

Municipal Bond Investor Weekly

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



GINA FAY
Director
Fixed Income Private Wealth



DREW O'NEIL
Director
Fixed Income Strategy

THE WEEK AHEAD

- 1. This week's municipal new issue supply is expected to be ~\$10.3 billion, providing reinvestment opportunities for May redemptions.
- 2. Municipal relative value vs taxable bonds has increased with muni-to-Treasury ratios at the highest levels since 2022-2023.
- 3. This week's economic data includes first quarter GDP, PCE, and the April Employment report. Expectations for slower growth and lower inflation may give the Fed more flexibility.

MONDAY'S COMMENTARY

Reinvest Redemptions at Higher Ratios
Illustrative Portfolios

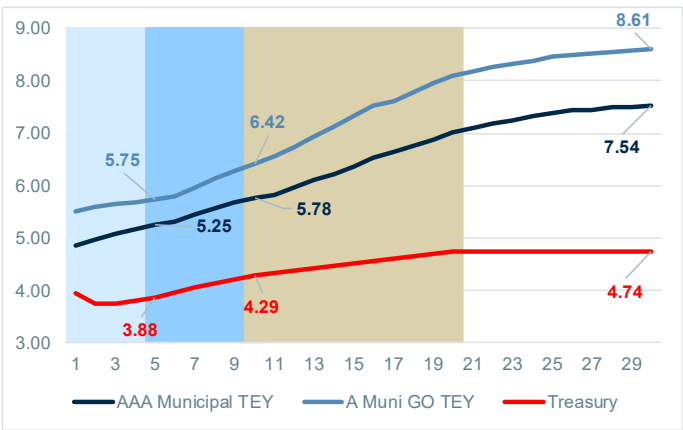
Page 2
Page 3

THE NUMBERS THIS WEEK

Treasury yields fell across the curve last week in a somewhat uniform fashion, with a 4 to 7 basis point move lower. Municipal yields moved higher across the curve, although only slightly. The benchmark AAA curve finished the week 1 to 3 basis points higher. With the combination of moves, muni-Treasury ratios continued their march higher in 2025, signaling increasing relative value for municipals compared to their taxable counterparts. The 10-year ratio currently sits at ~80% while the 30-year ratio is hovering around 95%.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	3.95	2.88	3.27	4.86	5.53	73%	123%
2	2027	3.74	2.95	3.31	4.98	5.60	79%	133%
5	2030	3.88	3.11	3.40	5.25	5.75	80%	135%
10	2035	4.29	3.42	3.80	5.78	6.42	80%	135%
20	2045	4.75	4.15	4.79	7.02	8.08	87%	148%
30	2055	4.74	4.46	5.10	7.54	8.61	94%	159%

*Taxable equivalent yield @ 40.8% tax rate



REINVEST REDEMPTIONS AT HIGHER RATIOS

With the traditional tax filing deadline passing a couple weeks ago, many taxpayers are breathing a sigh of relief to have tax-time over with for the year. Nothing quite like paying taxes to make one appreciate the value of tax-exempt income. And with tax-time over, it's a great time to look ahead to upcoming municipal bond redemptions. The months of **June, July and August are traditionally large redemption months** in the muni market, and **May** is not too far behind. Current data suggests approximately \$22 billion in municipal bonds will either mature or be called in May and an additional \$100 billion of municipal bonds will either mature or be called over the three months from June 1 through August 31. So, starting this week as we approach May 1, many investors will have “money-in-motion” available to reinvest with those redemptions.

