

Municipal Bond Investor Weekly

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



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THE WEEK AHEAD

- 1. Visible new issue supply over the next month is currently \$21.3 billion, while redemptions and maturities over the same period are \$29 billion.
- 2. Key economic numbers in the belly of the week highlighted by CPI Tuesday, PPI Wednesday, then Retail Sales and Import/Export Pricing Thursday.

MONDAY'S COMMENTARY

How Sensitive Is Your Portfolio?
Illustrative Portfolios

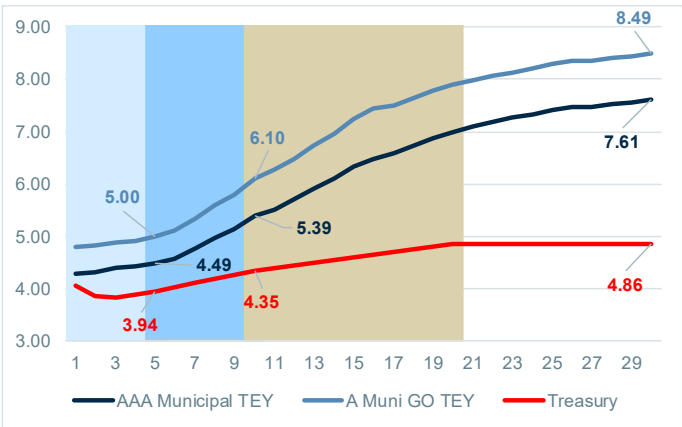
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THE NUMBERS THIS WEEK

Treasury yields rose last week with larger moves coming on the longer part of the curve. 1 to 5 year yields were higher by 2 to 5 basis points while 10 to 30 year yields rose by 8 to 10 basis points. Municipal yields were mixed. The benchmark AAA curve yields inside of 10-years fell by 3 to 6 basis points while longer-term yields rose by 3 to 4 basis points. The moves in the municipal space last week continue the recent trend of falling short-term yields and rising long-term yields.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	4.07	2.54	2.85	4.29	4.81	62%	105%
2	2027	3.88	2.56	2.86	4.33	4.83	66%	112%
5	2030	3.94	2.66	2.96	4.49	5.00	67%	114%
10	2035	4.35	3.19	3.61	5.39	6.10	73%	124%
20	2045	4.87	4.15	4.68	7.00	7.90	85%	144%
30	2055	4.86	4.50	5.02	7.61	8.49	93%	157%

*Taxable equivalent yield @ 40.8% tax rate



HOW SENSITIVE IS YOUR PORTFOLIO?

Through the daily business media, investors are bombarded with information on the minute-by-minute changing prices of their equity investments --- whether it's an index like the S&P 500, the Dow, NASDAQ, changes in the MAG-7, or the price of individual shares. Rarely does one hear the same focus when it comes to the bond market. We may hear that the bond market is "rallying" or "selling off" --- but the numeric focus is on yields, not prices. The bond market may be different --- but that doesn't mean bond investors aren't concerned about the price of individual bonds or the market value of their portfolio as rates move up and down. Bond investors have something equity investors don't: **a measure that helps understand future price fluctuations --- in advance. It's called duration.**

Specifically, **modified duration** measures the percentage change of a bond's market value relative to a 1% change in interest rates. For example, if a bond has a modified duration of 5, then for a 1% increase in interest rates, we expect a bond's value to decrease by approximately 5%. Remember, as interest rates increase, bond prices fall and when they decrease, prices rise.

