

# Municipal Bond Investor Weekly

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



**GINA FAY**  
*Director*  
*Fixed Income Private Wealth*



**DREW O'NEIL**  
*Director*  
*Fixed Income Strategy*

## THE WEEK AHEAD

- 1. This week’s economic data will provide information on the health of the consumer and the housing market, with Retail Sales for March released on Monday and various housing data due throughout the week.
- 2. Treasury yields rose more than municipal yields last week, pushing muni-to-treasury ratios lower as demand for muni bonds remains strong.
- 3. However, intermediate and longer term maturity municipal yields remain well above averages over the past decade, offering attractive wealth preservation and income opportunities for long term investors.

## MONDAY’S COMMENTARY

In A New York State of Mind  
Illustrative Portfolios

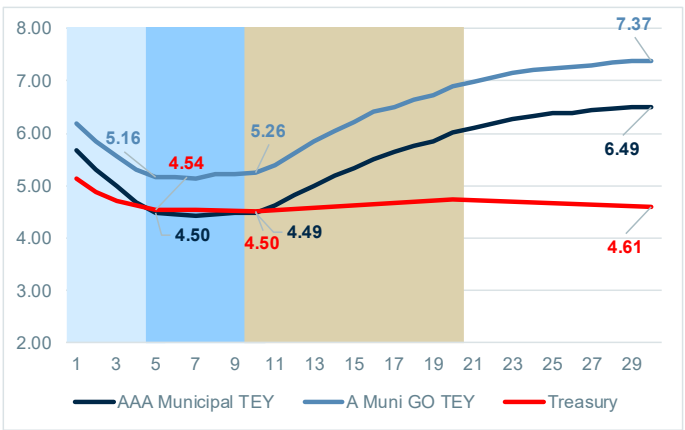
Page 2  
Page 3

## THE NUMBERS THIS WEEK

Yields moved higher across the board last week. Treasury yields rose by 7 to 16 basis points, with the larger moves coming from the 2 to 10 year range. Municipal bond yields followed Treasuries but by a smaller margin as the benchmark AAA curve rose by 3 to 4 basis points. Muni-Treasury ratios fell slightly and remain well below historical norms.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2025	5.13	3.36	3.67	5.68	6.20	66%	111%
2	2026	4.88	3.15	3.46	5.31	5.84	64%	109%
5	2029	4.54	2.66	3.05	4.50	5.16	59%	99%
10	2034	4.50	2.66	3.12	4.49	5.26	59%	100%
20	2044	4.73	3.56	4.08	6.01	6.90	75%	127%
30	2054	4.61	3.84	4.37	6.49	7.37	83%	141%

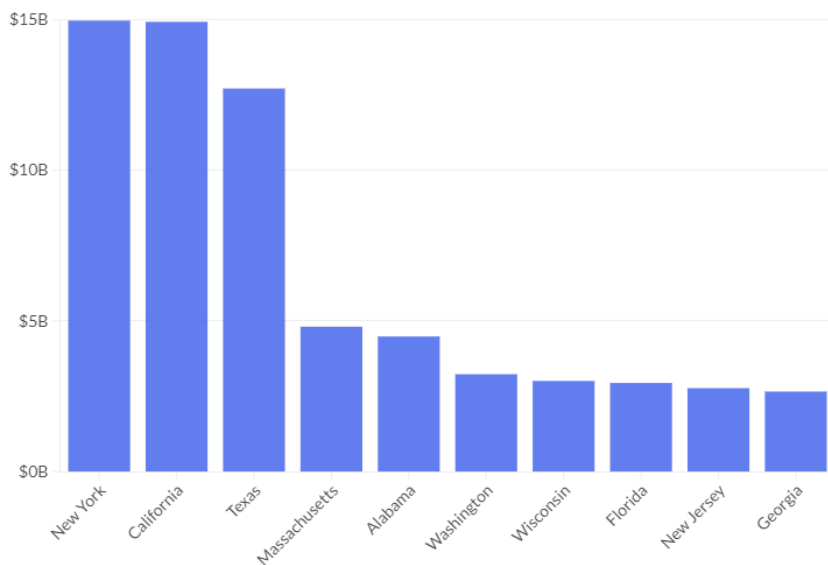
\*Taxable equivalent yield @ 40.8% tax rate



