Municipal Bond Investor Weekly

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

NOREEN MCCLURE

Director
Fixed Income Private Wealth

DREW O'NEIL

Director
Fixed Income Strategy

THE WEEK AHEAD

1. The strong jobs report last week surprised the market and led to a significant sell off in Treasuries, less so in munis. The next four weeks heading into the national election and the FOMC meeting immediately following could be challenging for investors --- multiple factors contributing to volatility as noted in our commentary.
2. Data flows this week (CPI, PPI, Consumer sentiment) will be parsed for any signal of inflation returning.
3. Our thoughts are with all our colleagues, clients and their families who were affected by Helene, and those now in the path of Milton. Stay safe

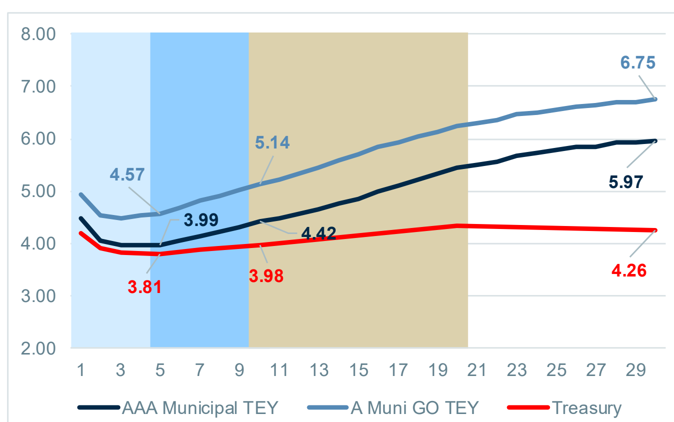
MONDAY'S COMMENTARY

THE NUMBERS THIS WEEK

Treasury yields on the short end of the curve moved higher by 30 to 38 basis points and intermediate and long-term yields are higher by 16 to 23 basis points. Municipal yields were much more subdued with the AAA 1-year yield rising by 15 basis points but from 2 to 30 years, AAA yields rose by only 1 to 4 basis points. Muni-Treasury ratios correspondingly fell for the week and currently sit at ~65% at 10-years and 83% 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	2025	4.20	2.65	2.92	4.47	4.93	63%	107%
2	2026	3.93	2.40	2.68	4.06	4.53	61%	103%
5	2029	3.81	2.36	2.71	3.99	4.57	62%	105%
10	2034	3.98	2.62	3.05	4.42	5.14	66%	111%
20	2044	4.33	3.23	3.70	5.45	6.24	75%	126%
30	2054	4.26	3.54	4.00	5.97	6.75	83%	140%

**Taxable equivalent yield @ 40.8% tax rate*



SWAP CONSIDERATIONS FOR YEAR END

As we begin the last quarter of the calendar year, there are a few things to note. With only one quarter to go to complete 2024, there has been sheer devastation to so many this past week, the tragic results of Hurricane Helene, the impending strong Hurricane Milton, and the intense tensions of war abroad. We wish all affected the safest recovery, aid, support, and solutions possible. Albert Einstein said it best, "In the middle of every difficulty lies opportunity." Looking toward the future, especially in the financial world, professionals analyze the past to predict the future. Past performance is quoted on certain investments, however with the caveat that past performance does not guarantee future results. We cannot predict the future; however, we can do our best to capture opportunity.

Looking back exactly four years ago, yields were at historic lows. Our message back then was to take advantage of low rates and sell some of your least favorite bond positions; lower rates produce higher sell prices. Investors would then purchase a more desirable credit with a longer maturity, which enabled them to maintain par value and cash flow. Two years ago, things began to change, yields had started to increase and by September 2022 yields had increased by over two points across one-to-30-year maturities. The result of the rise in interest rates (prices decline) created amazing opportunities for those buyers in the market, however, it affected those who already held individual bonds, and unfortunately, those results created unrealized losses. As a result of the rise in interest rates, many investors in the 4th quarter of 2022 & 2023 pursued the opportunity to implement swaps to harvest those unrealized tax losses to offset gains / or carry forward those losses to another year. The current market looks slightly different than in October of 2023, yields are ~ 100 basis points (bp) lower; resulting in fewer losses. However, for those concerned about lower rates going forward, extension swaps should be considered.

Implementing a swap is not always a clear solution, **there is always a give-up**… investors need to **determine their ultimate goal, and then prioritize their needs based on the potential outcome**. There are many types of swaps investors can deploy, we will outline a few of the most popular.

