

Municipal Bond Investor Weekly

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



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THE WEEK AHEAD

1. New issues flood the calendar with estimates of nearly \$20 billion in supply coming this week. Fortunately, there's \$45 billion in redemptions this month (see commentary below). This should offer investors plenty of reinvestment options.
2. More data this week, with the all-important jobs report on Friday, following last week's report on the Fed-favored PCE falling to a 2025 low of 2.1% YoY. Will the jobs report finally reflect the tariff impacts and give the Fed room to move later this month or next?
3. June is busy month for state legislatures ahead of June 30 fiscal year end. Illinois (A3/A-) passed its seventh consecutive balanced budget under Pritzker for \$55 billion amid uncertainty about federal funding. Look for additional state updates in our June commentaries.

MONDAY'S COMMENTARY

Summer Drought/Deluge?
 Illustrative Portfolios

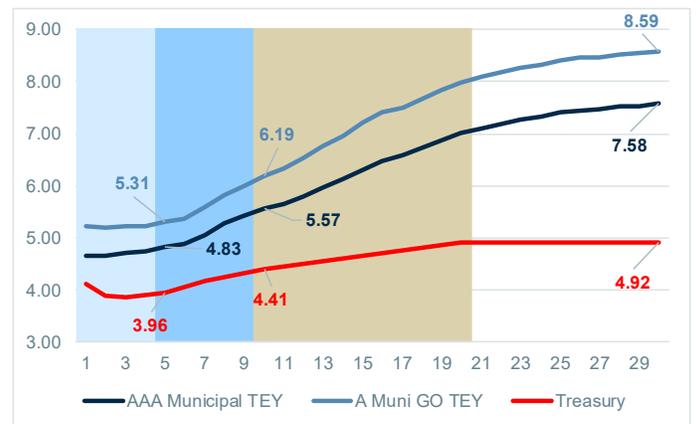
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THE NUMBERS THIS WEEK

Bonds rallied across the fixed income universe last week, driving prices higher and yields lower. Treasury yields fell from 4 to 12 basis points, with moves fairly across 2 to 30 years. Municipal yields also fell across the curve, although the largest moves were in the 1 to 5 year range looking at the AAA curve. Short-term yields fell by 6 to 9 basis points while longer yields fell by 2 to 3 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	4.11	2.75	3.09	4.65	5.23	67%	113%
2	2027	3.89	2.77	3.09	4.67	5.21	71%	120%
5	2030	3.96	2.86	3.15	4.83	5.31	72%	122%
10	2035	4.41	3.29	3.67	5.57	6.19	75%	126%
20	2045	4.93	4.15	4.73	7.01	7.98	84%	142%
30	2055	4.92	4.49	5.08	7.58	8.59	91%	154%