## IN A NEW YORK STATE OF MIND

This week's new issue calendar is expected to be ~\$7.2 billion. That's roughly in line with this year's weekly average of ~\$7.1 billion. According to The Bond Buyer, in the first quarter of 2024 new issuance topped \$100 billion and New York issuers claimed the lead with \$15 billion of it, with California following closely behind and Texas rounding out the top three. Another \$3.6 billion in New York new issuance is expected over the next three months, including \$450 million water and sewer revenue bonds from the New York City Municipal Water Finance Authority (Aa1/AA+) this week. New York issuers also rank second in the amount of bonds outstanding, accounting for \$455 billion of the \$3.9 trillion municipal market.

Top 10 states YTD



Source: Refinitiv

New York, The Empire State, is the fourth largest state in the country by population (home to ~20 million residents, with ~44% living in NYC, the most populous city in the United States, and another 14% on Long Island) and the 27th largest state by area. The state of New York's credit rating was upgraded by Moody's in April 2022; it is currently rated Aa1/AA+ with a stable outlook by both Moody's and S&P. The state's credit strength comes from its large and diverse economy with high income levels (119% of the US average), a well-funded pension system, and an extensive business environment that attracts a highly educated and global workforce. Challenges include reliance on the financial sector for a higher-than-average proportion of income, uncertainty regarding the recovery of the office-intensive New York City metropolitan area (the key driver

of the state's economy), outmigration trends, and related risks with the financially-strapped and heavily indebted Metropolitan Transportation Authority (MTA, a unit of the state). However, agile financial management, federal stimulus aid, and strong tax collections have combined to bolster the state's reserves to historic highs.

Interestingly, only about 3% of New York State's debt is in the form of general obligations bonds. Instead, New York relies primarily on personal income tax and sales tax backed bonds for its financing needs – common issuers of this debt include the New York State Dormitory Authority and the New York State Urban Development Corporation, among others. Despite the lack of New York state general obligation bonds, these issuers provide investors an opportunity to buy liquid, high quality New York State bonds. New York investors in the top tax bracket could benefit from purchasing New York munis because they are exempt from both federal and state tax. Because of the high state income tax rate, they get a “2 for 1” tax advantage with in-state munis. According to Bloomberg, the tax-exempt yield for 10-year New York munis is 2.60% - that equates to a taxable equivalent yield of 5.38% for investors in the top tax bracket, more than double the tax-exempt yield! New York City residents may benefit even more, as the taxable equivalent yield for 10-year NY munis for a NYC resident in the top tax bracket is 5.85%. Even more yield can be achieved by extending farther out on the curve.

Let's look at a current New York offering as an example – a New York personal income tax revenue bond with a 5% coupon with a call date in 10 years and a final maturity in 18 years. The yield to call is 3.54% - that equates to a taxable equivalent yield of 7.33% (based on a New York state resident in the top tax bracket). Although it's not likely the bonds will make it to maturity, the yield to maturity is 4.04% - that equates to a taxable equivalent yield of 8.37%. As you can see, because of the double tax-exempt benefit residents from high tax states receive when

buying municipals from their state, this bond's taxable equivalent yields would provide New York investors with more than two times the tax-exempt yield.

What does this mean for municipal investors? The healthy pace of new issuance may present an opportunity for municipal investors to lock in today's attractive yields. Investors in states with high state income tax rates, such as New York, California, and many others, may benefit the most by buying bonds from within their home state – in some cases getting a “2 for 1” taxable equivalent yield. Contact your financial advisor to find the most tax-efficient bonds to meet your unique wealth preservation needs.

## ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Municipal yields outperformed Treasuries, with portfolio yields dropping ~ 2 basis points on the week. Long term investors will continue to realize additional yield further out on the curve. Strategically, to lock in long-term, reliable tax-efficient cash flow, our duration focused 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 ~70+ basis points (over 10 – 20 years) and may be appropriate for some investors. The yield to worst is ~4.15%, which equates to a **taxable equivalent yield to worst of ~7.00%** 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 ~4.33%, which equates to a **taxable equivalent yield to maturity of ~7.30%**. This is a solution with 4-5% coupon bonds with an average coupon of 4.31% and a market price of ~\$99.71. The **current yield is ~4.32%**. An investment with \$1 million par value (~\$1.006 million market value) will generate a federally tax-exempt annual coupon cash flow of ~\$43,125.

## National Municipal Bond Illustrative Portfolios

Week of April 15, 2024

### 1 – 10 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,056,610
Accrued Interest	\$10,778
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,067,387
Next 12mo Cpn Cash Flow	\$43,000
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	5.78 yrs
Duration	3.98
Yield to Worst	3.076%
Yield to Maturity	3.289%
Market Price*	105.661
Tax Lots Holdings Included	20 of 20

### 10 – 20 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,064,706
Accrued Interest	\$11,608
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,076,314
Next 12mo Cpn Cash Flow	\$45,089
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	14.62 yrs
Duration	6.31
Yield to Worst	3.460%
Yield to Maturity	3.851%
Market Price*	106.471
Tax Lots Holdings Included	20 of 20

### 20 – 30 Years

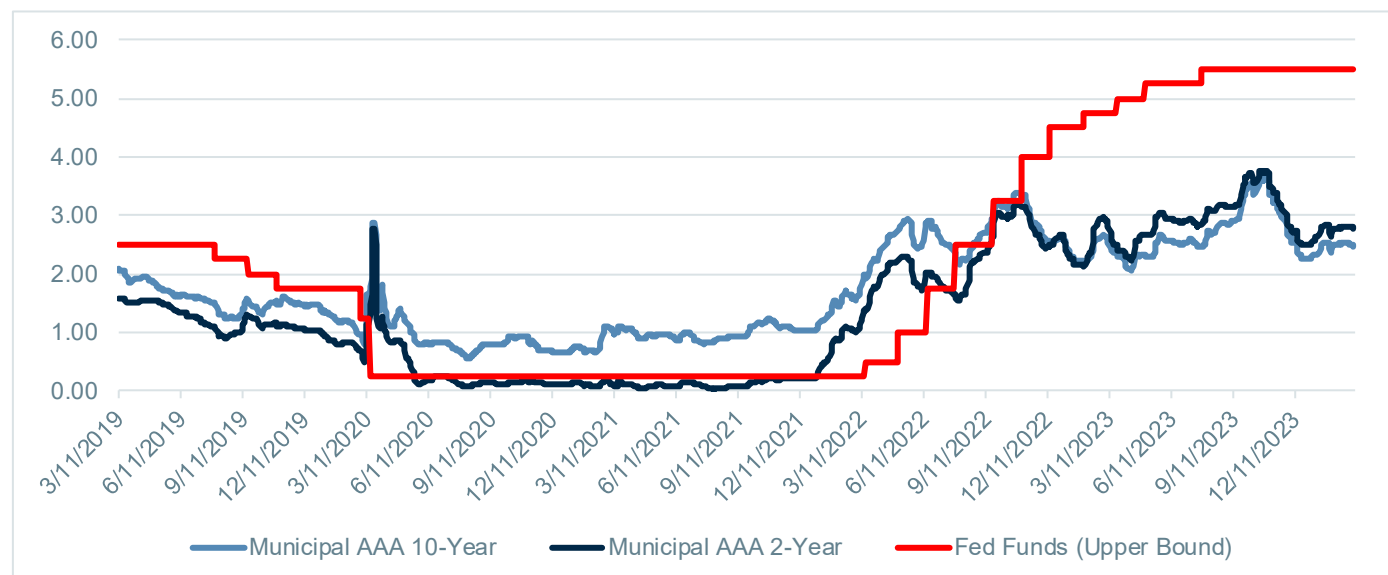
Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$997,144
Accrued Interest	\$9,849
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,006,993
Next 12mo Cpn Cash Flow	\$43,234
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	24.72 yrs
Duration	11.83
Yield to Worst	4.149%
Yield to Maturity	4.332%
Market Price*	99.714
Tax Lots Holdings Included	20 of 20

