

Municipal Bond Investor Weekly

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



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Fixed Income Private Wealth

THE WEEK AHEAD

1. Economic numbers to eye this week will be factory orders, durable goods, and jobs related data.
2. Markets will be digesting tariff implications.
3. Per Bloomberg, there is \$10.7 billion of announced new issuance over the next 30 days compared with \$21.8 billion in redemptions.



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MONDAY'S COMMENTARY

Ease Your Mind with a PSF Guarantee
Illustrative Portfolios

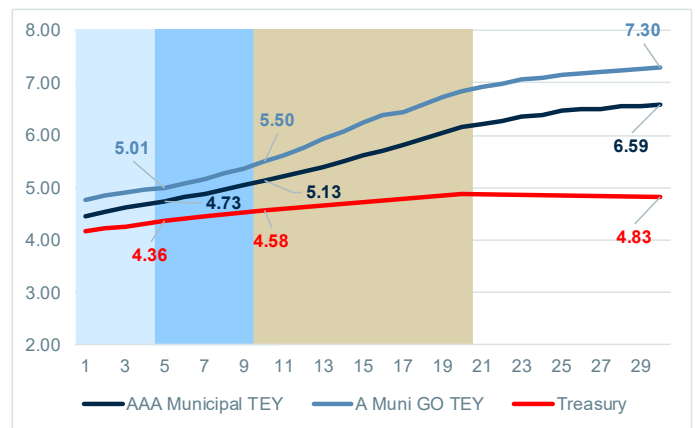
Page 2
Page 2

THE NUMBERS THIS WEEK

The Treasury curve rallied last week, dropping medium maturity rates in the 2- to 7-year range by 5 to 7 basis points. The 10 and 30-year maturities dropped 5 and 2 basis points in yield, respectively. Municipal bond yields also fell, with the benchmark AAA curve moving lower by 6 to 8 basis points across 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	4.17	2.63	2.82	4.44	4.76	63%	107%
2	2027	4.22	2.69	2.87	4.55	4.85	64%	108%
5	2030	4.36	2.80	2.96	4.73	5.01	64%	109%
10	2035	4.58	3.04	3.25	5.13	5.50	66%	112%
20	2045	4.88	3.64	4.06	6.16	6.85	75%	126%
30	2055	4.83	3.90	4.32	6.59	7.30	81%	137%

*Taxable equivalent yield @ 40.8% tax rate



EASE YOUR MIND WITH A PSF GUARANTEE

As we've touched on it in the past, the Texas Permanent School Fund (PSF) was created by the state legislature in 1845 and funded with a \$2.0 million appropriation in 1854. This Bond Guarantee Program (BGP), considered a "perpetual endowment" by statute, was exclusively intended to benefit state public and charter schools for years into the future. Throughout its history, PSF has guaranteed over \$216 billion bonds issued by Texas Independent School Districts (ISD). Additionally, the Fund has provided support to school districts through annual contributions.

PSF's primary objective is the financial strength of the guarantee program, so annual distributions are contingent and subject to financial performance of Fund assets. Equities, fixed income and cash make up 48% of the Fund's total assets. While considered relatively stable and liquid, the remaining 52% is thought to be somewhat less liquid consisting of real estate assets and mineral revenues. Fund assets as of fiscal year-end 2023 totaled approximately \$59.0 billion, with \$115.7 billion in principle guaranteed from more than 860 borrowers. Both Moody's and S&P have affirmed their Aaa/AAA ratings on PSF, respectively.

An investment in Texas municipal bonds can add diversity to your fixed income portfolio and bonds backed by PSF can add an additional layer of safety. With Texas being one of the largest issuers in the municipal market and no income tax penalty for Texans purchasing out of state bonds, the state has traditionally been source of additional yield without adding a lot of risk. PSF backed bonds are prime example. New Texas ISDs in the market last week saw a yield pick up of +40 to +50 basis points over Bloomberg's generic AAA yield curve for bonds 10 years and longer. If a Texas school district with a PSF guarantee is unable to pay either interest or principal on their bonds, state statute requires them to notify the state Education Commissioner within five days of the scheduled payment. At that point, the Commissioner will contact PSF to ensure the timely payment of interest and principal. To date, PSF has never had to make debt service on behalf of any participating district. The top 5 borrowers by par amount account for 12% of the overall fund and all have underlying ratings of Aa1. The largest participants by par amount are Dallas ISD and Cypress-Fairbanks ISD each represent about 3% of the fund.

Uncertainty in the bond market logically gives way to questions from fixed income investors like, "Is now a good time to invest?" Short answer is, yes. Whether you are creating a new portfolio or maintaining established holdings, bonds carrying a PSF guarantee can add compelling value. Timing the market has long been proven a flawed strategy. We continue to maintain how current yield levels have not been available since 2007 and PSF is a prudent way to pick up additional yield while mitigating risk within your portfolio. Your Raymond James financial advisor can help guide you through developing an appropriate fixed income strategy or using bonds to preserve your existing wealth.

