

Municipal Bond Investor Weekly

High Net Worth Wealth Solutions and Market Strategies // Fixed Income Solutions



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THE WEEK AHEAD

1. This week's municipal new issue supply calendar increases to ~\$12 billion, providing opportunities for clients sitting in cash, with redemptions to reinvest, or need to rebalance asset allocations.
2. Yields have moved higher since the start of the year with intermediate and long-term municipal yields well above decade averages.
3. The municipal yield curve is now positively sloped from 1 to 30 years, rewarding investors for extending maturity.



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MONDAY'S COMMENTARY

Higher Yields = Opportunities in Municipals
Illustrative Portfolios

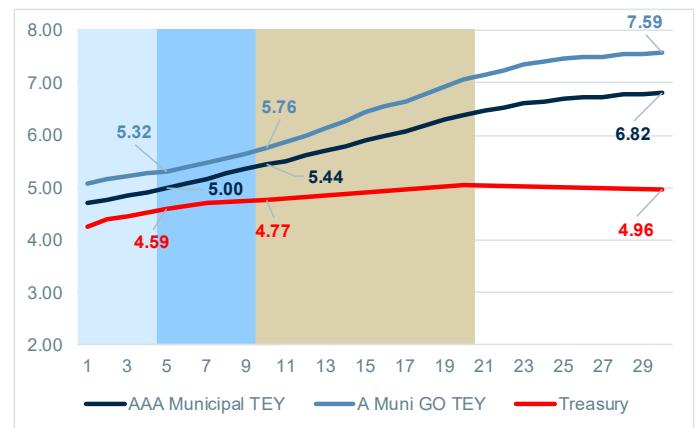
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THE NUMBERS THIS WEEK

Stronger than expected economic numbers pushed yields higher across the board last week. Treasuries sold off, taking yields higher across the curve. Short-term yields rose by 7 to 12 basis points while intermediate and long-term yields rose by 14 to 18 basis points. Notably, the 30-year yield touched 5.00% intraday on Friday morning. Yields on the benchmark AAA curve were up by 6 to 12 basis points while 20 to 30 year yields rose by 23 to 25 basis points.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	4.25	2.78	3.02	4.70	5.09	65%	111%
2	2027	4.40	2.83	3.06	4.78	5.16	64%	109%
5	2030	4.59	2.96	3.15	5.00	5.32	64%	109%
10	2035	4.77	3.22	3.41	5.44	5.76	67%	114%
20	2045	5.04	3.79	4.18	6.40	7.06	75%	127%
30	2055	4.96	4.04	4.49	6.82	7.59	81%	138%

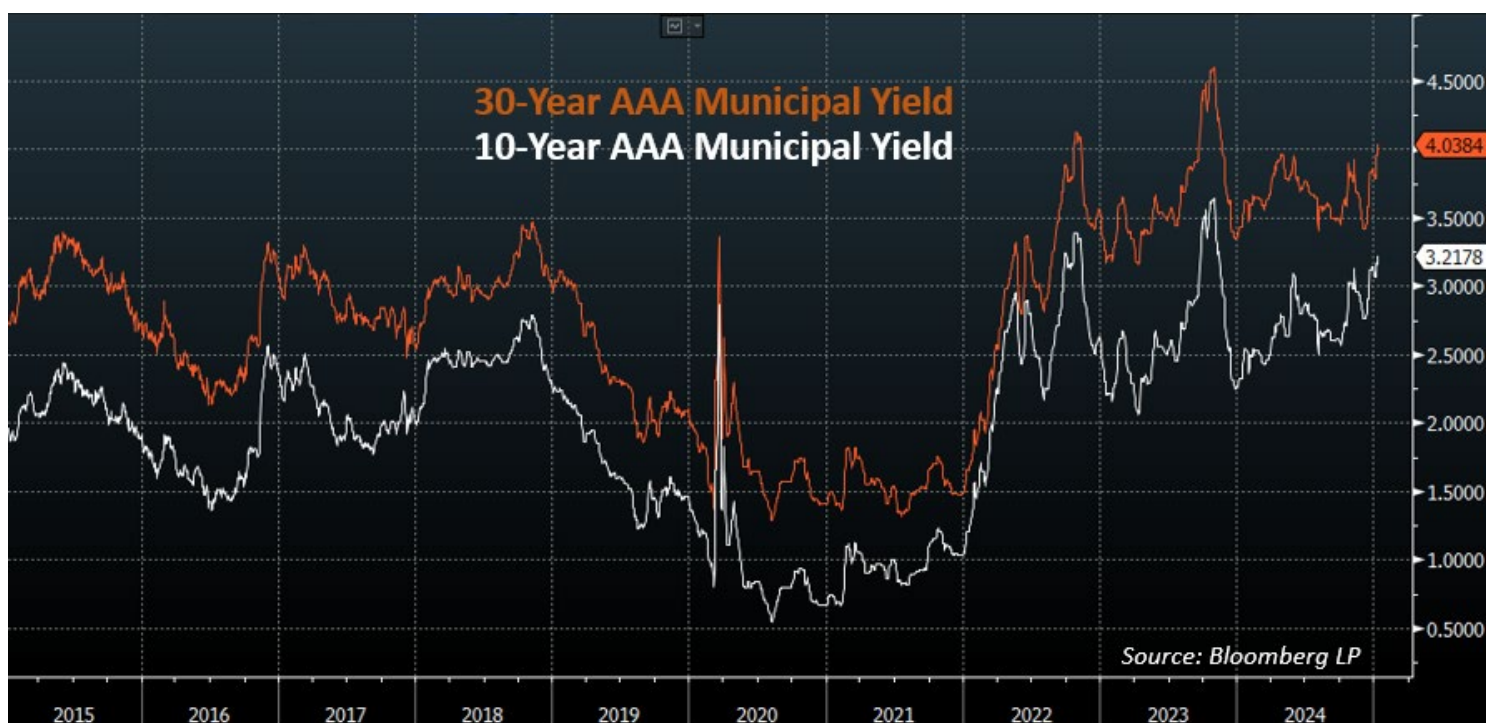
*Taxable equivalent yield @ 40.8% tax rate



