

# Municipal Bond Investor Weekly

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



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## THE WEEK AHEAD

1. Per Bloomberg, visible supply for the next 30 days is \$17.9 billion, while redemptions in the next 30 days total \$21.1 billion
2. CA has most debt coming due with \$2.91 billion, followed by NJ at \$1.28 billion & NY at \$938 million (next 30 days).
3. Economic numbers in focus this week include CPI on Tuesday, along with PPI, retail sales, manufacturing, and jobs data on Thursday. Friday ends a busy week with housing & import/export price index data.



**DREW O'NEIL**

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## MONDAY'S COMMENTARY

Lessons For Life  
Illustrative Portfolios

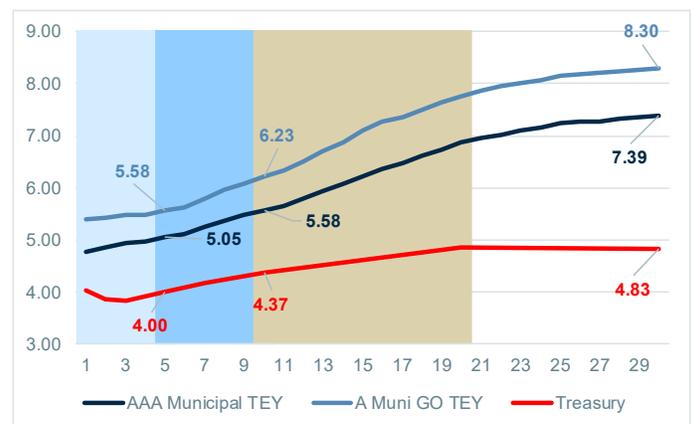
Page 2  
Page 3

## THE NUMBERS THIS WEEK

Yield moves were mixed last week. Treasury yields moved higher by 4 to 8 basis points across the curve. Municipal bond yields were mixed, with yields on the short-to-intermediate part of the benchmark AAA curve edging slightly lower while longer maturity yields were unchanged.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2026	4.05	2.83	3.19	4.77	5.39	70%	118%
2	2027	3.88	2.88	3.21	4.87	5.43	74%	125%
5	2030	4.00	2.99	3.30	5.05	5.58	75%	126%
10	2035	4.37	3.30	3.69	5.58	6.23	76%	128%
20	2045	4.86	4.06	4.60	6.87	7.77	84%	141%
30	2055	4.83	4.37	4.91	7.39	8.30	91%	153%

\*Taxable equivalent yield @ 40.8% tax rate



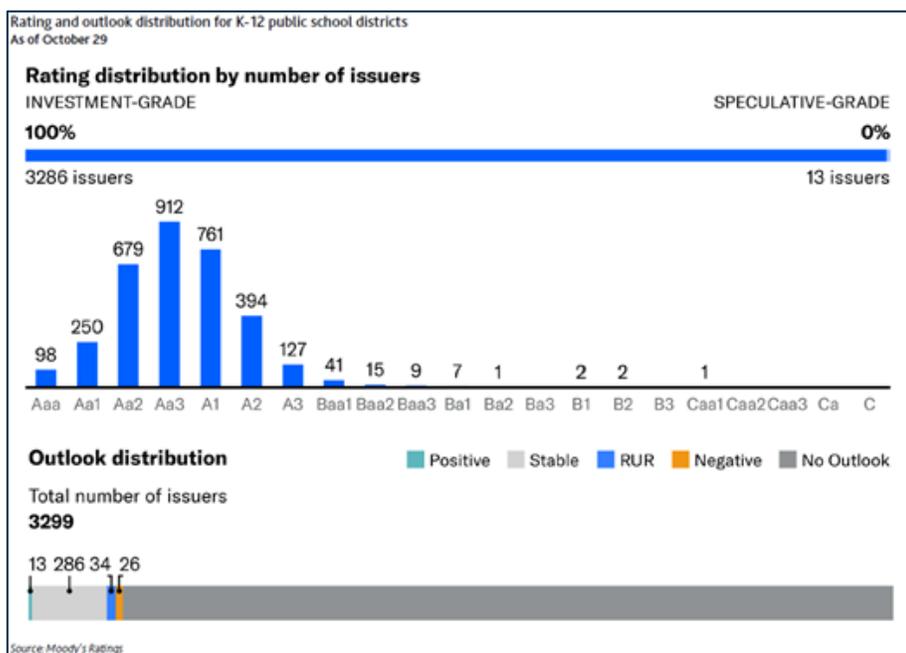
LESSONS FOR LIFE

A cornerstone of any great society is its access to a quality primary and secondary educational program (K–12). We may romanticize the classic song verse, “we don’t need no education,” but we all know how critical education is to our overall success. Individual paths after high school might take us to college, a vocational program or directly into the workforce. Regardless, that K-12 experience is what fuels and ignites our individual journeys.