So how should investors use modified duration? The higher the modified duration the greater its price sensitivity is to changes in interest rates – the opposite is true for those bonds with a lower number. The unknown is what concerns investors the most. Understanding modified duration allows investors to practically see into the future to assess the role volatility will play in their overall portfolio:

- **Assessing Interest Rate Risk** - Being able to estimate how much a bond's price correlates with changes in interest rates should help manage expectations and select bonds more closely aligned with an investor's appetite for volatility. The same logic can be applied to portfolios when a modified duration number represents the weighted average of all bonds held within an investor's portfolio.
- **Portfolio Management** – Knowing a portfolio's modified duration provides investors with a roadmap to maintaining course when adding funds or reinvesting proceeds from calls, maturities or asset reallocation. It also lays groundwork for investors wanting to modify their portfolios to strategically align volatility with potential changes in interest rates. For example, investors will buy short duration bonds when higher interest rates are expected in the future.
- **Hedging** – If an investor expects rising interest rates, like what happened between 2021 – 2022, they can reduce the modified duration of their portfolio (either by selling long-duration bonds or buying shorter-duration bonds) to minimize the negative impact.
- **Strategic Bond Selection** - Investors who want to maximize returns in a **falling interest rate environment** may focus on bonds with longer durations, as these tend to see larger price increases when yields drop.

As we've referenced on numerous occasions, bond investors typically exercise buy and hold strategies when it comes to investing in fixed income securities. Modified duration is a powerful tool adapted from Macaulay Duration, which measures the average weighted time it takes for an investor to be repaid for their investment, adjusted for present value of future cash flows (coupons paid and principal returned). Passage of time, evolving interest rate environment and a bond's unique structure (e.g., callability or putability prior to maturity) will affect modified duration. We cannot expect a 10-year bond bought today to maintain a constant duration as it approaches maturity. This is another reason why meeting periodically with your financial advisor is important. Doing so ensures your portfolio remains aligned with your financial goals and market expectations. There should be no surprises when interest rates change, as they do over time, and the prices of your bonds rise and fall as well.

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week 10-year Treasury yields zig-zagged during the week, ending up by 8 basis points. Municipals yields inside 10 years were lower by 2 – 4 basis points --- past 10 years, yields were higher by similar amounts.

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), without significantly increasing volatility (modified duration 7.1 on 10 - 20 years vs 7.63 on 20-30 years). A 20 – 30 year portfolio rated A or better, produces a tax-free yield to worst of ~4.75%, which equates to a **taxable equivalent yield to worst of ~8.10%** 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 ~4.90%, which equates to a **taxable equivalent yield to maturity of ~8.25%**. This option has an average coupon ~4.95% and a market price of ~100.81. The **current yield is ~4.91%**. An investment with \$1 million par value (~\$1,019,365 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 July 14, 2025

1 – 10 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,046,358
Accrued Interest	\$9,453
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,055,810
Next 12mo Cpn Cash Flow	\$44,000
Generic Annual Cpn Cash Flow	\$44,000
Weighted Averages	
Coupon*	4.400%
Maturity**	5.46 yrs
Duration	3.37
Yield to Worst	2.994%
Yield to Maturity	3.297%
Market Price*	104.636
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	\$1,023,322
Accrued Interest	\$10,107
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,033,428
Next 12mo Cpn Cash Flow	\$47,225
Generic Annual Cpn Cash Flow	\$47,250
Weighted Averages	
Coupon*	4.725%
Maturity**	15.34 yrs
Duration	7.06
Yield to Worst	4.237%
Yield to Maturity	4.483%
Market Price*	102.332
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	\$1,008,093
Accrued Interest	\$11,272
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,019,365
Next 12mo Cpn Cash Flow	\$48,540
Generic Annual Cpn Cash Flow	\$49,500
Weighted Averages	
Coupon*	4.950%
Maturity**	25.39 yrs
Duration	7.61
Yield to Worst	4.785%
Yield to Maturity	4.895%
Market Price*	100.809
Tax Lots Holdings Included	20 of 20

NAVIGATING TODAY'S MARKET

Just under \$9 billion in new issuance is expected to come to market this week, according to The Bond Buyer. Some of the larger deals include: the City and County of Honolulu, HI (-/AA+) is selling \$695 million of general obligation bonds; Sale Lake City (A1/A+) is bringing a \$609 million airport revenue bond deal to market; the Utah Transit Authority (Aa2/AA+/AA) is issuing \$450 million of sales tax revenue and refunding bonds; the New York State Environmental Facilities Corp (Aaa/AAA/AAA) is selling \$370 million of clean eater revolving fund revenue refunding bonds; and Dripping Springs Independent School District, TX (Aaa/AAA) is selling \$328 million of PSF-enhanced unlimited tax school building bonds. See table below for additional new issuance.

