Municipal Bond Investor Weekly

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

TED RUDDOCK

Managing Director
Fixed Income Private Wealth

DREW O'NEIL

Director
Fixed Income Strategy

THE WEEK AHEAD

1. The June Jobs report will be released on Thursday ahead of the July 4th holiday --- the expectation is slower growth, on the heals of a tepid Personal Consumption Expenditure report last week (Fed's preferred inflation indicator.) No surprises should keep the market steady.

2. A holiday week with low new issuance in the muni market --- all attention will be on Capitol Hill and "what's in the final sausage" as the Big Beautiful Bill heads for a vote in Congress. Hopefully, no surprises for the muni market.

3. With stocks reaching new records, and the economic outlook highly uncertain, don't miss the opportunities in the bond market to lock in reliable tax efficient income, at very attractive yields for years to come.

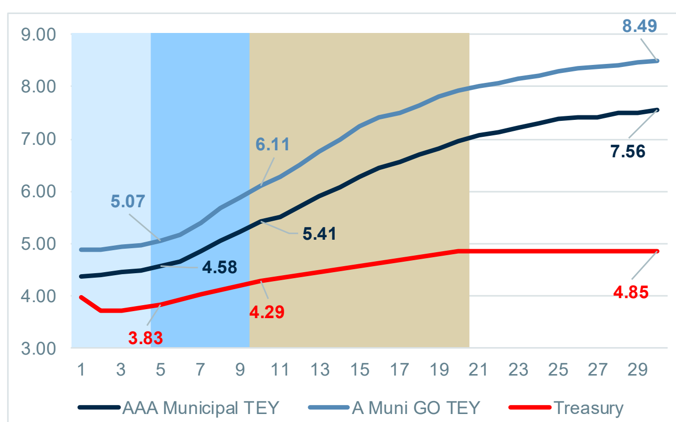
MONDAY'S COMMENTARY

THE NUMBERS THIS WEEK

Treasuries rallied last week across the curve. Yields fell the most on the shorter end of the curve, with 1 to 5 year yields falling by 10 to 13 basis points. Longer-term Treasury yields fell by 4 to 9 basis points. Municipal yields fell as well but by smaller margins. The benchmark AAA municipal curve finished the week lower by 2 to 5 basis points with the largest moves from 1 to 10 years.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	3.97	2.59	2.89	4.37	4.88	65%	110%
2	2027	3.73	2.61	2.90	4.40	4.89	70%	118%
5	2030	3.83	2.71	3.00	4.58	5.07	71%	120%
10	2035	4.29	3.21	3.62	5.41	6.11	75%	126%
20	2045	4.85	4.12	4.68	6.96	7.91	85%	144%
30	2055	4.85	4.47	5.03	7.56	8.49	92%	156%

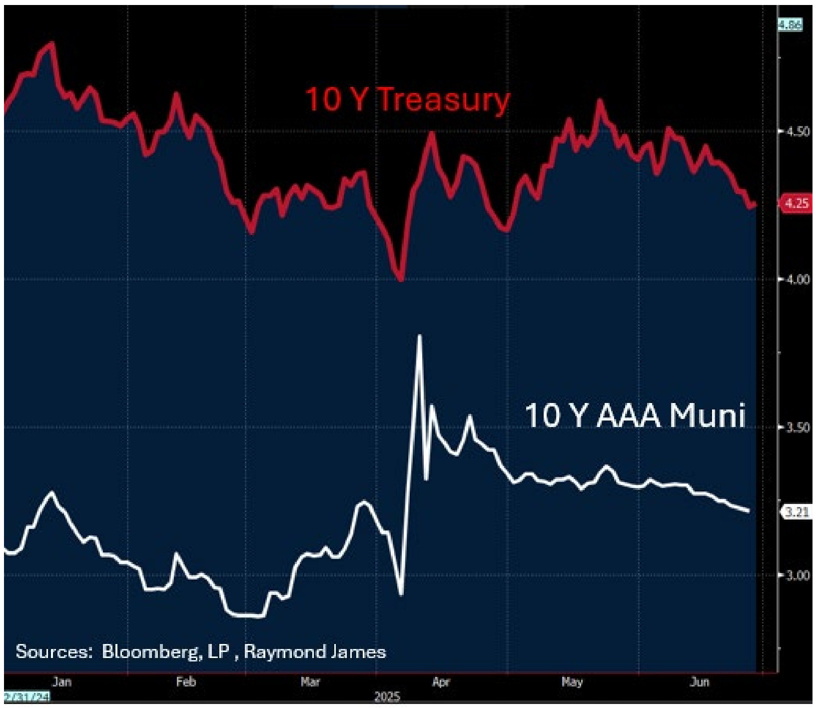
**Taxable equivalent yield @ 40.8% tax rate*



