

Municipal Bond Investor Weekly

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



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THE WEEK AHEAD

1. Moody's downgrades the US government credit rating from Aaa to Aa1, citing deficits and interest costs.
2. New issue supply is expected to dip to \$11.7 billion, down from last week's hefty \$15 billion but still above the year-to-date weekly average ~\$11 billion.
3. Florida and other states are reviewing the elimination of property taxes, stay tuned this could have impactful results for some investors.

MONDAY'S COMMENTARY

Is There a Swap in Your Future?
Illustrative Portfolios

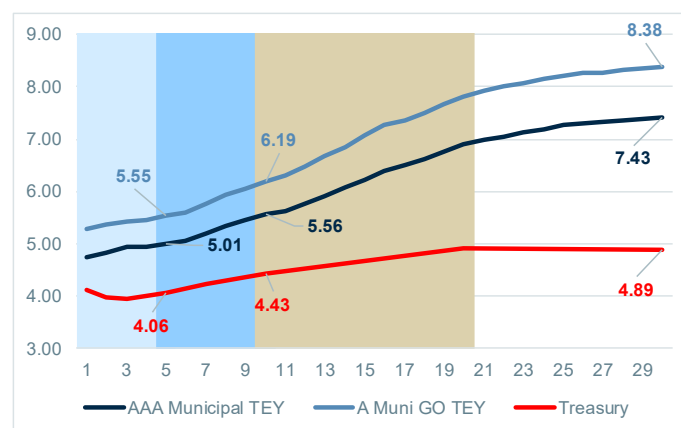
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THE NUMBERS THIS WEEK

Treasury yields rose, led by the 2-year which increased by 10 basis points. Intermediate and long-term yields rose by 6 basis points. Municipal yields fell by 1 to 2 basis points on the short and intermediate parts of the curve and rose by roughly the same amount on the long end of the curve.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	4.13	2.81	3.13	4.75	5.29	68%	115%
2	2027	3.98	2.87	3.17	4.84	5.36	72%	122%
5	2030	4.06	2.97	3.29	5.01	5.55	73%	123%
10	2035	4.43	3.29	3.66	5.56	6.19	74%	125%
20	2045	4.92	4.08	4.62	6.90	7.81	83%	140%
30	2055	4.89	4.40	4.96	7.43	8.38	90%	152%

*Taxable equivalent yield @ 40.8% tax rate



IS THERE A SWAP IN YOUR FUTURE?

The first half of the calendar year is nearly behind us; before long, we will welcome 2026. Year-end has traditionally prompted investors and advisors to reassess their fixed-income investments and determine whether adjustments are necessary. But mid-year also serves as an ideal time for this discussion. While most investors adhere to a buy-and-hold strategy, certain circumstances warrant a swap review. Various swap strategies can prove efficient depending on the situation. In this publication, we will examine five swaps designed to address specific financial scenarios.

A review of municipal benchmark 10-year and 30-year yields over the past two years indicates an increase of ~80 basis points (bp) for each benchmark. Consequently, bond prices have declined, resulting in unrealized losses. It is important to note that these unrealized losses will eventually disappear as the prices approach par (\$1,000) for each bond at maturity (or call date), barring any defaults.

Implementing a swap is not always a straightforward solution, as there is almost always a trade-off. **Investors must first determine their ultimate objective and then prioritize their needs based on the potential outcome.** Various types of swaps are available depending on individual circumstances, and we will outline some of the most widely utilized strategies.

- **Tax Loss Swaps:** Liquidating positions with unrealized losses to recognize those losses. **Purpose:** Offsetting other gains or carrying losses forward. Investors often opt for longer maturities to avoid reducing par value or cash flow. However, replacing long-term securities with losses can be challenging without adding additional cash to maintain par value. Note: Short-term and long-term losses receive different tax treatment, and the de minimis rule may influence replacement bond selection, particularly for lower-coupon purchases.
- **Extension Swaps:** Liquidating money market funds or selling shorter-maturity securities to acquire longer-term securities with extended call dates. **Purpose:** Investors anticipating declining interest rates may seek to mitigate reinvestment risk on shorter maturities while securing long-term cash flow stability.
- **Credit Swaps:** Selling riskier investments to acquire securities with stronger credit profiles. **Purpose:** Enhancing overall portfolio credit quality and minimizing potential future risks.
- **Tax-Bracket Adjustment Swaps:** Reallocating assets based on federal tax bracket changes. **Purpose:** Investors in higher tax brackets may consider shifting from taxable securities to tax-exempt securities, or vice versa, to optimize tax efficiency.
- **Geographic Swaps:** Liquidating assets due to relocation. **Purpose:** Depending on the new residence, purchasing in-state bonds may be more tax-efficient. For investors moving from high-tax states to states with no income tax, selling bonds at a premium and reinvesting in national securities may be beneficial.