HIGHER YIELDS = OPPORTUNITIES IN MUNICIPALS

2025 begins with yields marching higher. We have continued to see stronger than expected economic data that has pushed out Fed Funds rate cut expectations and caused longer term yields to move higher. The yield on the 10-year Treasury is up ~20 basis points (bp) year-to-date, bringing it to the highest level since October 2023. Municipal yields have also moved higher. 10 to 30-year AAA rated muni yields are roughly 10 to 20 bp higher year-to-date, also at the highest levels since the Fall of 2023 and **near the highest levels we've seen through much of the last decade.**

The chart below shows AAA rated 10-year and 30-year municipal bond yields since 2015. 10-year AAA rated municipal bonds are currently yielding 3.22%. The average yield on 10-year AAA rated municipal bonds over the last decade is 1.99% - 123 bp lower than today. Likewise, on the long end, the yield for AAA rated 30-year maturities is 4.04%, 129 bp above the decade average of 2.75%.



Looking at the shape of the municipal bond yield curve, as can be seen in the chart on page one, **investors are compensated for extending maturity.** A positive or upward sloping yield curve provides higher yields with each additional year of maturity. The spread – or difference in yield – between various maturities offers insight as to which parts of the curve provide the most relative value by showing the flatness or steepness at different maturity ranges on the yield curve. **The municipal yield curve is now positively sloped from 1 to 30 years.** The steepest part of the yield curve is between 10 and 20 years with a spread of 57 bp (AAA 20-year yield 3.79% - AAA 10-year yield 3.22%). For investors with longer investment horizons, additional attractive yield pick-up can be achieved through ~25 years. And most clients are buying AA and A rated municipals that offer higher yields (vs AAA rated bonds) with minimal additional credit risk. There are opportunities to invest in 4% coupon bonds trading near par in the 15- to 20-year range. Want to maximize cash flow? 5% coupon bonds offer yields-to-call of 3.50% or higher in longer maturities. 3.5 to 4% tax-exempt yields equate to **taxable equivalent yields (TEY) of ~6.00 to 6.75%** for investors in the top tax bracket – and can be even higher for investors in states with income taxes.

What does this mean for investors? For clients with cash balances – from redemptions, liquidity events, sitting on the sidelines – or clients who need to rebalance asset allocations, the current market, with yields near the highest levels over the last decade, provides investors with an opportunity to lock in attractive yield and cash flow. A customized portfolio of individual municipal bonds can help high net worth investors achieve their goals of

preserving wealth and generating reliable, tax-efficient income. Our fixed income professionals can work with your Financial Advisor to customize a bond portfolio tailored to meet your unique needs.