*Taxable equivalent yield @ 40.8% tax rate

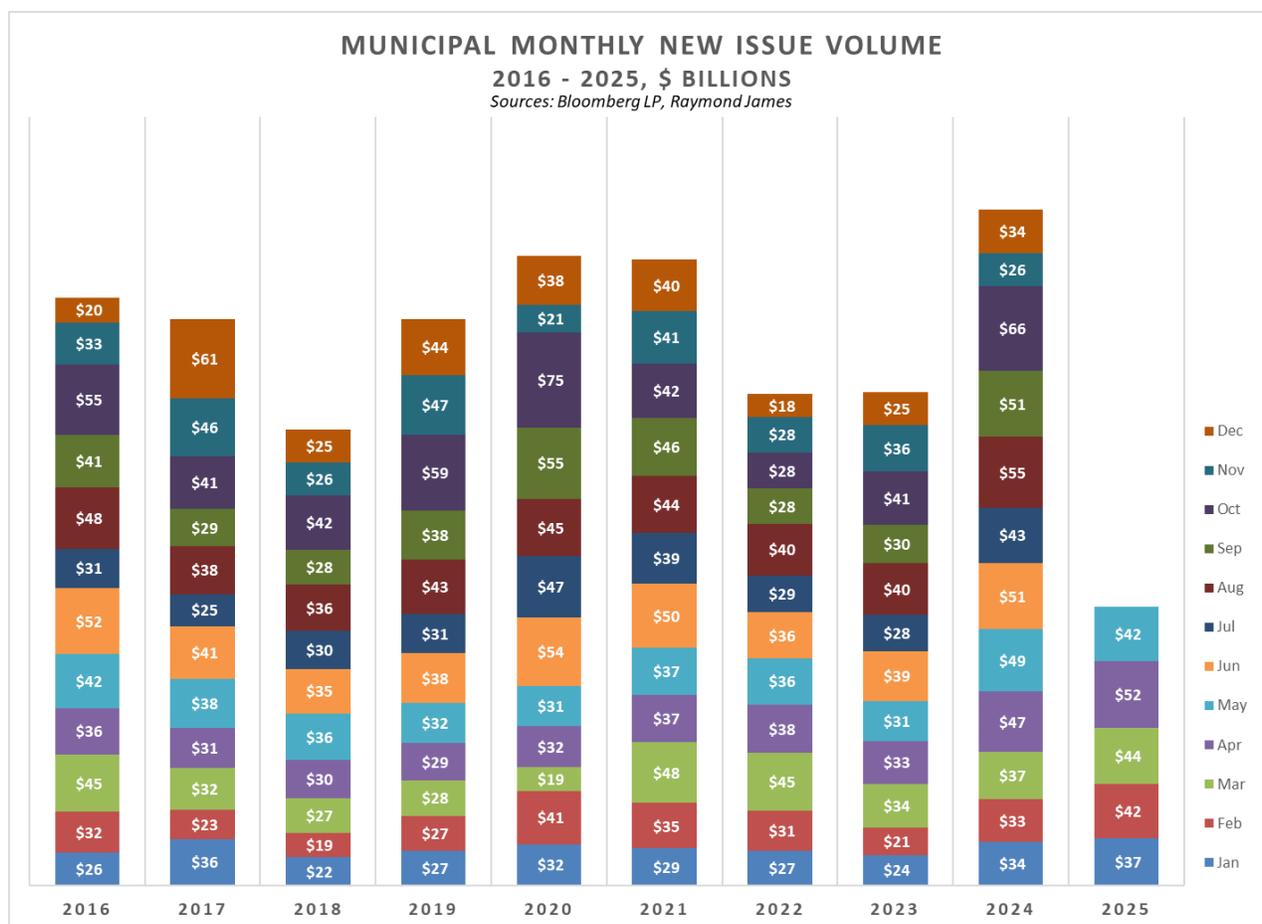


SUMMER DROUGHT/DELUGE?

It's that time of year again, when we take a look at one of the fundamental factors driving any market, but particularly the muni market: Supply, demand and money-in-motion!

As we've highlighted in our commentaries year to date, the new issue municipal supply for 2025 has been impressive. The chart below, based on Bloomberg market data, looks at monthly volume over the past decade. Through May, the results are nothing short of impressive: 2025 to date surpasses every year over the last decade and is even 9% above last year's record volume for the first five months --- in what would become a record new issuance year at over \$500 billion in 2024.

The 2025 record breaking supply has been met with strong demand. The Bloomberg AAA benchmark municipal 10-year yield has moved higher (prices slightly lower) since the start of the year (~3.10% to 3.30%), while the 10-year Treasury has moved modestly lower (4.56% to 4.43%) despite volatile interim periods reflecting the political uncertainties and supply-demand dynamics (yield data as of 5/29/25.) For municipal investors, that extra supply has likely contributed to municipals being a bit cheaper relative to Treasuries.



The question for investors is: where do we go from here? Will we see a summer “drought” in the muni market, with money from maturing and redeemed bonds exceeding new issue supply? That supply-demand dynamic has led to higher prices / lower yields in the past. The data we look at is what we often refer to as money-in-motion: that's the principal and interest (P&I) dollars being returned to muni investors each month from regularly scheduled P&I along with principal from bonds being called prior to maturity. According to Bloomberg data, June, July and August will see the largest volumes being returned to muni investors during 2025: \$120 billion in principal plus \$48 billion in interest --- \$168 billion in total, with June leading the way (see table below). We know from our own experience with our financial advisors and clients that a significant portion of the principal dollars are reinvested.

Less clear is what happens with the interest component. We know many clients use that money to live their “life well-planned” and it is NOT reinvested, but some likely is. We also know there is a lot of money “on the sidelines” --- sitting in enhanced savings vehicles and / or money market funds. Recent data from Investment Company Institute (ICI) reports that as of May 21 there is nearly \$7 trillion --- yes, with a T – in money market fund assets. Retail investors account for nearly \$2.9 trillion; just in retail tax-exempt money market funds there’s \$130 billion that could be re-deployed at any time into customized portfolios with individual municipal bonds. To say there are a lot of moving pieces to this investment puzzle over the next three months is an understatement!