HISTORICAL YIELDS



MUNICIPAL BOND INVESTOR WEEKLY

Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
07/14/2025	\$7MM	Helena	MT	City of Helena, Montana	--/AA--	2026 - 2045
07/14/2025	\$11MM	Harris Co MUD No. 569	TX	Harris County Municipal Utility District No.	A1/AA/NR	2027 - 2052
07/14/2025	\$6MM	Harris Co MUD No. 569	TX	Harris County Municipal Utility District No.	A1/AA/NR	2027 - 2052
07/14/2025	\$6MM	Wayzata ISD #284	MN	Independent School District No. 284	Aa1/NR/NR	2027 - 2036
07/14/2025	\$3MM	Moraine Park Tech Co	WI	Moraine Park Technical College District,	Aaa/--/--	2026 - 2035
07/14/2025	\$4MM	Blackhawk Tech Coll	WI	Blackhawk Technical College District,	Aa2/--/--	2027 - 2035
07/14/2025	\$14MM	Oak Grove	MN	City of Oak Grove, Minnesota	Aa2/--/--	2026 - 2055
07/14/2025	\$65MM	Bloomington	MN	City of Bloomington, Minnesota	--/AA--	2026 - 2045
07/14/2025	\$31MM	Bloomington	MN	City of Bloomington, Minnesota	--/AAA--	2026 - 2044
07/14/2025	\$28MM	High Island ISD	TX	High Island Independent School District,	NR/AAA/NR	2028 - 2055
07/14/2025	\$4MM	Bedford County	TN	Bedford County, Tennessee	Aa3/--/--	2027 - 2045
07/14/2025	\$11MM	Lee County School District	GA	Lee County School District, Georgia	Aa1/--/--	2029 - 2033
07/14/2025	\$42MM	San Angelo	TX	City of San Angelo, Texas	--/AA/AA+	2026 - 2045
07/15/2025	\$3MM	Valley MUD #2	TX	Valley Municipal Utility District No. 2, Texas	Baa2/--/--	2030 - 2050
07/15/2025	\$9MM	Commerce	TX	City of Commerce, Texas	--/AA--	2027 - 2050
07/15/2025	\$16MM	Cedar Mountain ISD#2	MN	Independent School District No. 2754	NR/AAA/NR	2027 - 2046
07/15/2025	\$108MM	Rutherford County	TN	Rutherford County, Tennessee	Aaa/AAA/AAA	2026 - 2045
07/15/2025	\$2MM	Lake Elmo	MN	City of Lake Elmo, Minnesota	Aa1/--/--	2027 - 2036
07/15/2025	\$5MM	Saginaw	TX	City of Saginaw, Texas	NR/AA/NR	2026 - 2045
07/15/2025	\$55MM	Pequot Lakes ISD#186	MN	Pequot Lakes Independent School District	NR/AAA/NR	2028 - 2047
07/15/2025	\$101MM	Longview ISD	TX	Longview Independent School District,	Aaa/NR/AAA	2026 - 2049
07/15/2025	\$3MM	Skokie Pk Dt	IL	Skokie Park District, Illinois	Aa2/--/--	2028 - 2038
07/15/2025	\$2MM	Harmony	MN	City of Harmony, Minnesota	--/A+--	2027 - 2051
07/15/2025	\$9MM	Mason City	IA	City of Mason City, Iowa	Aa3/--/--	2026 - 2035
07/15/2025	\$7MM	Sch Dist #2 of Florence Co	SC	School District No. 2 of Florence County,	Aa1/--/--	2026 - 2050
07/15/2025	\$18MM	Saginaw	TX	City of Saginaw, Texas	NR/AA/NR	2027 - 2045
