

Municipal Bond Investor Weekly

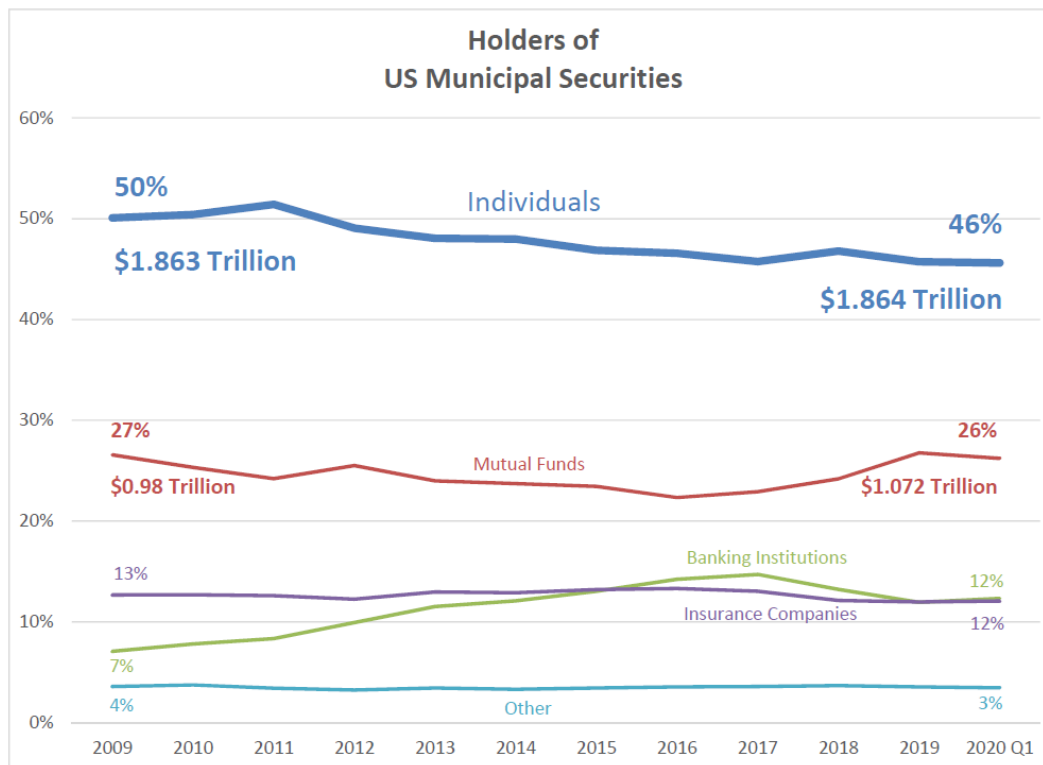
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Four Reasons For Why You Should Own Municipal Bonds

The current size of the municipal bond market is \$3.9 trillion. Over 2/3 of municipal securities are held by retail investors either directly or through mutual funds according to the Municipal Securities Rulemaking Board. Retail investors own 46% of the municipal market with individual securities and mutual funds own another 26%. The remaining 27% of the muni market includes banking institutions at 12%, insurance companies at 12%, and other at 3%.



Sources: SIFMA and Raymond James

Why do retail investors hold municipal bonds outright?

- **Less expensive.** Over 75% of municipal customer trades are transaction-based. A one-time mark-up of 2-points on a bond with a 10-year maturity is equivalent to 20 basis points per year or 0.20% annually. This is one of the most cost-efficient investments available.
- **Highly rated.** Approximately 60% of municipals are rated in the Aa and Aaa rating categories compared to only 6% for global corporate bonds. Higher rated bonds offer some margin for error. For instance, Aa rated bonds can be downgraded 7 notches before dropping to below investment grade. With only 1.5% of muni credits rated junk compared to over 47% of global corporate credits, municipals are one of the safer investment options available.
- **New Issues.** Municipal bonds come to market via competitive and negotiated deals. Most negotiated deals include a retail order period to ensure their bonds are available to individual investors. The definition of retail can vary by issuer, but the intent is typically to provide retail investors access to the same bonds with the same terms as institutional investors.