With an increase in new issue supply and recent market volatility, municipal yields have moved higher and have become “less expensive” relative to Treasuries. As of the first quarter 2025, municipal new issuance was up 15% vs the same time last year, and the robust pace has continued with ~\$14.5 billion pricing last week and another \$10.3 billion expected to price this week. Simultaneously, supply increased and the markets have experienced interest rate volatility. The 10-year Treasury yield started April at 4.17%. Throughout the month that yield moved higher and lower based on tariff events, and it currently sits at 4.23%, just 6 basis points (bp) higher. Municipal yields, however, increased at a greater rate in April as heavy supply prevented munis from keeping pace with Treasuries. The 10-year AAA municipal yield is currently 3.42%, an increase of 28 bp month-to-date and near the highest level since November 2023. The larger increase in municipal yields vs Treasury yields has led to better relative value in municipal bonds vs taxable bonds. We measure that by comparing the tax-exempt yield on municipals to the yield on comparable Treasuries. As can be seen in the chart below, over the last year, the 10-year muni-to-Treasury ratio has averaged ~69%. Recently, that ratio was as high as 88% and is now 81% ($3.42\% \text{ 10-year AAA muni yield} / 4.23\% \text{ 10-year Treasury yield} = 80.1\%$) – near the highest levels since November 2022. A similar increase in value can be seen across the curve. On the short end, the 2-year muni-to-Treasury ratio sits at 79%, the highest since May 2022 and vs an average of 65% over the last year. Farther out on the curve, the 30-year ratio is currently 96% vs a one-year average of 86% and the highest level since March 2023.



What does this mean for investors? Current **muni-to-Treasury ratios are “attractive,”** providing tax-efficient relative value for investors in higher tax brackets. 10-year AAA munis currently yield 3.42% - that equates to a taxable equivalent yield (TEY) of 5.77% (based on the 37% federal tax bracket plus the 3.8% net investment income tax), more than 1.3 times the yield on 10-year Treasuries (4.23%). And even more value can be found in AA and A rated municipal bonds – 4% coupon bonds at or below par can be easily found, as can 5% coupon bonds at slight premiums, providing yield to worst of 4% - 4.75%. That equates to **TEYs of 6.75%-8.00% for investors in the top tax bracket**. So, when redemption money is available to reinvest, don't wait – these opportunities typically don't

last long and could dry up as summer redemptions increase demand. Our team of fixed income professionals can work with your financial advisor to find the right tax-efficient solutions to meet your needs.

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week the municipal bond market saw less volatility than recent weeks; municipal yields pushed higher by just single digits (1 - 3 basis points) 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 offers 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 ~4.66%, which equates to a **taxable equivalent yield to worst of ~7.80%** 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 ~4.74%, which equates to a **taxable equivalent yield to maturity of ~7.90%**. This option has an average coupon ~4.31% and a market price of ~\$94.06. The **current yield is ~4.60%**. An investment with \$1 million par value (~\$951,738 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 April 28, 2025

1 – 10 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,030,623
Accrued Interest	\$12,211
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,042,834
Next 12mo Cpn Cash Flow	\$42,000
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	4.70 yrs
Duration	3.07
Yield to Worst	3.429%
Yield to Maturity	3.597%
Market Price*	103.062
Tax Lots Holdings Included	20 of 20

10 – 20 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,012,769
Accrued Interest	\$13,019
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,025,788
Next 12mo Cpn Cash Flow	\$45,000
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	13.58 yrs
Duration	7.63
Yield to Worst	4.088%
Yield to Maturity	4.314%
Market Price*	101.277
Tax Lots Holdings Included	20 of 20

