Municipal Bond Investor Weekly

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Let not be-Labor this… As we head into the unofficial "final" week of summer, with Labor Day around the corner, the Fed held its annual confab at Jackson Hole. Some waited anxiously to hear what Chairman Powell had to say. And as the saying goes, "We see (and hear) the world, not as it is, but as we are." Pundits took away from Powell's speech what they wanted to hear. A few heard, "no change" in rates ahead. More heard 25 basis points lower. There were even some clinging to a 50 basis point cut at the upcoming September meeting. Don't hold your breath waiting for 50. (For those interested in the Chairman's speech, click here [Challenges for Monetary Policy](). There's a lot more in there than what was generally reported.) Here's what we focused on:

> *Turning to the current context, we are carefully watching developments as we assess their implications for the U.S. outlook and the path of monetary policy. The three weeks since our July FOMC meeting have been eventful, beginning with the announcement of new tariffs on imports from China. We have seen further evidence of a global slowdown, notably in Germany and China. Geopolitical events have been much in the news, including the growing possibility of a hard Brexit, rising tensions in Hong Kong, and the dissolution of the Italian government. Financial markets have reacted strongly to this complex, turbulent picture. Equity markets have been volatile. Long-term bond rates around the world have moved down sharply to near post-crisis lows. Meanwhile, the U.S. economy has continued to perform well overall, driven by consumer spending. Job creation has slowed from last year's pace but is still above overall labor force growth. Inflation seems to be moving up closer to 2 percent.* ***Based on our assessment of the implications of these developments, we will act as appropriate to sustain the expansion****, with a strong labor market and inflation near its symmetric 2 percent objective."*

Whether the FOMC acts in September or later in the year, Fed Funds rate is almost certainly headed lower, and with it rates along the curve. That said, the short end of the curves --- Treasury in particular, but also the muni curve --- has more room to move than the intermediate and longer ends of the curves. Why is this important? Because people who latch onto a short term money market fund today thinking they are locking in a "higher yield," may find their yield evaporate in the months ahead as monetary policy plays out. For some investors, it may be more prudent to lock in a yield a little further out on the curve rather than face reinvestment risks as short rates move lower.

For muni investors, the short end of the curve is so challenging, that unless you are in the top tax bracket AND in a high tax state, it may make more sense to consider CDs or corporates. That's what our fixed income team is here for --- to help you navigate these challenging markets and make the right tax-efficient investment.

Credit Update: On Friday, Moody's upgraded the State of Washington general obligation debt rating to Aaa from Aa1. Other state related credits were updated as well. The state has several planned bond issues that will benefit from the upgrade, including:

> $458 million Various Purpose General Obligation Bonds, Series 2020A;
>
> $223 million Motor Vehicle Fuel Tax & Vehicle Related Fees General Obligation Bonds, Series 2020B;
>
> $38 million General Obligation Bonds, Series 2020T;
>
> $92 million Various Purpose General Obligation Refunding Bonds, Series R-2020A; and
>
> $53 million Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2020B.

In its credit comments, Moody's noted the following:

> The upgrade of the general obligation bonds and school bond guarantee program to Aaa reflects a significant increase in financial reserves even as the state increased funding for K-12 education in response to a state supreme court mandate, the exceptional growth of the state's economy driven largely by the technology sector in the Seattle metro area, and the consequent diversification of the state's economy lessening dependence on aircraft manufacturing by The Boeing Company (A2 negative). Additional strengths include above-average wealth and income levels, and the state's strong fiscal governance

practices. While the state's debt levels are above average, they have been declining relative to the 50-state medians and the state's debt and pension liabilities combined and fixed costs are comparable to medians.