- **Value.** Investors in high tax brackets have historically found tax-free income from municipal bonds attractive compared to other quality investments. Today the muni/Treasury ratios are over 100% across the entire yield curve. For example, a 10-year Aaa rated municipal bond yields 123% of Treasuries, adjusting for a top tax bracket that increases to 208% of Treasuries.

For example...

A City of Stamford CT general obligation /AAA/AAA deal priced today. The 2030 maturity has a yield of 0.71%. That is 125% of the 10-year treasury. If we adjust for a top federal tax bracket, the taxable equivalent yield is 1.20%, or 212% of the 10-year treasury. If we include a top CT bracket the taxable equivalent yield is 1.36%, and now you are at 240% of the 10-year treasury. A Connecticut resident can buy this AAA rated CT bond with 2.4 times more taxable equivalent yield than a US Treasury.

The Week Ahead... On the new issue front, \$7.3 billion is expected to come to market, according to Ipreo. The largest sale of the week is a taxable deal from the State of Hawaii (-/AA+/AA+), with \$900 million of general obligation bonds. Other large expected deals include: the Long Island Power Authority (A2/A/A) with \$507 million of electric system general revenue bonds; Bexar County, TX (Aaa/AAA/AAA) is selling \$229 million of limited tax refunding and limited flood control tax refunding bonds; the Waco Education Finance Corp (-/A+/A+) is selling \$217 million of revenue and refunding bonds for Baylor University; and Rutgers State University, NJ (Aa3/A+) with \$220 million of GO refunding bonds. See table below for additional new issuance.

For the Numbers... Municipal yields fell last week, with the short end of the AAA curve falling by 2- 3 bp and the long end seeing larger drops, in the 5-7 bp range. This led to a slight flattening of the curve from ~134 bp to ~130 bp, as measured by the 1 to 30 year spread. The steepest part of the curve remains the intermediate portion, as the 5-15 year window provides the most slope to investors.

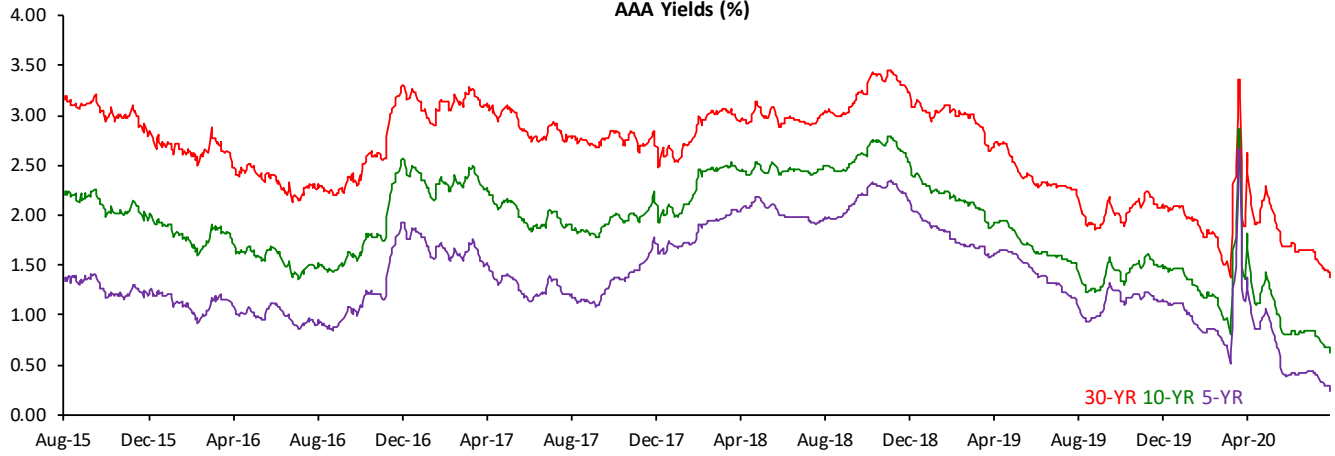
| | This Week | | Last Week | | Change | |
|---------------------------------------|--------------|--------------|-----------|-------|--------|--------|
| | 10 Y | 30 Y | 10 Y | 30 Y | 10 Y | 30 Y |
| Municipal (AAA) | 0.62% | 1.38% | 0.69% | 1.44% | -0.06% | -0.07% |
| Treasury | 0.55% | 1.20% | 0.59% | 1.23% | -0.04% | -0.03% |
| Ratio | 113.1 | 114.9 | 116.1 | 117.4 | -3.0 | -2.5 |
| Tax Equivalent Ratio (Fed 37%) | 179.5 | 182.4 | 184.3 | 186.3 | -4.8 | -3.9 |

