

Municipal Bond Investor Weekly

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



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THE WEEK AHEAD

1. The current municipal yield curve is the steepest in 3 years, rewarding investors along the entire curve --- 15 to 20 years remains most attractive.
2. New issuance for the shortened holiday week is expected to be ~ \$5.5 billion.
3. Looking to invest this week? Look to Texas and the large slate of new issues.



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MONDAY'S COMMENTARY
 Texas May Appeal to Everyone
 Illustrative Portfolios

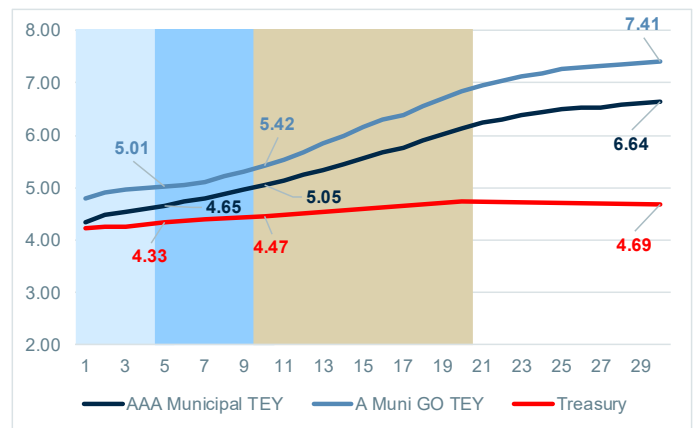
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THE NUMBERS THIS WEEK

Although yields experienced a fair amount of volatility over the course of the week, yields ended the week with minimal week-over-week changes. Treasury yields from 2 to 10 years fell by 1 to 3 basis points while the 30-year yield was unchanged. Municipal yields moved in the opposite direction of their taxable counterparts as the benchmark AAA curve edged higher by 3 to 5 basis points. Muni-Treasury ratios remain in the upper 60% range at 10-years and the low 80% range at 30-years.

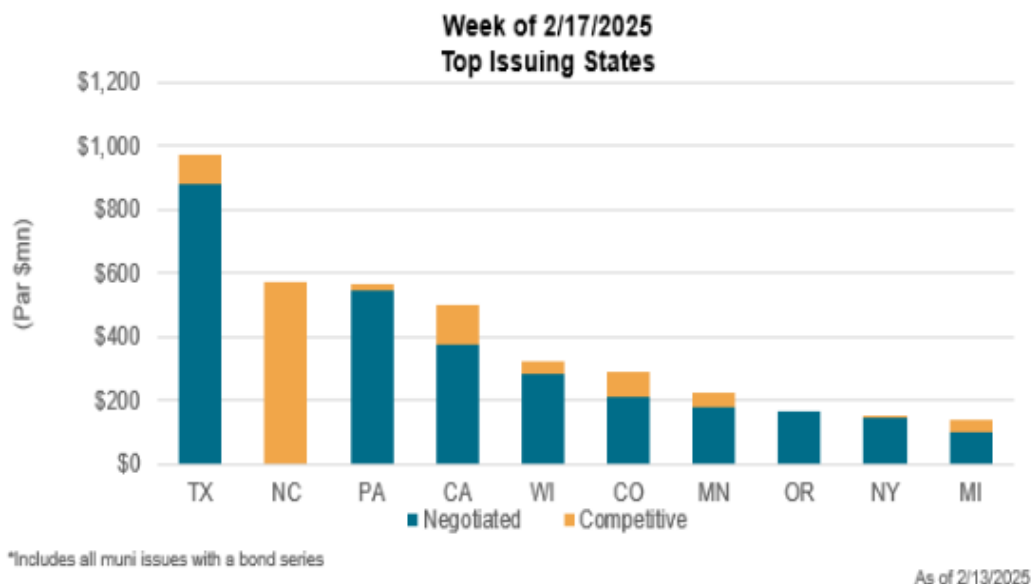
Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	4.23	2.58	2.84	4.36	4.80	61%	103%
2	2027	4.26	2.65	2.91	4.47	4.91	62%	105%
5	2030	4.33	2.75	2.97	4.65	5.01	64%	107%
10	2035	4.47	2.99	3.21	5.05	5.42	67%	113%
20	2045	4.75	3.64	4.06	6.14	6.85	77%	129%
30	2055	4.69	3.93	4.39	6.64	7.41	84%	142%

*Taxable equivalent yield @ 40.8% tax rate



TEXAS MAY APPEAL TO EVERYONE

The phrase "everything is bigger in Texas" is well-known, and with good reason. Texas, the largest state in the contiguous U.S., spans an impressive 268,596 square miles, making up 7.4% of the country. To put it into perspective, the smallest U.S. state, Rhode Island, can fit inside Texas 221 times. Despite its enormous size, Texas still falls short of Alaska, which holds the most acreage in the U.S. Beyond this trivia, Texas also consistently leads the nation in municipal bond redemptions for February. As noted by my colleagues in recent publications, we highlighted unique credits issued by the state, I would like to take a broader approach to some of the opportunities that the state of Texas provides for national investors. The graph below highlights the new issue supply expected for this week. **Texas will be issuing more than any state in February.**