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	\$36,647	\$16,246	\$52,893
Aug-2025	\$37,773	\$15,996	\$53,768
Sep-2025	\$17,467	\$10,102	\$27,569
Oct-2025	\$17,615	\$10,943	\$28,558
Nov-2025	\$18,859	\$13,738	\$32,598
Dec-2025	\$22,157	\$16,207	\$38,364
Total	\$316,301	\$164,376	\$480,677

Source: Bloomberg Intelligence

Without getting too far into the weeds, there’s another important dimension of this discussion for investors in higher tax states --- think California, New York, among others. All the data above is national numbers, and averages oftentimes “gloss over” important nuances within the data. **California and New York are two particular examples worth focusing on.** Again, looking at Bloomberg data, California issuers are expected to return nearly \$21 billion to municipal investors in June through August; in New York, the number is just over \$14 billion. Here’s the challenge: when we look at historical new issue supply numbers and talk to our municipal underwriters about their expectations for the months ahead, **very different pictures emerge for California and New York investors.** In New York, the ~\$14 billion being returned to investors is likely to be met with roughly equal new issue volume --- with few exceptions, that’s been the pattern over the past decade. However, in

California, a different story is emerging...dare we say a drought may be on the horizon? Over the last decade, the average issuance in California during these three months is ~\$16 billion. Only in 2020 did it exceed \$20 billion --- and that was an extraordinary year! Will there be too many “California-focused dollars” chasing too few opportunities? The wild card for California new issuance is, not surprising, the State of California. This year, the state is not expected to issue any meaningful level of general obligation bonds over the next three months, and that would have a significant impact on municipal bond supply for California investors.

What’s all this mean for investors? For most muni investors, the summer months are a period when the “early bird gets the worm,” i.e., if clients have redemption money / new money to put to work, don’t wait. The more constrained supply is, the more likely prices are to rise, yields to fall. **For California investors,** the summer could be particularly challenging if some / all of the factors we’ve discussed come into play. **With yields where they are today, clients should lock in higher yields and buy longer duration (maturity) bonds to lock in that tax-efficient coupon cash flow for longer --- especially if you live in higher tax states.** The **taxable equivalent yields for California and New York** investors (among others) in the top tax brackets **frequently exceed 8% --- and can approach 10%** depending on the specific bonds purchased. That’s the beauty of buying individual bonds and working with your advisor and your fixed income team at Raymond James. With a customized portfolio, we can capture unique opportunities in the market that may help preserve your wealth and keep that tax-efficient coupon cash flowing for years to come! No droughts in your future!

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week post-holiday yields were lower across the curve by 2 to 9 basis points. 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 ~45 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 ~4.71%, which equates to a **taxable equivalent yield to worst of ~7.96%** 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 ~4.86%, which equates to a **taxable equivalent yield to maturity of ~8.21%**. This option has an average coupon ~4.95% and a market price of ~\$101.32. The **current yield is ~4.86%**. An investment with \$1 million par value (~\$1,025,208 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 2, 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	\$1,040,930
Accrued Interest	\$10,819
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,051,749
Next 12mo Cpn Cash Flow	\$44,000
Generic Annual Cpn Cash Flow	\$44,000
Weighted Averages	
Coupon*	4.400%
Maturity**	5.58 yrs
Duration	3.63
Yield to Worst	3.215%
Yield to Maturity	3.463%
Market Price*	104.093
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	\$1,021,606
Accrued Interest	\$11,857
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,033,463
Next 12mo Cpn Cash Flow	\$47,225
Generic Annual Cpn Cash Flow	\$47,250
Weighted Averages	
Coupon*	4.725%
Maturity**	15.47 yrs
Duration	7.12
Yield to Worst	4.261%
Yield to Maturity	4.504%
Market Price*	102.161
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	\$1,013,234
Accrued Interest	\$11,974
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,025,208
Next 12mo Cpn Cash Flow	\$47,384
Generic Annual Cpn Cash Flow	\$49,500
Weighted Averages	
Coupon*	4.950%
Maturity**	25.50 yrs
Duration	7.69
Yield to Worst	4.714%
Yield to Maturity	4.860%
Market Price*	101.323
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