| | Bond Yields (%) as of 07/31/20 | | | | | | | | | | |
|------------------------------------|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 7 | 10 | 15 | 20 | 25 | 30 |
| Muni AAA¹ | 0.08 | 0.10 | 0.11 | 0.17 | 0.23 | 0.41 | 0.62 | 0.97 | 1.16 | 1.31 | 1.38 |
| Weekly Change * | ▼ -2 | ▼ -4 | ▼ -4 | ▼ -4 | ▼ -6 | ▼ -6 | ▼ -6 | ▼ -6 | ▼ -6 | ▼ -6 | ▼ -6 |
| Tax Equiv Munis² | 0.13 | 0.15 | 0.17 | 0.27 | 0.37 | 0.64 | 0.99 | 1.53 | 1.83 | 2.08 | 2.19 |
| Weekly Change * | ▼ -76 | ▼ -70 | ▼ -60 | ▼ -58 | ▼ -58 | ▼ -47 | ▼ -29 | ▼ -26 | ▼ -25 | ▼ -25 | ▼ -24 |
| Treasuries³ | 0.11 | 0.11 | 0.11 | 0.16 | 0.21 | 0.39 | 0.55 | 0.77 | 0.98 | n/a | 1.20 |
| Weekly Change * | ▼ -5 | ▼ -3 | ▼ -6 | ▼ -7 | ▼ -6 | ▼ -5 | ▼ -4 | ▼ -13 | ▼ -5 | n/a | ▼ -3 |
| Corporates A³ | 0.31 | 0.37 | 0.48 | 0.60 | 0.75 | 1.09 | 1.49 | 2.06 | 2.38 | 2.46 | 2.42 |
| Weekly Change * | ▼ -4 | ▼ -4 | ▼ -5 | ▼ -5 | ▼ -5 | ▼ -4 | ▼ -3 | ▼ -2 | ▼ -2 | ▼ -1 | ▼ -1 |

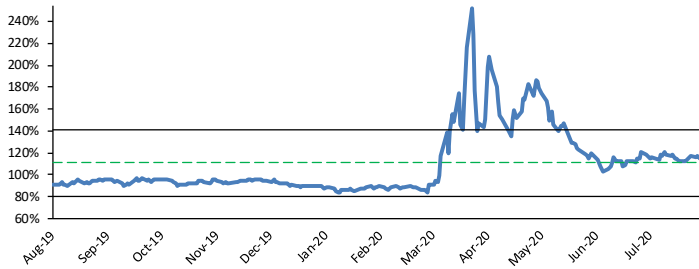
| | This Week | 1-Week Change | 1-Year Change |
|-----------------------------|-----------|---------------|---------------|
| Dow Jones Industrial | 26,428 | ▼ -0.2% | ▼ -0.2% |
| NASDAQ Composite | 10,745 | ▲ 3.7% | ▲ 34.2% |
| Crude Oil | 40.27 | ▼ -2.5% | ▼ -25.0% |
| U.S. Dollar/Euro | 1.178 | ▲ 1.0% | ▲ 5.1% |
| Gold | 1,986 | ▲ 3.2% | ▲ 33.7% |