MID-YEAR RECAP

As we reach the halfway point in 2025, I looked back to our Annual Outlook for some perspective. Here's a snapshot of what we were expecting:

> *Clearly, political events will be a key driver in 2025. Did anyone notice we barely even mentioned the Federal Reserve?!?! It appears they have done their job in engineering a soft landing, with inflation stabilizing at or near its 2% target, along with the labor market continuing to grow, but not too fast. We'll see what Chair Powell and his "new for 2025" voting colleagues have to say after their first meeting of the year at the end of this month (29th). On the international front, it would be reassuring if there was no further geo-political instability --- that's just not likely to happen given the current state of the world and the posturing by the incoming administration. But when it comes to the bond market,* ***imagine ending one year in roughly the same place that we started****?!?! It can happen! (MBIW, January 6, 2025)*



We got a couple things right!! Political events --- domestic and international --- are certainly roiling markets. And the Fed, relatively speaking, is taking a back seat to it all as it continues to "wait and see" what happens on any number of issues: tax policy, tariffs, geo-politics, inflation, jobs, etc.

With all that going on, interest rates must have been on a wild ride. Let's see. The chart highlights the 10-year Treasury (red) and 10-year AAA muni (white) yields since January 1. Despite all the political noise, and a few brief periods of volatility, the data tells us that we spent most of the past six months within 25 basis points (plus or minus) of where we started. 10-year Treasury opens 2025 at 4.56% reaches a high of 4.80%, briefly touches 4.00% and ends June at ~4.25% down ~30 bp from where we started; average yield was 4.40%. 10-year AAA Muni opens 2025 at 3.10%% reaches a high of 3.80%, briefly touches 2.85% and closes out June at ~3.20%, up just ~10 bp from where we started; average yield was ~3.20%. Really??? Yes, we ended the first six months of 2025 in roughly the same place that we started!

Just don't be mistaken --- there's plenty of other activity in the muni market to pay attention to. While the 30-year Treasury is within single digits of where it started the year, the long end of the muni yield curve is up over 50 basis points. **Why is that important?** It provides a great opportunity to "extend duration," and purchase longer dated bonds --- with calls inside 10 years --- and **lock in an extra 30 to 70 basis points** or more depending on the bonds selected.

As we talked about the first two quarters, new issue volume has been on a tear --- with a record level in the 2nd quarter at over $150 billion, over $275 billion for the first half. And demand has more than kept pace, as was the case earlier this month when we saw a record setting ~$20 billion new issuance week that was absorbed with little problem. And now we are in the summer season, with peak levels of "money in motion" from redemptions --- bond calls, regular maturities --- along with periodic interest, all looking for new opportunities. (see below for further discussion.)

If the pace continues through the second half of 2025, we'll end the year well over $500 billion, possibly a record setting "repeat" of 2024 --- $550 billion is not out of reach. (We note that in 7 of the last 10 years, second half volume exceeded the first half --- sometimes by ~20% or more!) We didn't see this level of new issuance in our "Outlook," but we believe it has been driven by some of the political uncertainty surrounding the continued tax-exemption of municipal bonds. Earlier in the year as tax policy was being drafted and debated, there was the frequently repeated call to end the muni exemption. As our Washington Policy expert, Ed Mills, has noted, that provision has been eliminated in the Senate version of Big Beautiful Bill that is now being debated in the Senate. That said, other industry officials remain concerned that the exemption is not out of the woods quite yet as the Senate Parliamentarian eliminates proposed "pay-fors" in the bills. It's more Washington-speak, which just means the "sausage isn't done until it is." We still believe the muni exemption is safe, but… this is Washington. The need for infrastructure financing could not be more clear and the continuing role for munis is undisputed. It's quite clear there's plenty of demand for munis and the tax-efficient income they offer investors. And with rates marginally higher than where they were at the start of the year, it's a great opportunity lock in these levels before yields move lower.

In talking with our underwriters, we expect to see continued attractive opportunities across the board in the months ahead. Nowhere has that been more apparent than in the housing bond sector of the muni market as state housing agencies continue to support the home buying demand from first-time buyers looking for affordable loans and downpayment assistance. As we've discussed in other issues of the MBIW, new issue housing bonds are sold at par and have yields that are well above comparable securities. As an example, this past week, the New Jersey Housing and Mortgage Finance Agency sold Single Family Housing Revenue Bonds with tax-exempt yields above 5% at 20 years. For a New Jersey resident in the top state and federal tax brackets, that's a **taxable equivalent yield of 10.42%** --- you read that correctly, a taxable equivalent yield well above 10% for a Aa2/AA municipal bond. The caveat on single family housing bonds is that they are subject to early calls under certain conditions, so investors are rewarded for that risk. Even if the bonds are called early, it's hard to beat a 10% yield in ANY asset class with such low credit risk.