The Week Ahead: According to The Bond Buyer, this week's new issue volume is forecast to rise to $6.2 billion, up from a revised total of $5.10 billion last week. Among the larger deals this week are: Atlanta, GA (Aa3/AA-/AA-) with $687 million airport general revenue bonds, Massachusetts (Aa1/AA/AA) with $441.23 million of taxable GOs and $189.635 million tax-exempt GOs, the University of Alabama (NR/AA/NR) with $455.745 million general revenue bonds, the Miami-Dade County School District, FL (MIG1/NR/NR) with $400 million tax anticipation notes, and Ohio (NR/AA+/NR) with $300 million GOs. See our table below for additional new issue opportunities this week.

For the Numbers… Municipal bond yields moved higher last week, with the short end of the curve increasing by 4 basis points and the intermediate and long parts of the curve rising by 1-3 basis points. On a taxable-equivalent yield basis, this translates to a ~7 basis point rise on the short end and 2-5 basis points out longer. Muni-Treasury ratios moved higher at both 10 and 30 years, currently sitting at ~83% at 10 years and ~95% at 30 years.

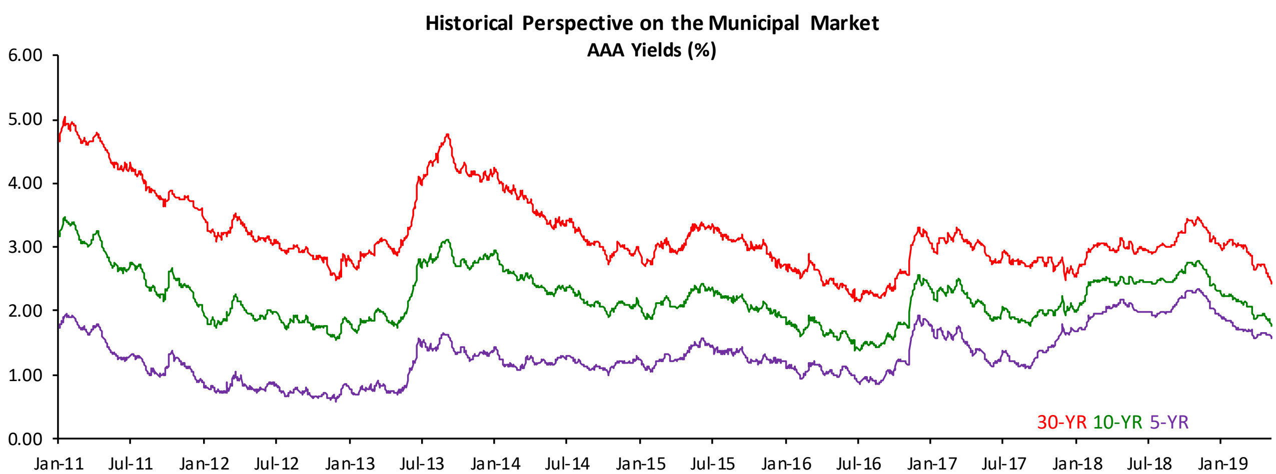
	This Week		Last Week		Change	
	10 Y	30 Y	10 Y	30 Y	10 Y	30 Y
Municipal (AAA)	**1.26%**	**1.92%**	1.23%	1.90%	0.03%	0.01%
Treasury	**1.52%**	**2.02%**	1.55%	2.01%	-0.03%	0.01%
Ratio	**82.9**	**94.8**	79.2	94.6	3.7	0.2
Tax Equivalent Ratio (Fed 37%)	**131.6**	**150.5**	125.7	150.1	5.9	0.4