- **Extension Swaps:** liquidating money market funds or selling shorter maturities to purchase longer-dated securities with longer call dates. **Why?** The investor believes interest rates will be progressing lower and wants to avoid reinvestment risk on the shorter maturities.
- **Credit Swaps:** liquidating riskier investments and purchasing improved credits. **Why?** To improve the credit quality of the portfolio and avoid any negative surprises in the future.
- **Tax Loss Swaps**: liquidating positions with unrealized losses to capture those losses. **Why?** To offset other gains or carry forward. Often investors will purchase longer maturities so they do not have to reduce par value or cash flow. If losses are on long-term securities, it will be difficult to replace without adding cash to maintain par value. Note: Short vs. long-term losses receive different tax treatment for tax purposes.
- **Change in Tax Bracket:** liquidating one asset class for another depending on your current Federal tax bracket. **Why?** If you find yourself in a higher Federal tax bracket you may want to swap out of your taxable securities and reposition into tax-exempt securities.
- **Geographic Swap:** liquidating some or all your securities because you relocated to another state. **Why?** Depending upon where you relocate to it may be more tax efficient to purchase in-state bonds. If you were in a high state tax state and moved to a state with no income tax, you may be able to sell your bonds at a premium and replace them with national securities.

As I mentioned above there is always a give-up or sacrifice of an attribute when implementing a swap. It could be cash flow, par value, extending duration or even having to add additional cash to make the swap work. Investors should prioritize their goals to determine if implementing a swap is in their best interest. Your financial advisor can assist you with any questions surrounding individual swaps. However, please note, that we do not provide tax advice, you should consult your personal tax advisor for specific guidance before making any tax-related investment decisions.

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Following the stronger than expected Jobs Report, municipal yields move higher last week. 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. The yield to worst is ~3.92%, which equates to a **taxable equivalent yield to worst of ~6.61%** 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 ~4.18%, which equates to a **taxable equivalent yield to maturity of ~7.06%**. This option has an average coupon around 4.30% and a market price of ~$ 102.07. The **current yield is ~4.22%**. An investment with $1 million par value (~$1.03 million 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 October 07, 2024

1 – 10 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	$1,000,000
Current Face (Par)	$1,000,000
Market Principal	$1,062,388
Accrued Interest	$9,703
Cash & Cash Alternatives	$0
-	-
-	-
Total Portfolio Value	$1,072,091
Next 12mo Cpn Cash Flow	$43,000
Generic Annual Cpn Cash Flow	$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	5.30 yrs
Duration	3.60
Yield to Worst	2.718%
Yield to Maturity	2.998%
Market Price*	106.239
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	$1,073,018
Accrued Interest	$10,394
Cash & Cash Alternatives	$0
-	-
-	-
Total Portfolio Value	$1,083,413
Next 12mo Cpn Cash Flow	$45,000
Generic Annual Cpn Cash Flow	$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	14.16 yrs
Duration	5.73
Yield to Worst	3.269%
Yield to Maturity	3.765%
Market Price*	107.302
Tax Lots Holdings Included	20 of 20

**Par-Wtd, all else Mkt-Wtd.*
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20 – 30 Years

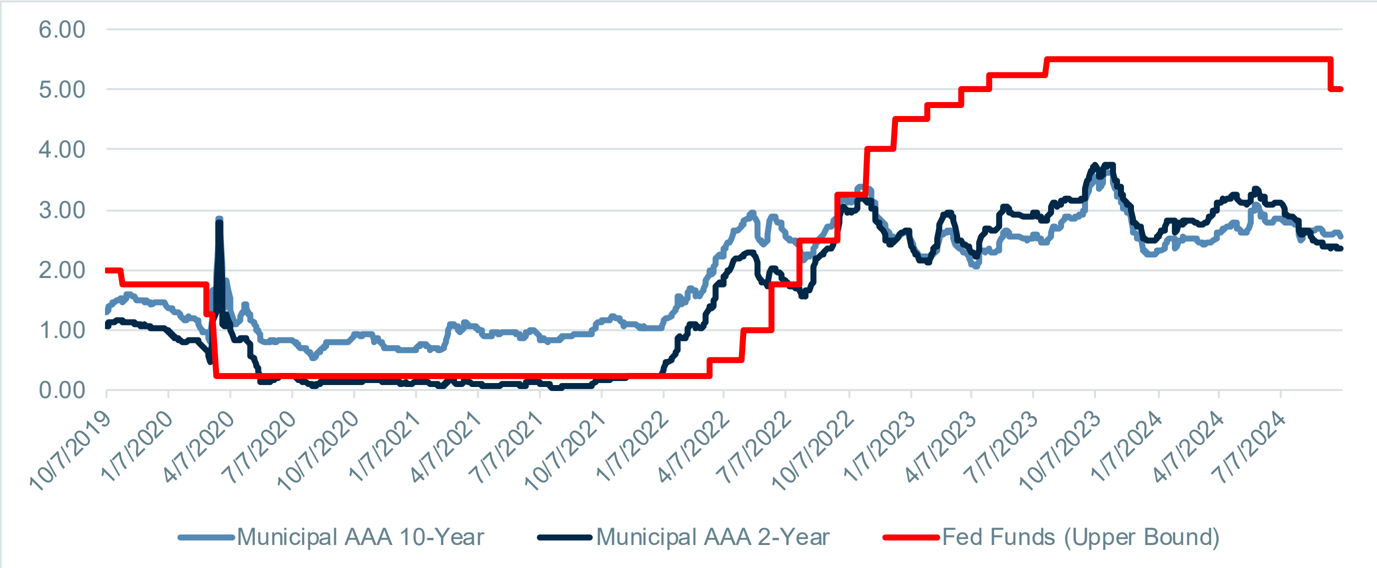
Totals & Averages @ Market	
Summary Totals	
Original Face	$1,000,000
Current Face (Par)	$1,000,000
Market Principal	$1,019,288
Accrued Interest	$8,661
Cash & Cash Alternatives	$0
-	-
-	-
Total Portfolio Value	$1,027,949
Next 12mo Cpn Cash Flow	$43,125
Generic Annual Cpn Cash Flow	$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	24.27 yrs
Duration	9.92
Yield to Worst	3.928%
Yield to Maturity	4.188%
Market Price*	101.929
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