2025 Monthly Reinvestment

Month	Principal ($ million)	Interest ($ million)	P + I ($ million)
Jan-2025	$27,315	$15,463	$42,778
Feb-2025	$31,460	$15,383	$46,844
Mar-2025	$20,835	$9,743	$30,579
Apr-2025	$14,628	$10,520	$25,148
May-2025	$26,546	$13,785	$40,331
Jun-2025	$44,998	$16,251	$61,249
Jul-2025	$39,401	$15,633	$55,034
Aug-2025	$40,069	$15,875	$55,945
Sep-2025	$20,343	$10,020	$30,363
Oct-2025	$17,989	$10,865	$28,854
Nov-2025	$18,727	$13,567	$32,293
Dec-2025	$22,118	$15,608	$37,726
Total	$324,430	$162,712	$487,143

Source: Bloomberg Intelligence

We now enter a critical period in the muni market around seasonal supply and demand driven by monthly redemption numbers. We highlighted this in a recent MBIW. Numbers just updated by Bloomberg show an additional $5 billion in principal being returned to investors in July and August --- now at just under $80 billion --- with California and New York issuers continuing to lead the way. As noted previously, the set-up for California investors could be challenging as new issue supply is expected to remain well below redemption levels --- that "negative net supply" could lead to California yields tightening and prices rising. **Continuing our mantra: don't wait to lock in these rates**, whether you are a California investor or any other state in the union!

Mid-year mark is a great time to schedule a portfolio check-up. Look for my partner, Noreen McClure's commentary next week when she highlights the value of a portfolio review with your financial advisor and the three numbers (at least!) every investor should know about their municipal bond portfolio.

Our expectation is that the second half of 2025 will continue to offer great opportunities for muni investors to lock in reliable, tax-efficient income at very attractive yields, that will also help preserve your hard earned wealth. Mark your calendar --- schedule a conversation with your financial advisor to make sure you don't miss this opportunity.

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week yields declined 2 to 4 basis points along the curve. Strategically, our 10–20-year maturity illustration continues to offer an excellent tax efficient solution. **Looking to maximize yield?** The 20 – 30-year range offers an additional ~50 basis points (over 10 – 20 years) and may be appropriate for some investors. For a portfolio rated A or better, the tax-free yield to worst is ~4.74%, which equates to a t**axable equivalent yield to worst of ~8.00%** 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 ~4.87%, which equates to a **taxable equivalent yield to maturity of ~8.23%**. This option has an average coupon ~4.95% and a market price of ~101.09. The **current yield is ~4.90%**. An investment with $1 million par value (~$1,020,255 market value with accrued interest) will generate a federally tax-exempt annual coupon cash flow of $49,500.