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week municipal bond yields moved higher, ~5 to 25 basis points (bp) across the curve; the 10-year Treasury yields increased 17 bp. Strategically, our 10–20-year maturity illustration continues to offer an excellent tax efficient solution. **Looking to maximize yield?** The 20 – 30-year range continues to offer an additional 55+ basis points (over 10 – 20 years) and may be appropriate for some investors. The yield to worst is~4.30%, which equates to a **taxable equivalent yield to worst of ~7.23%** for an investor in the top federal tax bracket and subject to the net investment income tax. If the callable bonds are not called, the yield to maturity increases to ~4.47%, which equates to a **taxable equivalent yield to maturity of ~7.52%**. This option has an average coupon around 4.31% and a market price of ~\$97.65. The **current yield is ~4.42%**. An investment with \$1 million par value (~\$986,392 market value with accrued interest) will generate a federally tax-exempt annual coupon cash flow of ~\$43,125.

National Municipal Bond Illustrative Portfolios

Week of January 13, 2025

1 – 10 Years

10 – 20 Years

20 – 30 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,042,000
Accrued Interest	\$10,169
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,052,169
Next 12mo Cpn Cash Flow	\$43,000
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	5.01 yrs
Duration	3.35
Yield to Worst	3.165%
Yield to Maturity	3.372%
Market Price*	104.200
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,041,365
Accrued Interest	\$10,144
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,051,509
Next 12mo Cpn Cash Flow	\$45,000
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	13.89 yrs
Duration	6.20
Yield to Worst	3.728%
Yield to Maturity	4.049%
Market Price*	104.137
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
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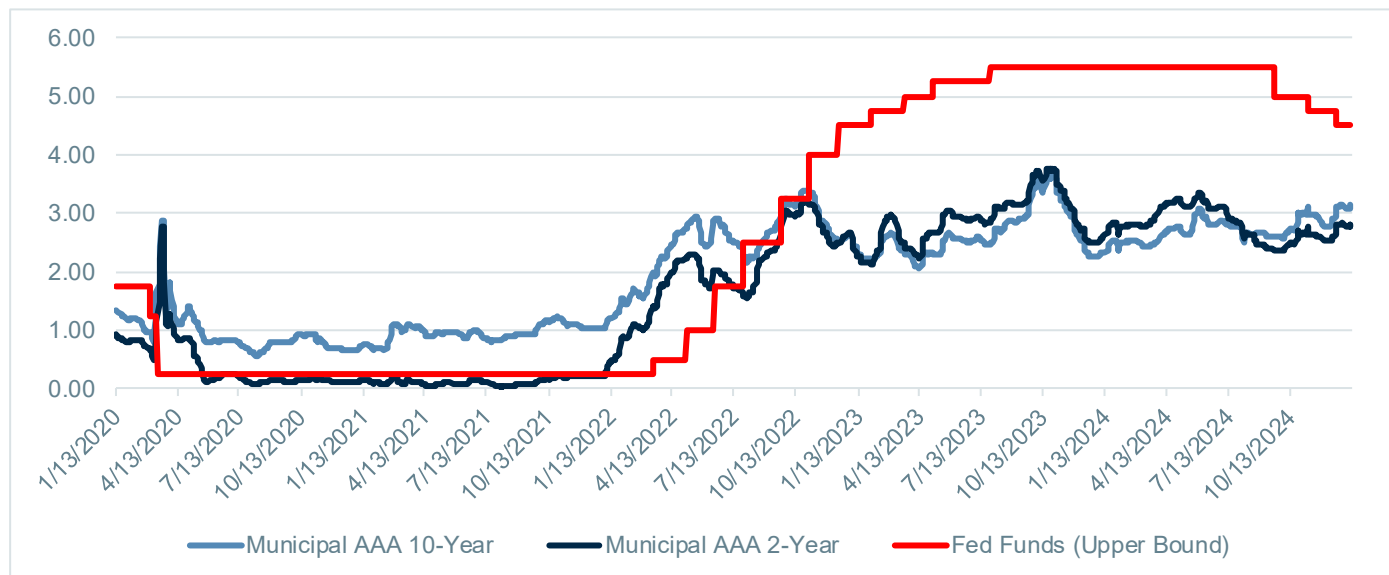
Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$976,543
Accrued Interest	\$9,849
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$986,392
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	23.98 yrs
Duration	11.84
Yield to Worst	4.306%
Yield to Maturity	4.474%
Market Price*	97.654
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