As noted, every swap involves a trade-off—whether it be yield, cash flow, par value, duration extension, or the necessity of additional cash to facilitate the transaction. Investors must carefully evaluate their priorities to determine whether implementing a swap aligns with their best interests. **A financial advisor can provide guidance on individual swap strategies; however, please note that we do not provide tax advice. Investors should consult a qualified tax advisor for specific tax-related 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 yields were little changed. 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 ~65 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 ~4.65%, which equates to a **taxable equivalent yield to worst of ~7.76%** 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 ~4.73%, which equates to a **taxable equivalent yield to maturity of ~7.89%**. This option has an average coupon ~4.31% and a market price of ~\$94.20. The **current yield is ~4.58%**. An investment with \$1 million par value (~\$952,235 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 May 19, 2025

1 – 10 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,035,504
Accrued Interest	\$11,719
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,047,223
Next 12mo Cpn Cash Flow	\$41,250
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	4.65 yrs
Duration	3.03
Yield to Worst	3.226%
Yield to Maturity	3.430%
Market Price*	103.550
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.

10 – 20 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,019,048
Accrued Interest	\$10,394
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,029,442
Next 12mo Cpn Cash Flow	\$45,000
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	13.52 yrs
Duration	7.46
Yield to Worst	3.997%
Yield to Maturity	4.247%
Market Price*	101.905
Tax Lots Holdings Included	20 of 20