| | This Week | Last Week | Last Year |
|-----------------------|-----------|-----------|-----------|
| Prime Rate | 3.250 | 3.250 | 5.250 |
| 3-Month LIBOR | 0.249 | 0.247 | 2.266 |
| Fed Funds | 0.250 | 0.250 | 2.250 |
| 1-Month T-Bill | 0.090 | 0.100 | 2.010 |

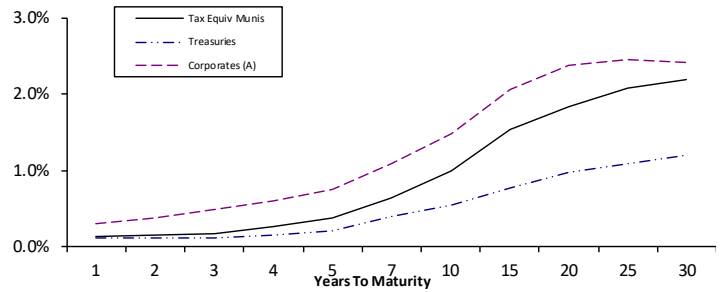
**Historical Perspective on the Municipal Market
AAA Yields (%)**



AAA Muni/Treasury Ratio (30-Year Maturity)



Comparative Yield Curves



New Issue Calendar

| Date | Amount | Issuer | ST | Description | Moody's/S&P/Fitch | Maturity |
|------|---------|------------------------------------|----|---|------------------------|---------------------|
| 8/3 | \$4MM | Perry Public Facilities Authority | GA | Revenue Bonds (City of Perry Projects) | Aa3 / / | |
| 8/3 | \$6MM | Eanes Independent School District | TX | Taxable Unlimited Tax School Building | /AAA / (/AA+ /) PSF | 8/1/2021-40 |
| 8/3 | \$18MM | Eanes Independent School District | TX | Unlimited Tax School Building & Refunding | /AAA / (/AA+ /) PSF | 8/1/2021-40 |
| 8/3 | \$11MM | City of Stamford, Connecticut | CT | General Obligation Refunding Bonds, | NR /AAA /AAA | 4/1/21-33 |
| 8/3 | \$117MM | City of Phoenix Civic Improvement | AZ | Taxable Subordinated Excise Tax Revenue | Aa2 /AAA /AA+ | 7/1/2023-36 |
| 8/3 | \$150MM | City of Phoenix Civic Improvement | AZ | Taxable Subordinated Excise Tax Revenue | Aa2 /AAA /AA+ | 7/1/2021-45 |
| 8/3 | \$75MM | Alaska Housing Finance | AK | General Mortgage Revenue Bonds II 2020 | Aa1 /AA+ / | 12/01/2030-35 |
| 8/3 | \$135MM | Alaska Housing Finance Corporation | AK | General Mortgage Revenue Bonds II 2020 | Aa1 /AA+ / | 06/01/2021-44 |
| 8/4 | \$148MM | Walled Lake Consolidated SD | MI | 2020 School Building and Site Bonds | Aa1 / / | 05/01/2024-50 |
| 8/4 | \$8MM | Sonoma Valley USD | CA | 2020 General Obligation Refunding Bonds | Aa2 / / | 08/01/2024-28 |
| 8/4 | \$5MM | Snyder Independent School District | TX | Unlimited Tax Refunding Bonds | Aa3 / / | 02/15/2021-26 |
| 8/4 | \$8MM | Snyder Independent School District | TX | Unlimited Tax Refunding Bonds | Aa3 / / (Aa3 / /) PSF | 02/15/2021-34 |
| 8/4 | \$93MM | Oxnard SD | CA | 2020 Refunding General Obligation Bonds | /AA / (/A+ /) BAM | 08/01/2021-44 |
| 8/4 | \$39MM | Maine State Housing Authority | ME | Mortgage Purchase Bonds, 2020 Series F | Aa1 /AA+ / | 11/15/2021-50 |
| 8/4 | \$47MM | Leander Independent School | TX | Unlimited Tax Refunding Bonds, Taxable | /AAA / (/AA /) PSF | 08/15/24-34, 41, 44 |