Estimates for municipal new issuance this week are as high as \$20 billion, which would be the most active week of the year. Some of the larger deals include: the Indiana Finance Authority (Aa2/AA/AA) is selling \$1.5 billion of Indiana University health system revenue bonds; the Public Utilities Commission of the City and County of San Francisco (Aa2/AA-) is bringing a \$994 million water revenue deal to market; the Board of Regents of the University of Texas System (Aaa/AAA) is issuing \$800 million of revenue financing system refunding bonds; the Metropolitan Washington Airports Authority (Aa3/AA-/AA-) is selling \$714 million of airport system revenue AMT bonds; and Los Angeles (-/AA/AA+) is bringing a \$477 million wastewater system revenue deal to market. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
06/02	\$18MM	Georgia Hsg & Fin Au	GA	Single Family Mortgage Bonds 2025	NR/AA/NR	2025 - 2030
06/02	\$234MM	Georgia Hsg & Fin Au	GA	Single Family Mortgage Bonds, 2025	NR/AA/NR	2030 - 2055
06/03	\$18MM	Wamego	KS	Electric System Revenue Bonds, Series	--	2027 - 2045
06/03	\$41MM	Los Rios Comm Coll	CA	2025 Refunding General Obligation Bonds	--/AA+/-	2025 - 2028
06/03	\$10MM	Los Rios Comm Coll	CA	General Obligation Bonds, 2008 Election	--/AA+/-	2026 - 2028
06/03	\$100MM	Alabama Hsg Fin Auth	AL	Collateralized Single Family Mortgage	Aa1/-/-	2026 - 2056
06/03	\$133MM	Tacoma	WA	Electric System Revenue Bonds, Series	--/AA/AA-	2043 - 2055
06/03	\$150MM	Seminole Co SD	FL	School District of Seminole County, Florida	Aa3/AA/-	2025 - 2034
06/03	\$133MM	Alaska Hsg Fin Corp	AK	2025 SERIES A	Aa1/AA+/-	2027 - 2033
06/03	\$160MM	Oklahoma Wtr Res Bd	OK	Oklahoma Water Resources Board	--/AAA/AAA	2027 - 2055
06/03	\$92MM	Tacoma	WA	Electric System Revenue Refunding	--/AA/AA-	2027 - 2035
06/04	\$153MM	Utah Hsg Corp	UT	2025 SERIES F (FIXED RATE)	Aa2/-/-	2026 - 2055
06/04	\$120MM	Utah Hsg Corp	UT	2025 SERIES E (FIXED RATE) (NON-AMT)	Aa2/-/-	2026 - 2055
06/04	\$4MM	Crawford Co Sch Bldg Corp	IN	Ad Valorem Property Tax First Mortgage	--/AA+/-	2027 - 2043
06/04	\$42MM	La Porte ISD	TX	LA PORTE ISD, UNLIMITED TAX SCHOOL	Aaa/AAA/-	2026 - 2045
06/04	\$41MM	Temple ISD	TX	TEMPLE INDEPENDENT SCHOOL	NR/AA/NR	2026 - 2041
06/05	\$7MM	Kutztown Area SD	PA	General Obligation Bonds, Series B of	--/AA/-	2038 - 2043
06/05	\$35MM	Oakdale Jt USD	CA	General Obligation Bonds, Election of	--/AA/-	2026 - 2054
06/05	\$40MM	Dickson	TN	Electric System Revenue Bonds, Series	Aa3/-/-	2027 - 2045
06/05	\$10MM	Warrensville Heights	OH	Warrensville Heights City, Ohio	--	2026 - 2026
06/05	\$3MM	Kutztown Area SD	PA	General Obligation Bonds, Series A of	--/AA/-	2027 - 2038
06/05	\$2MM	Kutztown Area SD	PA	General Obligation Bonds, Series C of	--/AA/-	2043 - 2044
06/05	\$200MM	Jackson Co SD	GA	Jackson County School District (Georgia)	Aa1/AA+/-	2028 - 2041
06/05	\$8MM	Southgate Comm SD	MI	2025 School Building and Site Bonds,	--/AA/-	2030 - 2050
06/05	\$4MM	Kutztown Area SD	PA	General Obligation Notes, Series D of	--/AA/-	2044 - 2046
06/05	\$19MM	Santee S/D	CA	2025 GENERAL OBLIGATION	--/AA/-	2025 - 2040

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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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