U.S. Census Bureau tells us around 90% has received a high school diploma or GED. 48% has obtained a college degree or completed a vocational program, which leaves less than 10% without a high school diploma. We also know more than 91% of all K-12 students are educated in public schools, with the balance matriculating through private schools and homeschooling. State and local funds remain the primary source of funds to public K-12 schools and all 50 states maintain their own Department of Education to determine how districts are funded.

**What makes investing in bonds issued by K-12 school districts interesting?** Investors have typically been drawn to the K-12 sector because many of these municipal bond issuers’ pledge their full faith and credit. As stand-alone credits, a majority of these issuers have an A underlying rating or better from Moody’s or S&P, while a few are even receiving additional enhancement from their respective states (ex., MI, PA, TX PSF, and more). In short, these states have formally agreed to step in financially if their school districts have difficulty with the timely payment of interest and principal on its unlimited GO debt. This additional layer security can be an added benefit to bondholders and often without giving up much yield for the enhancement.

S&P provides their credit rating service to 5,000+ K-12 school districts throughout the country with an average rating of “A+”. Moody’s Ratings has a similar result for the 3,200+ credits it covers, as noted by the graph below.



Voter support has historically been strong, however since the pandemic that backing has appeared a bit softer. A majority of November 2024 propositions failed to pass for the first time in six election cycles. A deeper look at those numbers shows propositions specific to school buildings, buses and security upgrades largely did pass by nearly a two-to-one margin. Propositions for non-essential purposes like athletics and technology largely failed.

To what extent voter overrides are needed to lift tax caps varies from state to state. For example, Illinois voters rarely need to override levies because they enjoy solid compounding revenue growth within their property tax restrictions. Ohio school districts on the other hand, require voter

support just to maintain revenue because their levies expire or do not grow with inflation.

Federal education funding has traditionally been distributed based on a variety of criteria leading to unequal distributions among the various states. For example, Mississippi receives what equals to about 23.3% of its educational funding from the federal government, while New York’s share is around 7.2%.

**What does this mean for investors?** Bond buyers can expect more uncertainty around Trump’s intention to eliminate the U.S. Department of Education, along with reduced federal support to states and potential cuts to other entitlement programs like Medicare which could cause additional funds to be diverted from education. This coupled with rising operating costs within the sector, we expect yields on issues dedicated to K-12 run a bit higher than

similar rated credits. Your financial advisor can work with you to help determine whether an investment of this type makes sense.

Sources: Moody's Ratings, S&P Global Ratings, US Census Bureau

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 rates mostly unchanged with intermediate yields lower by 1 to 2 basis points. 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 ~4.63%, which equates to a **taxable equivalent yield to worst of ~7.73%** 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 ~4.70%, which equates to a **taxable equivalent yield to maturity of ~7.85%**. This option has an average coupon ~4.31% and a market price of ~\$94.50. The **current yield is ~4.56%**. An investment with \$1 million par value (~\$955,816 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 12, 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	\$1,035,076
Accrued Interest	\$12,133
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,047,209
Next 12mo Cpn Cash Flow	\$41,250
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	4.67 yrs
Duration	3.04
Yield to Worst	3.256%
Yield to Maturity	3.453%
Market Price*	103.508
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	\$1,021,147
Accrued Interest	\$13,769
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,034,916
Next 12mo Cpn Cash Flow	\$45,000
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	13.54 yrs
Duration	7.45
Yield to Worst	3.975%
Yield to Maturity	4.229%
Market Price*	102.115
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	\$944,962
Accrued Interest	\$10,854
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$955,816
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	23.65 yrs
Duration	11.56
Yield to Worst	4.626%
Yield to Maturity	4.704%
Market Price*	94.496
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