07/15/2025	\$215MM	Irving ISD	TX	IRVING INDEPENDENT SCHOOL	Aaa/AAA--	2028 - 2045
07/15/2025	\$65MM	Arkansas Dev Fin Aut	AR	Single Family Mortgage Revenue Bonds,	--/AA+--	2026 - 2056
07/15/2025	\$231MM	New Hampshire Muni B	NH	New Hampshire Municipal Bond Bank	Aa2/AA+--	2026 - 2054
07/15/2025	\$329MM	Dripping Springs ISD	TX	Unlimited Tax School Building Bonds,	Aaa/AAA--	2026 - 2055
07/15/2025	\$7MM	NYS Dorm Auth	NY	Subseries 2025A-1	Aa2/--/--	2026 - 2050
07/15/2025	\$1MM	NYS Dorm Auth	NY	Subseries 2025A-2 (Federally Taxable)	Aa2/--/--	2026 - 2029
07/15/2025	\$22MM	Frost Independent School Dist	TX	Unlimited Tax School Building Bonds,	--/AAA--	2026 - 2055
07/15/2025	\$2MM	New Hampshire Muni B	NH	New Hampshire Municipal Bond Bank	Aa2/AA+--	2026 - 2035
07/15/2025	\$10MM	Westlake	TX	Town of Westlake, Texas	--/AAA--	2047 - 2055
07/16/2025	\$2MM	City of Buffalo, Texas	TX	City of Buffalo, Texas	--/A+--	2026 - 2045
07/16/2025	\$2MM	Verona	WI	City of Verona, Wisconsin	Aa1/--/--	2026 - 2035
07/16/2025	\$5MM	Union County	IA	Union County, Iowa	A1/--/--	2027 - 2041
07/16/2025	\$21MM	Lawrence	MA	City of Lawrence, Massachusetts	NR/AA+/NR	2026 - 2055
07/16/2025	\$21MM	North Wildwood	NJ	City of North Wildwood, New Jersey	NR/AA+/NR	2026 - 2037
07/16/2025	\$6MM	S Padre Island	TX	Tax Notes, Series 2025	--/AA+--	2026 - 2032
07/16/2025	\$36MM	District of Columbia	DC	Series 2025 A-2	Aa2/--/--	2046 - 2046
07/16/2025	\$63MM	Escambia Co S/B	FL	THE SCHOOL BOARD OF ESCAMBIA	A1/AA/A+	2028 - 2045
07/16/2025	\$18MM	Bellfonte Area SD	PA	Bellefonte Area School District	Aa3/--/--	2026 - 2051
07/16/2025	\$12MM	District of Columbia	DC	Series 2025 A-1	Aa2/--/--	2029 - 2046
07/17/2025	\$12MM	Faulkey Gully MUD	TX	Faulkey Gully Municipal Utility District,	A1/--/NR	2027 - 2052
07/17/2025	\$9MM	Seneca R-VII School District	MO	Seneca R-VII School District, Missouri	--/AA+--	2039 - 2044
07/17/2025	\$4MM	Spring Lake Township	MI	Township of Spring Lake, Michigan	--/AA--	2026 - 2034
07/17/2025	\$99MM	The Boulder Municipal Property	CO	The Boulder Municipal Property Authority,	Aa1/NR/NR	2025 - 2054
07/17/2025	\$101MM	Rhode Island Hsg & M	RI	Series 86-A (Non-AMT) (Social Bonds)	Aa1/AA+/NR	2028 - 2055
07/17/2025	\$4MM	Rhode Island Hsg & M	RI	Series 86-B (AMT) (Social Bonds)	Aa1/AA+/NR	2026 - 2028

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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.

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