NAVIGATING TODAY'S MARKET

According to The Bond Buyer, \$12 billion in new issuance is expected to come to market this week. Some of the larger deals include: the Airport Commission of the City and County of San Francisco (A1/AA-/A+) is selling \$996 million of San Francisco International Airport revenue bonds; the Orange County Health Facilities Authority (-/A+/AA-) is issuing \$825 million of Orange Health Obligated Group revenue bonds; The Plano Independent School District, TX (Aaa/AAA) is bringing a \$607 million PSF-backed unlimited tax school building bond deal to market; the Jacksonville Electric Authority (Aa1/AA+/AA+) is selling \$533 million of water and sewer system revenue bonds; and the School Board of Miami-Dade County, FL (A1/-) is bringing a \$410 million certificate of participation deal to market. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
01/13	\$11MM	Caddo Parish SD	LA	Parishwide School District of Caddo	--/A+/-	2026 - 2044
01/14	\$17MM	San Francisco Arpt C	CA	Second Series Revenue Bonds	A1/AA-/A+	2025 - 2025
01/14	\$108MM	San Francisco Arpt C	CA	Second Series Revenue Bonds	A1/AA-/A+	2037 - 2053
01/14	\$10MM	Pinellas Co Hsg Fin	FL	2025 SERIES B (TAXABLE)	Aaa/-/-	2025 - 2055
01/14	\$206MM	Allen ISD	TX	UNLIMITED TAX SCHOOL BUILDING	Aaa/AAA--	2026 - 2050
01/14	\$351MM	Cypress-Fairbank ISD	TX	UNLIMITED TAX REFUNDING BONDS,	Aaa/AAA--	2028 - 2040
01/14	\$15MM	Pinellas Co Hsg Fin	FL	2025 SERIES A (NON-AMT)	Aaa/-/-	2025 - 2056
01/14	\$871MM	San Francisco Arpt C	CA	Second Series Revenue Bonds	A1/AA-/A+	2029 - 2055
01/15	\$6MM	Fowler USD	CA	General Obligation Bonds	--/AA--	2025 - 2047
01/15	\$5MM	Colorado Hsg & Fin A	CO	Class I Bonds	Aaa/AAA/NR	2025 - 2031
01/15	\$28MM	Parkland SD	PA	Parkland School District	NR/AA--	2026 - 2049
01/15	\$65MM	Colorado Hsg & Fin A	CO	Colorado Housing and Finance Authority	Aaa/AAA/NR	2026 - 2048
01/15	\$16MM	Fowler USD	CA	General Obligation Bonds	--/AA--	2025 - 2054
01/15	\$41MM	Colorado Hsg & Fin A	CO	Class I Bonds	Aaa/AAA/NR	2054 - 2054
01/16	\$56MM	County Square Redev Corp	SC	County Square Redevelopment	Aa1/AA+/AA+	2030 - 2030
01/16	\$55MM	Effingham Co SD	GA	Effingham County School District (Georgia)	Aa1/-/-	2028 - 2047
01/16	\$1300MM	Triborough Bridge and Tunnel Aut	NY	Real Estate Transfer Tax Revenue Bonds,	A1/A+/NR	2025 - 2059

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Sourced from Bloomberg: Treasuries: US Fed H15 CMT Curve - The H15 curve is comprised of the constant maturity treasury rates as published daily by the Federal Reserve in the H15 report. Municipal (AAA): BVAL Municipal AAA Yield Curve (Callable) - The curve is populated with high quality US municipal bonds with an average rating of AAA from Moody's and S&P. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board, new issues, and other proprietary contributed prices. The curve represents 5% couponing. The 3 month to 10 year points are bullet yields, and the 11 year to 30 year points are yields to worst for a 10-year call. Municipal (AA): US General Obligation AA Muni BVAL Yield Curve - The BVAL curve is populated with pricing from uninsured AA General Obligation bonds. Municipal (A): US General Obligation A+ A A- Muni BVAL Yield Curve - The BVAL curve is populated with pricing from uninsured A+, A, and A-rated General Obligation bonds. Fed Funds (Upper Bound): The federal funds rate is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee as part of its monetary policy. US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance.

The illustrative portfolios are intended as a starting point for a conversation on individual bonds. They are not intended as specific recommendations and bonds are shown for illustration purposes only. The bonds listed in the illustrative portfolios are rated A or better, with average ratings from Moody's and Standard and Poor's of Aa2 / AA. The yields shown in the proposals are based on pricing models, not current market offers. Yields shown are indicative of general market levels but are not a guaranteed result. Prices and yields are not inclusive of any fees or commissions.

US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance.

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M23-184726 through 4/28/26