Bond Yields (%) as of 08/23/19

	1	2	3	4	5	7	10	15	20	25	30
Muni AAA[1]	0.96	0.96	0.96	0.96	0.98	1.08	1.26	1.52	1.71	1.87	1.92
Weekly Change *	▲ 4	▲ 4	▲ 4	▲ 4	▲ 4	▲ 4	▲ 3	▲ 1	▲ 2	▲ 2	▲ 1
Tax Equiv Munis[2]	1.52	1.52	1.52	1.52	1.55	1.71	2.00	2.41	2.72	2.97	3.04
Taxable A Muni[3]	2.32	2.08	2.03	2.04	2.07	2.20	2.42	2.63	2.79	2.95	2.98
Weekly Change *	▲ 11	▲ 7	▲ 0	▼ -1	▼ 0	▲ 6	▲ 20	▲ 30	▲ 31	▲ 32	▲ 32
Treasuries[3]	1.73	1.51	1.43	1.41	1.40	1.46	1.52	1.80	1.82	n/a	2.02
Weekly Change *	▲ 2	▲ 3	▼ -1	▬ 0	▼ -2	▼ -3	▼ -3	▬ 0	▬ 0	n/a	▲ 1
Corporates A[3]	2.05	1.98	1.97	2.01	2.08	2.24	2.48	2.90	3.17	3.18	3.17
Weekly Change *	▼ -1	▼ -1	▼ -2	▼ -3	▼ -4	▼ -5	▼ -6	▼ -5	▼ -3	▼ -3	▼ -3

	This Week	1-Week Change	1-Year Change
Dow Jones Industrial	25,629	▼ -1.0%	▼ -0.6%
NASDAQ Composite	7,752	▼ -1.8%	▼ -2.4%
Crude Oil	54.17	▼ -1.2%	▼ -16.7%
U.S. Dollar/Euro	1.114	▲ 0.5%	▼ -4.6%
Gold	1,538	▲ 0.9%	▲ 23.2%

	This Week	Last Week	Last Year
Prime Rate	5.250	5.250	5.000
3-Month LIBOR	2.144	2.136	2.311
Fed Funds	2.250	2.250	2.000
1-Month T-Bill	2.070	2.050	1.940



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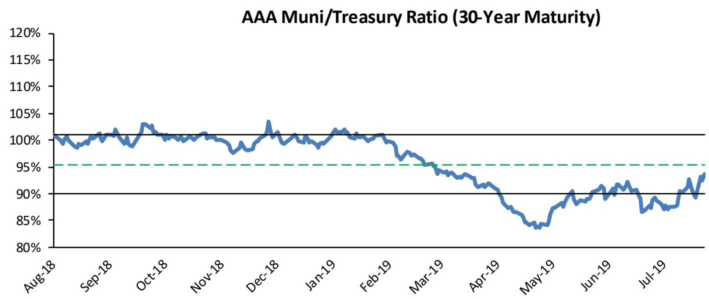