According to The Bond Buyer, $10 billion in new issuance is expected to come to market this week. Some of the larger deals include: New York City (Aa2/AA/AA) is selling $1.5 billion of taxable general obligation bonds; Connecticut (Aa3/AA-/AA-) is bringing a $935 million general obligation deal to market; the Philadelphia Authority for Industrial Development (Aa2/AA) is issuing $550 million of Children's Hospital of Philadelphia Project hospital revenue bonds; the Maryland Stadium Authority (Aa2/AA) is selling $413 million of Build to Learn revenue bonds; the New York State Housing Finance Agency (Aa1/-) is issuing $260 million of state personal income tax revenue bonds; and the Cabarrus County Development Authority, NC (Aa1/AA+/AA+) is bringing a $238 million limited obligation refunding deal to market. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
10/08	$93MM	NYC Hsg Dev Corporation	NY	NEW YORK CITY HOUSING	Aa2/AA+/NR	2028 - 2054
10/08	$204MM	Georgia Hsg & Fin Au	GA	$203,600,000	--/AAA/--	2028 - 2054
10/08	$97MM	Mississippi Home Cor	MS	Series 2024E (Non-AMT)	Aaa/--/--	2029 - 2054
10/08	$80MM	California Dept of V	CA	Department of Veterans Affairs of the State	Aa3/AA/AA-	2025 - 2054
10/08	$163MM	Colorado Hsg & Fin A	CO	2024 SERIES G-1 (FEDERALLY TAXABLE)	Aaa/AAA/--	2026 - 2050
10/08	$14MM	Nipomo Comm Svcs Dt	CA	Water Revenue Certificates of Participation	--/AA-/--	2025 - 2048
10/08	$29MM	Mississippi Home Cor	MS	MISSISSIPPI HOME CORPORATION	Aaa/--/--	2025 - 2054
10/08	$3MM	Cumberland Co Imp Au	NJ	The Cumberland County Improvement	A2/AA/--	2025 - 2044
10/08	$10MM	Georgia Hsg & Fin Au	GA	2024 Series D (Federally Taxable)	--/AAA/--	2025 - 2028
10/08	$11MM	Tamaqua Boro Auth	PA	Tamaqua Borough Authority	NR/AA/NR	2025 - 2054
10/08	$32MM	Judson ISD	TX	Current Interest Bonds	Aa2/--/--	2026 - 2037
10/08	$38MM	City of Centerton	AR	City of Centerton, Arkansas	--/AA/--	2025 - 2054
10/08	$0MM	Idaho Hsg & Fin	ID	Nonprofit Facilities Revenue Bonds	Aa2/--/--	2028 - 2028
10/08	$17MM	Idaho Hsg & Fin	ID	Nonprofit Facilities Revenue Bonds	Aa2/--/--	2039 - 2059
10/09	$240MM	Connecticut	CT	General Obligation Bonds (2024 Series G)	Aa3/AA-/AA-	2039 - 2044
10/09	$75MM	NYS Hsg Fin Agy	NY	2024 Series A-1 (Sustainability Bonds)	Aa1/NR/NR	2027 - 2054
10/09	$184MM	Aldine ISD	TX	UNLIMITED TAX SCHOOL BUILDING AND	Aaa/AAA/--	2026 - 2054
10/09	$135MM	Connecticut	CT	General Obligation Refunding Bonds	Aa3/AA-/AA-	2025 - 2034
10/09	$185MM	NYS Hsg Fin Agy	NY	2024 Series A-2 (Sustainability Bonds)	Aa1/NR/NR	2054 - 2054
10/09	$820MM	New York City	NY	TAXABLE SOCIAL BONDS	Aa2/AA/AA	2049 - 2054
10/09	$680MM	New York City	NY	TAXABLE SOCIAL BONDS	Aa2/AA/AA	2026 - 2044
10/09	$560MM	Connecticut	CT	General Obligation Bonds (2024 Series F)	Aa3/AA-/AA-	2025 - 2038

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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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INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM

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