| 8/4 | \$30MM | Henry County, Georgia | GA | General Obligation Sales Tax Bonds, | Aaa /NR /NR | 5/1/21-25 |
| 8/4 | \$17MM | Georgia Association County | GA | Certificates of Participation (Henry County | Aa1 /NR /NR | 7/15/22-40 |
| 8/4 | \$132MM | City of Phoenix Civic Improvement | AZ | Subordinated Excise Tax Revenue Bonds | Aa2 /AAA /AA+ | 7/1/2021-45 |
| 8/4 | \$18MM | City of Longview | TX | Taxable General Obligation Refunding | /AA /AA | 06/01/2021-33 |
| 8/4 | \$121MM | Alabama Highway Finance | AL | Special Obligation Revenue Bonds, Series | Aa2 /NR /AA+ | 8/1/21-40 |
| 8/5 | \$3MM | Travis County Municipal Utility | TX | Unlimited Tax Refunding Bonds | /BBB+ / | 9/1/2021-34 |
| 8/5 | \$900MM | State of Hawaii | HI | Taxable General Obligation Bonds of 2020 | Aa2/AA+/AA+ | |
| 8/5 | \$112MM | Municipality of Anchorage, Alaska | AK | 2020 General Obligation Bonds, Series | /AAA /AA+ | |
| 8/5 | \$9MM | Mississippi Development Bank | MS | Starkville Special Obligation Bonds | /AA / (A1 / /) BAM | 03/01/2021-50 |
| 8/5 | \$34MM | Leander Independent School | TX | Unlimited Tax Refunding Bonds | /AAA / (/AA /) PSF | 08/15/2026-30, 2045 |
| 8/5 | \$88MM | Leander Independent School | TX | Unlimited Tax School Building Bonds | /AAA / (/AA /) PSF | 08/15/2026-50 |
| 8/5 | \$6MM | Calipatria USD | CA | 2020 General Obligation Refunding Bonds | /AA / (/A /) AGM | 08/01/2022-39 |
| 8/6 | \$26MM | Titus County | TX | General Obligation Refunding Bonds | /A / | 03/01/2021-34 |
| 8/6 | \$4MM | Teague Independent School | TX | Taxable Unlimited Tax Refunding Bonds | /A+ / | 2/15/2024-25 |
| 8/6 | \$6MM | Robla SD (County of Sacramento) | CA | General Obligation Bonds, Election of | Aa3 / / | 08/01/2049-53 |
| 8/6 | \$9MM | City of Lake Worth Beach, Florida | FL | Non-Ad Valorem Revenue Bonds, Series | A2 /AA- / | 7/1/22-35 |
| 8/6 | \$17MM | City of Lake Worth Beach, Florida | FL | Non-Ad Valorem Revenue Bonds, Taxable | A2 /AA- / | 7/1/23-40 |

BQ: Bank Qualified, SG: Selling Group, PSF: Permanent School Fund, GO: General Obligation, UT: Unlimited Tax, LT: Limited Tax.

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Sources: (1) BVAL Municipal AAA Yield Curve (Callable) (2) Tax Equivalent Yield calculations on AAA-rated tax exempt yields assume a 37% tax rate (3) Treasury, Corporate, and Taxable Municipal yields from Bloomberg. Short Term Yields are from Bloomberg, Federal Reserve and Securities Industry and Financial Markets Association. * In Basis Points. 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.

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