(S&P Global Market Intelligence)

The state of Texas, along with seven other states, does not impose a state income tax. Consequently, residents in these states have no obligation to pay state income tax on earned income, meaning that investors can purchase tax-exempt municipal bonds outside of Texas without worrying about the tax implications that other investors might have to consider with out-of-state bonds. Given the active supply generated by these states, yields tend to be slightly higher than in states that tax their investors' income on out-of-state purchases. It all comes down to supply and demand. If a high-tax state does not generate enough supply to meet investor demand, it may place downward pressure on yields. As a result, **comparing the after-tax yield (ATY) with out-of-state yields would be prudent.**

Mdy / S&P (Underlying)	Issue Description	Coupon Maturity	Mkt Px Duration	Px To	Date	Yield	ATY	TEY
-AA (-A)	HARRIS CNTY TEX MUN UTIL DISTNO 105	3.500%	98.062	Next Call	03/17/2025	27.688%	26.303%	45.350%
		03/01/2036	8.912	Maturity	03/01/2036	3.716% (w)	3.530%	6.086%
				Curr Yield	-	3.569%		
	Callable 03/25@100 - OID - Material Events - Bank Qualified - BAM insured							
-AA (-A)	TUSCUMBIA ALA	3.200%	98.653	Next Call	03/17/2025	19.922%	19.922%	34.348%
		06/01/2036	9.326	Maturity	06/01/2036	3.344% (w)	3.344%	5.766%
				Curr Yield	-	3.244%		
	Callable 03/25@100 - OID - Bank Qualified - BAM insured							

Source: Tradeweb Direct

In the example above, an Alabama resident reviews two very similar offerings, an 11-year maturity, identical call dates, and BAM insured with an “A” underlying rating. An Alabama resident is subject to a 5% income tax on the earned income unless they purchase an Alabama bond. **If we compare the yields on the Alabama bond to the After-Tax Yield (ATY) on the Harris Co TX offerings, the investor will receive an ATY higher than if they purchase the AL bond. Resulting in a 19 basis point increase in yield to maturity (3.53% vs. 3.34%).** It is important to recognize that this will not always be the case, however, a professional on the fixed income trading desk can review the investors state of residence and propose the most opportunistic investment to complement their portfolio.

Raymond James is not a tax professional and does not provide tax advice. Always consult a tax professional prior to making any investment decisions.

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week municipal bond yields moved higher, ~3-5 basis points (bp) across 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 continues to offer an additional 60 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 ~4.20%, which equates to a **taxable equivalent yield to worst of ~7.07%** 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 ~4.39, which equates to a **taxable equivalent yield to maturity of ~7.39%**. This option has an average coupon around 4.31% and a market price of ~\$98.858. The **current yield is ~4.36%**. An investment with \$1 million par value (~\$988,623 market value with accrued interest) will generate a federally tax-exempt annual coupon cash flow of ~\$43,125.

National Municipal Bond Illustrative Portfolios

Week of February 18, 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	\$1,046,774
Accrued Interest	\$9,100
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,055,875
Next 12mo Cpn Cash Flow	\$42,000
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	4.92 yrs
Duration	3.27
Yield to Worst	2.993%
Yield to Maturity	3.236%
Market Price*	104.677
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	\$1,049,126
Accrued Interest	\$11,019
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,060,145
Next 12mo Cpn Cash Flow	\$45,000
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	13.79 yrs
Duration	6.15
Yield to Worst	3.594%
Yield to Maturity	3.969%
Market Price*	104.913
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	\$988,581
Accrued Interest	\$10,042
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$998,623
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	23.89 yrs
Duration	11.88
Yield to Worst	4.204%
Yield to Maturity	4.392%
Market Price*	98.858
Tax Lots Holdings Included	20 of 20