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20 – 30 Years

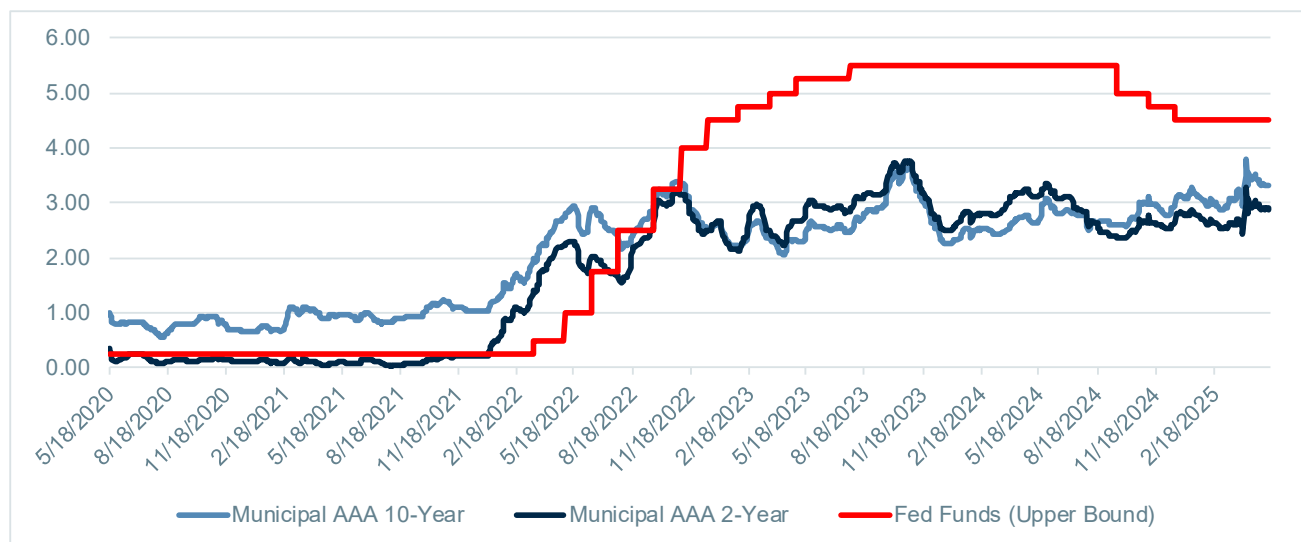
Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$941,792
Accrued Interest	\$10,443
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$952,235
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	23.63 yrs
Duration	11.52
Yield to Worst	4.647%
Yield to Maturity	4.728%
Market Price*	94.179
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 be nearly \$12 billion this week according to The Bond Buyer. Some of the larger deals include: the Kansas Department of Transportation (Aa2/AA) is selling \$731 million of highway revenue and refunding bonds; the New Jersey Educational Facilities Authority (Aaa/AAA) is issuing \$705 million of revenue bonds for Princeton University; the Leander Independent School District, TX is selling \$481 million of PSF-backed unlimited tax school building and refunding bonds (Aaa/AAA) as well as \$40 million of non-PSF bonds (-/AA/AA+); Boston, MA (Aaa/AAA) is bringing a \$461 million general obligation deal to market; Aurora Public Schools, CO is selling \$450 million of state intercept backed general obligation bonds; and Williamson County, TX (-/AAA/AAA) is issuing \$304 million of bonds across multiple series. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
05/19	\$14MM	Brazosport College District	TX	Maintenance Tax Notes, Series 2025	Aa2/-/-	2026 - 2045
05/19	\$125MM	Ernest Morial Exhib	LA	Ernest N. Morial - New Orleans Exhibition	Aa3/NR/AA+	2027 - 2054
05/20	\$7MM	Adrian RIII SD	MO	General Obligation School Building Bonds	-/AA+/-	2027 - 2045
05/20	\$39MM	Pleasant Vly SD	PA	Pleasant Valley School District	Aa3/-/-	2026 - 2045
05/20	\$45MM	Maryland CDA Dept Hsg Comm	MD	COMMUNITY DEVELOPMENT	Aa1/NR/AA+	2026 - 2056
05/20	\$109MM	Osceola Co SD	FL	School District of Osceola County, Florida	Aa2/NR/AA	2026 - 2036
05/20	\$92MM	N Carolina Hsg Fin A	NC	SERIES 58-A	Aa1/AA+/-	2056 - 2056
05/20	\$5MM	Wamego	KS	City of Wamego, Kansas	-/AA/-	2037 - 2045
05/20	\$9MM	SWEETWATER INDEPENDENT	TX	Sweetwater Independent School District,	-/AAA/-	2025 - 2053
05/20	\$155MM	Maryland CDA Dept Hsg Comm	MD	COMMUNITY DEVELOPMENT	Aa1/NR/AA+	2026 - 2055
05/20	\$207MM	N Carolina Hsg Fin A	NC	SERIES 58-B (FEDERALLY TAXABLE)	Aa1/AA+/-	2026 - 2056
05/20	\$17MM	Charlton Cty sch DT	GA	Charlton County School District, Georgia	Aa1/-/-	2026 - 2043
05/21	\$130MM	Florida Hsg Fin Corp	FL	2025 SERIES 3 (NON-AMT)	Aaa/-/-	2027 - 2056
05/21	\$461MM	Boston	MA	CITY OF BOSTON, MASSACHUSETTS	Aaa/AAA/-	2026 - 2045
05/21	\$65MM	Tracy USD Facs Imp Dt #3	CA	General Obligation Bonds , Election of	Aa1/-/-	2026 - 2054
05/21	\$30MM	Florida Hsg Fin Corp	FL	2025 SERIES 4 (FEDERALLY TAXABLE)	Aaa/-/-	2027 - 2056
05/21	\$10MM	Truetlen Co. S/D	GA	Treutlen County School District, Georgia	Aa1/-/-	2028 - 2047
05/21	\$21MM	KNOXVILLE COMMUNITY	TN	Knoxville's Community Development	-/AA+/-	2029 - 2029
05/22	\$40MM	Pittsburg USD	CA	General Obligation Bonds	--	2026 - 2053
05/22	\$53MM	Pittsburg USD	CA	2025 General Obligation Refunding Bonds	--	2026 - 2045
05/22	\$11MM	Oregon	OR	2025 Series H	Aa1/AA+/AA+	2030 - 2037
05/22	\$45MM	Lees Summit Reorg SD	MO	Reorganized School District No.7 of	-/AA/-	2026 - 2045
05/22	\$39MM	Oregon	OR	2025 Series I	Aa1/AA+/AA+	2026 - 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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