Syndicate Head

T: (212) 618-5628 | C: (917) 856-7348
jaime.durando@rbccm.com

Dave Grad, Director – Tax-Exempt Underwriting

T: (312) 559-1658 | C: (708) 307-7021
david.grad@rbccm.com

Glenn McGowan, Director – Taxable Underwriting

T: (212) 519-8415 | C: (516) 448-4629
glenn.mcgowan@rbccm.com

Craig Laraia, Managing Director – Short-Term Underwriting

T: (212) 618-2019 | C: (646) 831-3552
craig.laraia@rbccm.com

RBC Capital Markets Corporate Banking & Credit Products Team:

Keith Shultis, Managing Director & Head of Client Solutions

T: (212) 618-2790 | C: (914) 610-0528
keith.shultis@rbccm.com

Kevin Chin, Vice President – Client Solutions

T: (212) 428-6363 | C: (917) 968-3826
kevin.chin@rbccm.com

John Wells, Director – Corporate Banking

T: (212) 428-2331 | C: (646) 284-6379
john.wells@rbccm.com

Disclaimer:

Source: <http://www.rbc.com/economics/>, US Bureau of Economic Analysis, US Census Bureau, National Association of Realtors, The Conference Board, University of Michigan, The Bond Buyer, Securities Data, Lipper US Fund Flows, Bloomberg. Preliminary, subject to change. This announcement is not an offer, solicitation, commitment or recommendation to buy or sell the bonds and does not purport to be a complete statement of all material facts relating to the bonds. The offering is made only by means of the Official Statement, copies of which may be obtained from RBC Capital Markets. This communication is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Bonds are subject to availability and price or yield may differ, as applicable. Products and services are offered through RBC Capital Markets or RBC Wealth Management, as applicable. RBC Capital Markets may buy from or sell to customers on a principal basis in the securities or related derivatives that are the subject of this communication. RBC Capital Markets has or may have proprietary positions in the securities or in related derivatives that are the subject of this communication. RBC Capital Markets may have been manager or co-manager of a public offering of securities of the issuer within the past twelve months. Additional information is available upon request. All information contained in this communication constitutes RBC Capital Markets' judgment as of the date of this communication, and is subject to change without notice and is provided in good faith but without legal responsibility. The information contained in this communication has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. The material contained herein is not a product of any research department of RBC Capital Markets or any of its affiliates. Nothing herein constitutes a recommendation of any security or regarding any issuer; nor is it intended to provide information sufficient to make an investment decision. RBC Capital Markets is not acting as a fiduciary or as a municipal, financial, commodity or investment adviser to the Obligated Person or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. Nothing in this communication constitutes legal, accounting or tax advice or individually tailored investment advice. This material has been prepared without regard to the individual financial circumstances and objectives of persons who receive it and such investments or services may not be suitable for all investors. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Potential investors are advised to consult with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent appropriate. This document may not be reproduced, disclosed, distributed or summarized, whole or in part, to any third party without the prior consent of RBC Capital Markets. To the fullest extent permitted by law neither RBC Capital Markets, nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this communication or the information contained herein. This is for informational purposes only. RBC Capital Markets is the global brand name for the capital markets business of Royal Bank of Canada and its affiliates, including RBC Capital Markets, LLC (member FINRA, NYSE and SIPC). ®/™ Trademark(s) of Royal Bank of Canada. Used under license. © Copyright 2021. All rights reserved.