Over \$12 billion in new issuance is expected this week according to The Bond Buyer. Some of the larger deals include: the New York City Transitional Finance Authority (Aa1/AAA/AAA) is selling \$1.5 billion of future tax secured subordinate bonds, with both tax-exempt and taxable series; the Dormitory Authority of the State of New York (Aa3-/AA-) is issuing \$1.04 billion of school district revenue bonds; the Harris County Hospital District, TX (Aa1/-) is bringing a \$840 million deal to market; the California Infrastructure and Economic Development Bank (Aa3/AA) is selling \$486 million of UCSF Clinical and Life Sciences Building revenue bonds; and Seattle, WA (Aaa/AA+) is selling \$258 million of water system improvement and refunding revenue bonds. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
05/12	\$27MM	Maryland CDA	MD	COMMUNITY DEVELOPMENT	Aaa/--/--	2026 - 2042
05/12	\$62MM	Paulding County School District	GA	Paulding County School District (Georgia)	Aa1/--/--	2027 - 2031
05/12	\$6MM	Terrell County School District	GA	Terrell County School District, Georgia	Aa1/--/--	2030 - 2034
05/13	\$5MM	State Pub Sch Bldg	PA	State Public School Building Authority	Aa3/AA/--	2025 - 2044
05/13	\$53MM	Burbank USD	CA	2025 Refunding General Obligation Bonds	Aa2/--/--	2025 - 2034
05/13	\$66MM	Bentonville	AR	City of Bentonville, Arkansas	--/AA/--	2025 - 2045
05/13	\$29MM	Lee Co Hsg Fin Auth	FL	Multifamily Housing Revenue Bonds	Aaa/--/--	2042 - 2042
05/13	\$72MM	West Contra Costa US	CA	WEST CONTRA COSTA UNIFIED SCHOOL	NR/A+/NR	2026 - 2045
05/13	\$80MM	Burbank USD	CA	General Obligation Bonds, election of	Aa2/--/--	2026 - 2054
05/13	\$14MM	Crothersville 2000 Schl Bldg Cor	IN	Ad Valorem Property Tax First Mortgage	--/AA+/--	2027 - 2045
05/13	\$486MM	California Infra	CA	CALIFORNIA INFRASTRUCTURE	Aa3/AA/NR	2031 - 2059
05/14	\$25MM	Henry Cnty and Henry Cty Wtr	GA	Henry County Water Authority (Georgia)	Aa1/--/--	2033 - 2045
05/14	\$481MM	NYC Trans Fin Auth	NY	Future Tax Secured Subordinate Bonds	Aa1/AAA/AAA	2027 - 2036
05/14	\$300MM	NYC Trans Fin Auth	NY	Future Tax Secured Subordinate Bonds	Aa1/AAA/AAA	2027 - 2040
05/14	\$21MM	NYC Trans Fin Auth	NY	Future Tax Secured Subordinate Bonds	Aa1/AAA/AAA	2025 - 2036
05/14	\$28MM	NYS Dorm Auth	NY	SERIES 2025B	Aa3/AA/AA-	2026 - 2040
05/14	\$650MM	NYC Trans Fin Auth	NY	Future Tax Secured Subordinate Bonds	Aa1/AAA/AAA	2041 - 2055
05/14	\$988MM	NYS Dorm Auth	NY	SERIES 2025A	Aa3/AA/AA-	2026 - 2052
05/14	\$200MM	N Dakota Hsg Fin Agy	ND	2025 SERIES A (NON-AMT) (SOCIAL	Aa1/--/--	2026 - 2056
05/14	\$41MM	NYC Trans Fin Auth	NY	Future Tax Secured Subordinate Bonds	Aa1/AAA/AAA	2026 - 2026
05/14	\$21MM	NYS Dorm Auth	NY	SERIES 2025C	Aa3/AA/AA-	2026 - 2044
05/14	\$60MM	N Dakota Hsg Fin Agy	ND	2025 SERIES B (TAXABLE)	Aa1/--/--	2026 - 2056
05/15	\$4MM	McKinleyville USD	CA	McKinleyville Union School District	--/AA/--	2026 - 2054
05/15	\$53MM	Temple	TX	Combination Tax & Revenue Certificates of	--/AA/--	2026 - 2045
05/15	\$7MM	Temple	TX	Limited Tax Notes, Series 2025	--/AA/--	2026 - 2032
05/15	\$38MM	Temple	TX	General Obligation Refunding Bonds,	--/AA/--	2026 - 2036

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](http://www.raymondjames.com).

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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.

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