## NAVIGATING TODAY'S MARKET

New issuance is expected to come in at \$7.2 billion this week according to The Bond Buyer. Some of the larger deals include: Florida (Aa3/AA/AA) is selling \$1.5 billion of taxable State Board of Administration Finance Corporation revenue bonds; the Board of Regents of the University of Texas System (Aaa/AAA/AAA) is issuing \$527 million of revenue financing system bonds; the New York City Municipal Water Authority (Aa1/AA+/AA+) is

bringing a \$450 million water and sewer system revenue bond deal to market; the Ohio Water Development Authority (Aaa/AAA) is selling \$350 million of Water Pollution Control Load Fund bonds; and the Indiana Housing and Community Development Authority (Aaa/-/AA+) is issuing \$199 million of single-family mortgage revenue bonds. See table below for additional new issuance.

## HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
4/16	\$447MM	New York City Municipal Water	NY	Water & Sewer System Second General	Aa1 /Aa+ /Aa+	6/15/38,46,54
4/16	\$38MM	New Mexico Mortgage Finance	MN	Single Family Mortgage Program Class I	Aaa / /	03/01/2025-
4/16	\$88MM	New Mexico Mortgage Finance	NM	Single Family Mortgage Program Class I	Aaa / /	03/01/2025-
4/16	\$70MM	La Porte Independent School	TX	Unlimited Tax School Building Bonds,	Aaa /AAA / (Aa2 /Aa / )	02/15/2025-45
4/16	\$13MM	Hempfield School District	PA	General Obligation Bonds, Series of 2024	Aa2 /NR /NR	4/15/25-37
4/16	\$12MM	Board of Water & Sewer Comm of	AL	Water and Sewer Revenue Bonds, Series	/Aa / ( /BBB+ / ) AGM	9/1/25 - 2053
4/16	\$527MM	Board of Regents of the University	TX	Revenue Financing System Bonds	Aaa /AAA /AAA	
4/17	\$32MM	School Board of Sumter County,	FL	Certificates of Participation	/Aa / ( /A+ / ) AGM	1/1/31-49
4/17	\$3MM	Lackawanna Trail School District	PA	(Wyoming & Lackawanna Counties)	NR /Aa /NR ( /A / ) AGM	3/15/25-43
4/17	\$65MM	City of Tallahassee	FL	Capital Bonds	Aa2 / /Aa+	10/01/2025-54
4/17	\$10MM	Arkansas Development Finance	AR	Single Family Mortgage Revenue Bonds	/Aa+ /	2025-34,39,44,49,54
4/17	\$40MM	Arkansas Development Finance	AR	Single Family Mortgage Revenue Bonds	/Aa+ /	2025-36,39,44,49,54
4/18	\$25MM	State of Oregon Dept of Admin	OR	Oregon State Lottery Revenue Bonds 2024	Aa2 /AAA /NR	4/1/2025
4/18	\$29MM	State of Oregon Dept of Admin	OR	Oregon State Lottery Revenue Bonds 2024	Aa2 /AAA /NR	04/01/2025-27
4/18	\$71MM	State of Oregon Dept of Admin	OR	Oregon State Lottery Revenue Bonds 2024	Aa2 /AAA /NR	04/01/2025-37
4/18	\$93MM	State of Oregon Dept of Admin	OR	Oregon State Lottery Revenue Bonds 2024	Aa2 /AAA /NR	04/01/2025-33,37-44
4/18	\$11MM	Conemaugh Township Area	PA	(Somerset County) General Obligation	NR /Aa /NR ( /A+ / ) BAM	12/1/25-48

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](http://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

© 2024 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.  
© 2024 Raymond James Financial Services, Inc., member FINRA/SIPC. All rights reserved.  
Raymond James® is a registered trademark of Raymond James Financial, Inc.

M23-184726 through 4/28/26