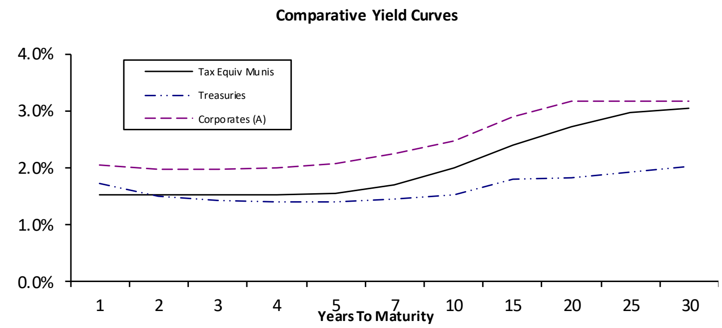

New Issue Calendar

Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
8/26	$9MM	Massachusetts Housing Finance	MA	Single Family Housing Revenue Bonds	Aa1 /AA+ /	06/01/2020-36
8/26	$14MM	Massachusetts Housing Finance	MS	Single Family Housing Revenue Bonds	Aa1 /AA+ /	12/1/2020
8/26	$20MM	Massachusetts Housing Finance	MA	Single Family Housing Revenue Bonds	Aa1 /AA+ /	12/01/2037,49
8/26	$75MM	Leavenworth Cnty, KS, Unified Sch.	KS	Taxable General Obligation Refunding	/AA / (A1 / /) BAM	2023-34, 38
8/26	$10MM	Culberson County-Allamoore ISD	TX	Unlimited Tax School Building Bonds	Aaa / / (A2 / /) PSF	02/15/2020-29
8/26	$4MM	City of Pearland	TX	Certificates of Obligation, 2019A	Aa2 / /AA	3/1/2020-39
8/26	$13MM	City of Pearland	TX	Certificates of Obligation, 2019B	Aa2 / /AA	3/1/2030
8/27	$3MM	School District Number 63, Cass	IL	Taxable General Obligation Limited Tax	/AA /	12/01/32-34
8/27	$1MM	School District Number 63, Cass	IL	General Obligation Limited Tax School	/AA /	12/01/2035-38
8/27	$6MM	Robert Lee Independent School	TX	Unlimited Tax School Building Bonds	/AAA / (/A /) PSF	02/15/2020-39
8/27	$10MM	Emery USD (Alameda County, CA)	CA	General Obligation Bonds, Election of	Aa3 / /	08/01/2021-45
8/27	$59MM	Emery USD (Alameda County, CA)	CA	2019 Taxable General Obligation	Aa3 / /	08/01/2032-45
8/27	$48MM	City of Jacksonville, Florida	FL	Special Revenue Refunding Bonds, Series	NR /AA /AA-	10/1/26-30
8/27	$151MM	City of Jacksonville, Florida	FL	Special Revenue and Refunding Bonds,	NR /AA /AA-	10/1/20-39
8/27	$5MM	City of Hot Springs	AR	Waterworks Revenue and Refunding Bonds	/AA / BAM	10/1/2020-39
8/27	$105MM	City of Fort Myers, Florida	FL	Utility System Refunding and Revenue	Aa3 /A+ /A+	10/1/22-39,44,49
8/28	$7MM	San Jacinto River Authority	TX	Water Revenue Refunding Bonds	/AA- /	10/01/2020-34
8/28	$24MM	San Jacinto River Authority	TX	Water Revenue Refunding Bonds	/AA- /	10/1/2020-35
8/28	$69MM	Saline County, KS, Unified School	KS	Taxable General Obligation Refunding	Aa2 / /	2024-34
8/28	$3MM	Parkside at Mayfield Ranch MUD	TX	Unlimited Tax Refunding Bonds	(A3 / /)	09/01/2023-34
8/28	$0MM	Medical Center EBC (Univ of	MS	Revenue Bonds	Aa2 / /AA	6/1/2020-34
8/28	$15MM	Harrison County	MS	Taxable General Obligation Refunding	/AA- /	10/01/2019-31
8/28	$26MM	Harrison County	MS	General Obligation Refunding Bonds, Tax-	/AA- /	10/01/2019-31

BQ: Bank Qualified, SG: Selling Group, PSF: Permanent School Fund, GO: General Obligation, UT: Unlimited Tax, LT: Limited Tax.
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Economic Calendar for the week of 08/26/19

26	27	28	29	30
8:30 Chi Fed Nat Act Index (Jul) 8:30 **Dur. Goods Orders** (Jul)	10:00 CB Cons. Confidence (Aug)		8:30 Jobless Claims (8/24) 8:30 Adv. Econ Indicators (Jul) 8:30 **Real GDP** (2Q19, 2nd est.) 10:00 Pending Home Sales (Jul) Charlie Parker (b. 1920)	8:30 Personal Income Personal Spending (Jul) 9:45 Chicago Bus. Barometer (Aug) 10:00 UM Cons. Sent. (Aug)

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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.

Sources: (1) BVAL Municipal AAA Yield Curve (Callable) (2) Tax Equivalent Yield calculations on AAA-rated tax exempt yields assume a 37% tax rate (3) Treasury, Corporate, and Taxable Municipal yields from Bloomberg. Short Term Yields are from Bloomberg, Federal Reserve and Securities Industry and Financial Markets Association. * In Basis Points.

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.

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