National Municipal Bond Illustrative Portfolios

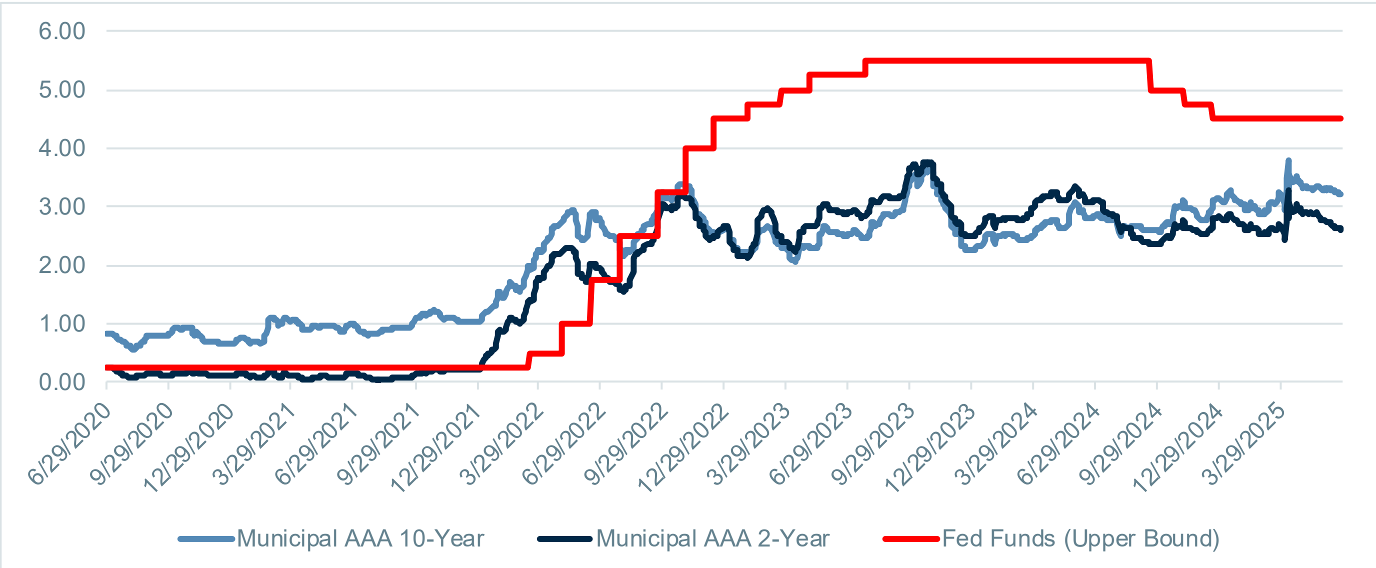
Week of June 30, 2025

Totals & Averages @ Market	1 – 10 Years	10 – 20 Years	20 – 30 Years
Summary Totals			
Original Face	$1,000,000	$1,000,000	$1,000,000
Current Face (Par)	$1,000,000	$1,000,000	$1,000,000
Market Principal	$1,045,138	$1,024,566	$1,010,908
Accrued Interest	$8,492	$8,269	$9,347
Cash & Cash Alternatives	$0	$0	$0
-	-	-	-
-	-	-	-
Total Portfolio Value	$1,053,629	$1,032,836	$1,020,255
Next 12mo Cpn Cash Flow	$44,000	$47,225	$48,540
Generic Annual Cpn Cash Flow	$44,000	$47,250	$49,500
Weighted Averages			
Coupon*	4.400%	4.725%	4.950%
Maturity**	5.50 yrs	15.38 yrs	25.43 yrs
Duration	3.41	7.10	7.64
Yield to Worst	3.061%	4.218%	4.739%
Yield to Maturity	3.349%	4.474%	4.875%
Market Price*	104.514	102.457	101.091
Tax Lots Holdings Included	20 of 20	20 of 20	20 of 20

NAVIGATING TODAY'S MARKET

New issuance is expected be in the $2.5 billion range for this holiday-shortened week. Several larger deals include: the Massachusetts Bay Transportation Authority (-/AA+/AAA) is selling $939 million of senior sales tax bonds; the Los Angeles Unified School District (Aa3/-/AA-) is bringing a $308 million taxable judgement obligation refunding bond deal to market; and the Colorado Housing and Finance Authority (Aaa/AAA) is issuing $198 million of taxable single-family mortgage bonds. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
06/30	$32MM	Howe ISD	TX	Howe Independent School District, Texas	--/AAA/--	2030 - 2055
07/01	$198MM	Colorado Hsg & Fin A	CO	2025 SERIES L-1 (FEDERALLY TAXABLE)	Aaa/AAA/--	2027 - 2056
07/02	$21MM	Newman-Crows Landing	CA	General Obligation Bonds	--/AA/--	2026 - 2049

This offering calendar is for information purposes only, and is not intended as an offer for solicitation with respect to the purchase or sale of any securities. For more information on the new issues go to www.raymondjames.com.

There is no assurance any of the trends mentioned will continue or forecasts will occur. Investing involves risk and investors may incur a profit or a loss. Past performance may not be indicative of future results. Prior to transacting in any security, please discuss the suitability, potential returns, and associated risks of the transaction(s) with your Raymond James Financial Advisor.

This communication is not an offer to sell or a solicitation to buy any securities mentioned herein. High grade and High yield securities mentioned herein may not be suitable for all investors. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency. All expressions of opinion reflect the judgment of the Fixed Income Municipal Department of Raymond James & Associates (RJA) at the time of publication and may be subject to change without notice.

Information has been obtained from sources considered reliable, but we do not guarantee that the foregoing report is accurate or complete. Other departments of RJA or its affiliates may have information that is not available to the Fixed Income Municipal Department about companies or Issuers mentioned in this report. Further information on the securities mentioned herein is available upon request. Interest on Municipal Bonds is generally exempt from federal taxation and may also be free of state and local taxes for investors residing in the state and/or locality where the bonds were issued. However, bonds may be subject to federal alternative minimum tax (AMT), and profits and losses on tax-exempt bonds may be subject to capital gains tax treatment. Bonds are subject to risk factors including: 1) Default Risk - the risk that the issuer of the bond might default on its obligation 2) Rating Downgrade - the risk that a rating agency lowers a debt issuer's bond rating 3) Reinvestment Risk - the risk that a bond might mature when interest rates fall, forcing the investor to accept lower rates of interest (this includes the risk of early redemption when a company calls its bonds before maturity) 4) Interest Rate Risk - this is the risk that bond prices tend to fall as interest rates rise. 5) Liquidity Risk - the risk that a creditor may not be able to liquidate the bond before maturity. High-yield bonds are not suitable for all investors. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of a portfolio.

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.

Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM

.