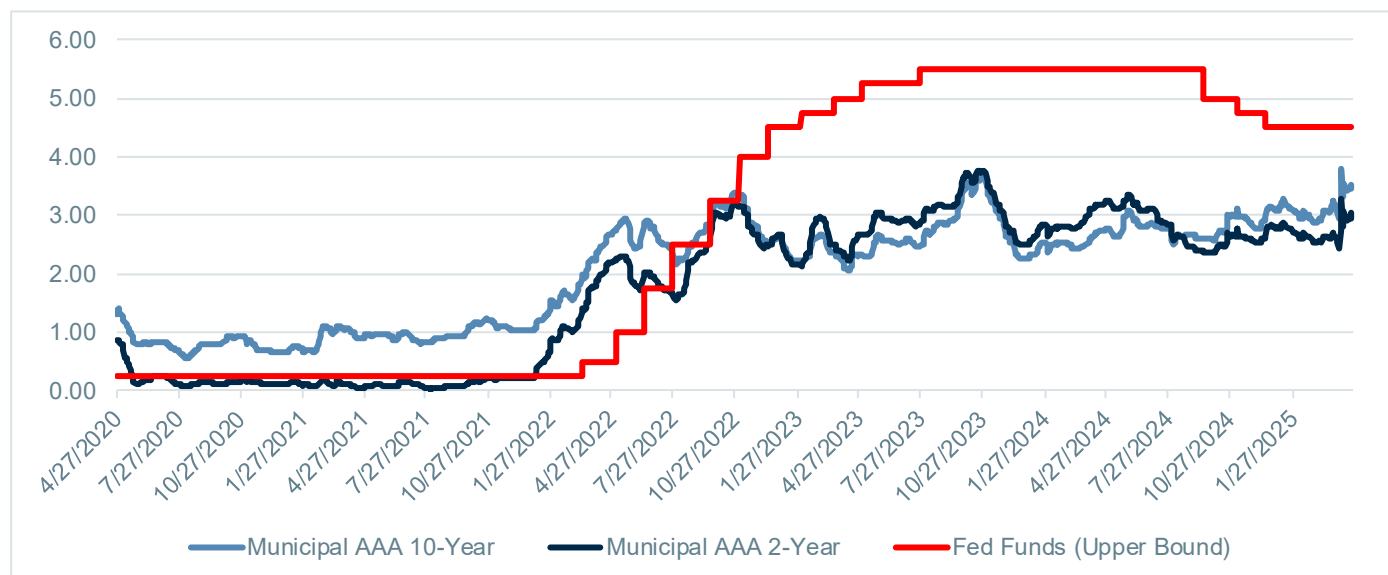
20 – 30 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$940,560
Accrued Interest	\$11,177
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$951,738
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	23.71 yrs
Duration	11.54
Yield to Worst	4.662%
Yield to Maturity	4.739%
Market Price*	94.056
Tax Lots Holdings Included	20 of 20