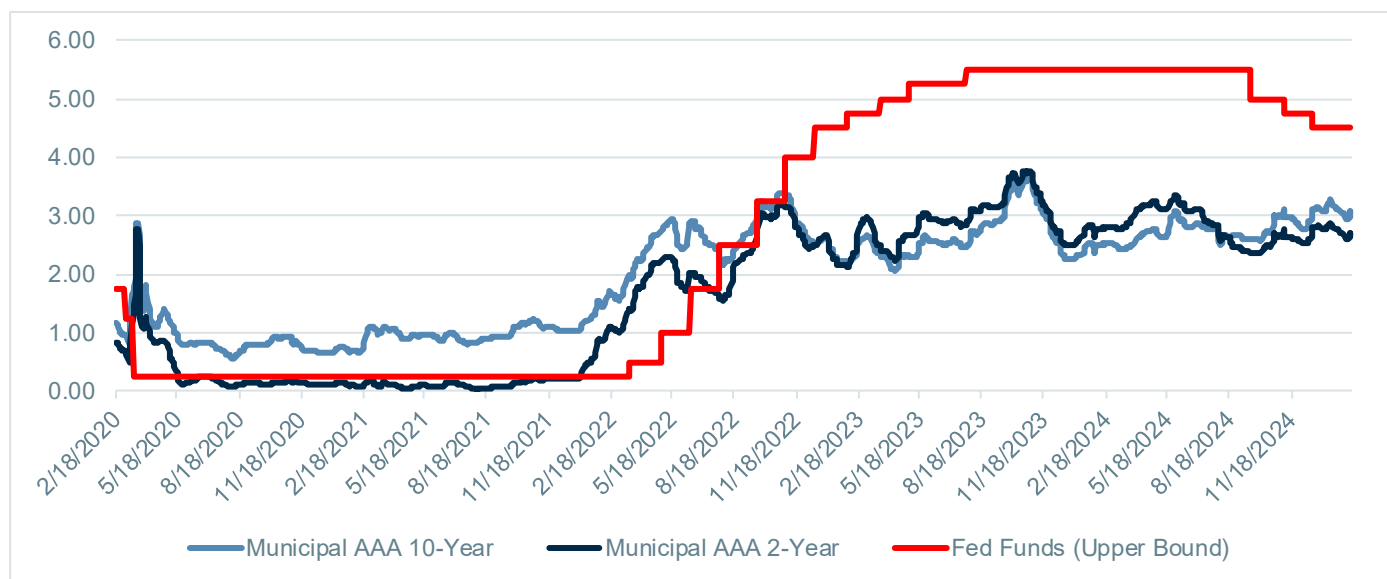
*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

NAVIGATING TODAY'S MARKET

New issuance is expected to come in at roughly \$5.5 billion this week according to The Bond Buyer. Some of the larger deals include: Miami-Dade County, FL (-/A+/A+) is selling \$526 million of airport revenue bonds, consisting of both AMT and non-AMT series; the Pennsylvania Economic Development Financing Authority (Aa3/-/AA-) is bringing a \$500 million taxable deal to market of Economic Development and Infrastructure program revenue bonds;

the Board of Regents of the Texas Tech University System (Aa1/-/AA+) is selling \$298 million of revenue financing system refunding and improvement bonds; and the Houston Independent School District (Aaa/AAA) is selling \$151 million of PSF-backed refunding bonds. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
02/18	\$5MM	River Trails Pk Dt	IL	General Obligation Limited Tax School	Aa2/-/--	2026 - 2035
02/18	\$9MM	River Trails Pk Dt	IL	General Obligation School Bonds	Aa2/-/--	2025 - 2044
02/18	\$6MM	Huntsville Pub Bldg	AL	The Public Building Authority of the City of	Aa1/AA+/-	2026 - 2052
02/18	\$13MM	Baldwin Comm Schs	MI	2025 SCHOOL BUILDING AND SITE	--/AA--	2026 - 2049
02/18	\$5MM	Levelland, TX	TX	City of Levelland, Texas	--/AA--	2026 - 2040
02/19	\$30MM	Vermont Hsg Fin Agy	VT	Vermont Housing Finance Agency	Aa1/NR/AA+	2034 - 2055
02/19	\$7MM	Aspermont ISD	TX	Aspermont Independent School District,	--/AAA--	2036 - 2045
02/19	\$6MM	Dundee Com Schs	MI	2025 REFUNDING BONDS	--/AA--	2026 - 2030
02/19	\$42MM	Fulton Co Dev Auth	GA	Development Authority of the Fulton County	A1/NR/NR	2025 - 2032
02/19	\$15MM	Vermont Hsg Fin Agy	VT	Vermont Housing Finance Agency	Aa1/NR/AA+	2026 - 2055
02/19	\$9MM	NYS Dorm Auth	NY	Dormitory Authority of the State of New York	Aa2/NR/NR	2026 - 2054
02/20	\$39MM	State of New York	NY	Homeowner Mortgage Revenue Bonds	Aa1/NR/NR	2035 - 2055
02/20	\$3MM	Louisiana Housing Corporation	LA	Single Family Mortgage Revenue Bonds	Aaa/NR/NR	2026 - 2028
02/20	\$20MM	State of New York	NY	Homeowner Mortgage Revenue Bonds	Aa1/NR/NR	2025 - 2034
02/20	\$43MM	Montgomery Co Hsg Op	MD	Housing Opportunities Commission of	Aaa/NR/NR	2029 - 2034
02/20	\$67MM	Vermont Bond Bank	VT	2025 Series 1 Bonds (Local Investment	Aa2/AA+/NR	2025 - 2055
02/20	\$55MM	S Lyon Comm Schs	MI	SOUTH LYON COMMUNITY SCHOOLS	Aa3/-/--	2026 - 2040
02/20	\$2MM	Lexington R-V School District	MO	GO Refunding Bonds (Missouri Direct	--/AA+/-	2036 - 2040
02/20	\$80MM	State of New York	NY	Series 266 (Non-AMT)	Aa1/NR/NR	2035 - 2052
02/20	\$26MM	Warwick SD	PA	Warwick School District	Aa2/NR/NR	2026 - 2038
02/20	\$74MM	Louisiana Housing Corporation	LA	Single Family Mortgage Revenue Bonds	Aaa/NR/NR	2028 - 2055

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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.

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.

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