NAVIGATING TODAY'S MARKET

New issuance is expected to come in at \$10.3 billion according to The Bond Buyer. Some of the larger deals include: the District of Columbia (Aa1/AAA) is selling \$1.5 billion of income tax secured revenue bonds, consisting of both taxable and tax-exempt series; the East Bay Municipal Utility District, CA (Aaa/AAA) is bringing a \$1.1 billion water system revenue bond deal to market; the Port Authority of New York and New Jersey (Aa3/AA-/AA-) is selling \$499 million of consolidated refunding bonds; Oregon (Aa1/AA+/AA+) is issuing \$379 million of higher education general obligation bonds in addition to \$247 million of general obligation interstate bridge replacement project bonds; and the Indiana Finance Authority (-/AAA/AAA) is selling \$275 million of green state revolving fund program refunding bonds. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
04/28	\$30MM	Grosse Ile Township Schools	MI	GROSSE ILE TOWNSHIP SCHOOLS	--/AA--	2026 - 2052
04/28	\$61MM	Richardson	TX	GENERAL OBLIGATION BONDS,	Aaa/AAA--	2026 - 2045
04/28	\$6MM	Richardson	TX	COMBINATION TAX AND REVENUE	Aaa/AAA--	2026 - 2045
04/28	\$21MM	Richardson	TX	COMBINATION TAX AND REVENUE	Aaa/AAA--	2026 - 2045
04/29	\$109MM	Univ of N Texas Sys	TX	Revenue Financing System Refunding and	Aa2/--/AA	2026 - 2045
04/29	\$100MM	Oklahoma Hsg Fin Agy	OK	Single Family Mortgage Revenue Bonds	Aaa/--/--	2026 - 2056
04/29	\$189MM	Howell Pub Schs	MI	HOWELL PUBLIC SCHOOLS	NR/AA/NR	2026 - 2045
04/29	\$106MM	Prince William Co Sv	VA	Prince William Water	Aaa/AAA--	2026 - 2055
04/29	\$12MM	Carrollton Pay Dev Auth	GA	Carrollton Payroll Development Authority,	Aa2/--/--	2026 - 2040
04/29	\$4MM	Buhler	KS	City of Buhler, Kansas	--	2027 - 2027
04/30	\$80MM	Maine Hlth and Ed Auth	ME	Maine Health and Higher Educational	Aa3/AA--	2026 - 2055
04/30	\$275MM	Indiana Fin Auth	IN	Indiana Finance Authority	--/AAA/AAA	2026 - 2046
04/30	\$50MM	Tennessee Hsg Dev Ag	TN	ISSUE 2025-1B (FEDERALLY TAXABLE)	Aa1/AA+/-	2026 - 2056
04/30	\$354MM	Louisiana	LA	GENERAL OBLIGATION BONDS	Aa2/AA/NR	2026 - 2045
04/30	\$200MM	Tennessee Hsg Dev Ag	TN	ISSUE 2025-1A (NON-AMT) (SOCIAL	Aa1/AA+/-	2026 - 2056
04/30	\$29MM	Bethlehem Area SD	PA	Bethlehem Area School District	A1/AA--	2026 - 2035
05/01	\$301MM	District of Columbia	DC	DISTRICT OF COLUMBIA	Aa1/AAA--	2026 - 2050
05/01	\$88MM	Minnesota Hsg Fin Au	MN	2025 SERIES F (NON-AMT)	Aa1/AA+/-	2026 - 2056
05/01	\$15MM	Bayonne Board of Ed	NJ	The Board of Education of the City of	NR/AA--	2027 - 2046
05/01	\$1190MM	District of Columbia	DC	DISTRICT OF COLUMBIA	Aa1/AAA--	2026 - 2050

This offering calendar is for information purposes only, and is not intended as an offer for solicitation with respect to the purchase or sale of any securities. For more information on the new issues go to www.raymondjames.com.

There is no assurance any of the trends mentioned will continue or forecasts will occur. Investing involves risk and investors may incur a profit or a loss. Past performance may not be indicative of future results. Prior to transacting in any security, please discuss the suitability, potential returns, and associated risks of the transaction(s) with your Raymond James Financial Advisor.

This communication is not an offer to sell or a solicitation to buy any securities mentioned herein. High grade and High yield securities mentioned herein may not be suitable for all investors. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency. All expressions of opinion reflect the judgment of the Fixed Income Municipal Department of Raymond James & Associates (RJA) at the time of publication and may be subject to change without notice.

Information has been obtained from sources considered reliable, but we do not guarantee that the foregoing report is accurate or complete. Other departments of RJA or its affiliates may have information that is not available to the Fixed Income Municipal Department about companies or Issuers mentioned in this report. Further information on the securities mentioned herein is available upon request. Interest on Municipal Bonds is generally exempt from federal taxation and may also be free of state and local taxes for investors residing in the state and/or locality where the bonds were issued. However, bonds may be subject to federal alternative minimum tax (AMT), and profits and losses on tax-exempt bonds may be subject to capital gains tax treatment. Bonds are subject to risk factors including: 1) Default Risk - the risk that the issuer of the bond might default on its obligation 2) Rating Downgrade - the risk that a 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.

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.

Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value.

RAYMOND JAMES®

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

© 2025 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.
© 2025 Raymond James Financial Services, Inc., member FINRA/SIPC. All rights reserved.
Raymond James® is a registered trademark of Raymond James Financial, Inc.

M23-184726 through 4/28/26