Sources: Moody's Investor Service: Texas Permanent School Fund (03/19/2024), S&P Global Ratings: Texas Permanent School Fund (07/03/2024)

ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Last week municipal bond yields moved nominally lower by ~6-8 basis points (bp) 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 continues to offer an additional 60 basis points (over 10 – 20 years) and may be appropriate for some investors. The yield to worst is ~4.20%, which equates to a **taxable equivalent yield to worst of ~7.10%** 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 ~4.40%, which equates to a **taxable equivalent yield to maturity of ~7.40%**. This option has an average coupon around 4.30% and a market price of ~\$98.75. The **current yield is ~4.37%**. An investment with \$1 million par value (~\$998,707 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 February 3, 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	\$1,047,639
Accrued Interest	\$7,308
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,054,947
Next 12mo Cpn Cash Flow	\$42,000
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	4.96 yrs
Duration	3.31
Yield to Worst	2.979%
Yield to Maturity	3.220%
Market Price*	104.764
Tax Lots Holdings Included	20 of 20

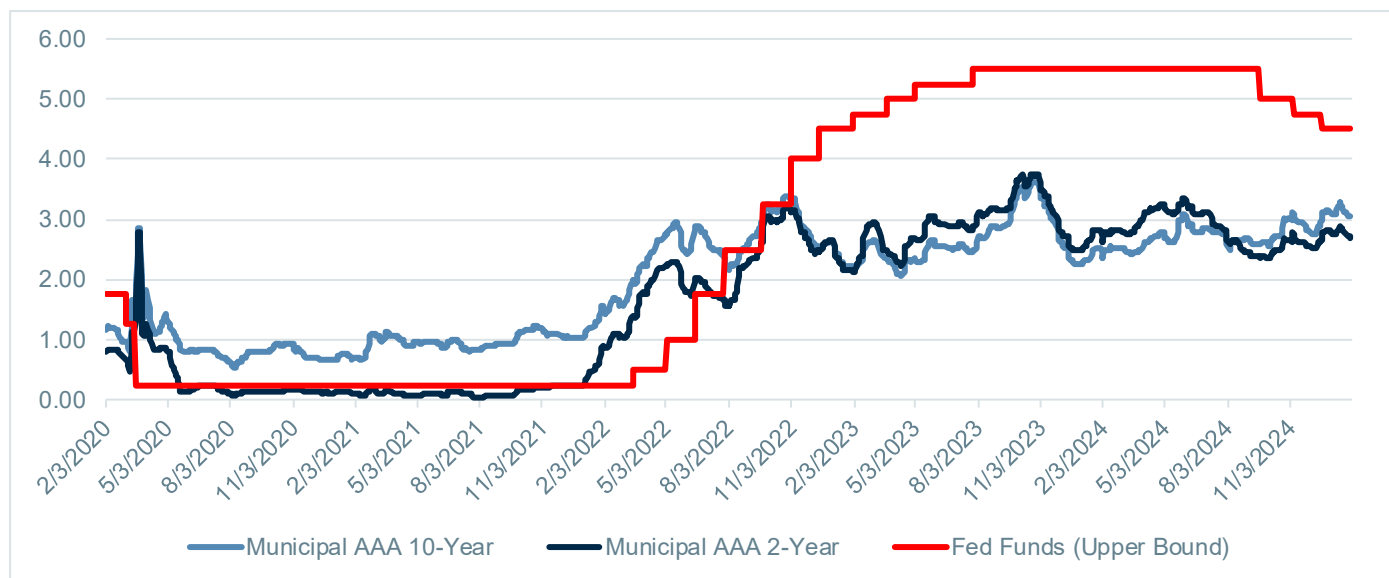
Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,049,206
Accrued Interest	\$9,144
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,058,351
Next 12mo Cpn Cash Flow	\$45,000
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	13.83 yrs
Duration	6.20
Yield to Worst	3.607%
Yield to Maturity	3.970%
Market Price*	104.921
Tax Lots Holdings Included	20 of 20

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$987,462
Accrued Interest	\$11,245
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$998,707
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	23.93 yrs
Duration	11.86
Yield to Worst	4.213%
Yield to Maturity	4.399%
Market Price*	98.746
Tax Lots Holdings Included	20 of 20

NAVIGATING TODAY'S MARKET

New issuance this week is expected to be just over \$5 billion according to The Bond Buyer. Some of the larger deals include: the Dallas Independent School District (Aaa/AAA) is selling \$778 million of PSF-backed unlimited tax school bonds, split between several series; The Lower Colorado River Authority, TX (A1/A/A+) is issuing \$545 million of transmission contract revenue refunding bonds for the LCRA Transmission Services Corporation Project; the Tarrant County Cultural Education Facilities Finance Corporation, TX (Aa2/AA) is bringing a \$571 million hospital revenue bond deal to market for the Cook Children’s Medical Center; the Round Rock Independent School District, TX (Aaa/AAA) is selling \$232 million of PSF-backed unlimited tax school building bonds; and the Nebraska Investment Finance Authority (-/AAA) is issuing \$175 million of single-family housing revenue bonds, with both taxable and tax-exempt series. See table below for additional new issuance.

HISTORICAL YIELDS



MUNICIPAL BOND INVESTOR WEEKLY

Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
02/03	\$75MM	Oklahoma Hsg Fin Agy	OK	Single Family Mortgage Revenue Bonds	Aaa/--/--	2026 - 2056
02/04	\$62MM	Park Ridge-Niles Comm Cons SD	IL	General Obligation School Bonds, Series	Aa1/--/--	2025 - 2049
02/04	\$19MM	Nazareth Area SD	PA	Nazareth Area School District	--/AA--	2025 - 2040
02/04	\$21MM	Perry Public Facilities Auth.	GA	Perry Public Facilities Authority (Georgia)	Aa2/--/--	2026 - 2054
02/04	\$110MM	Alaska Hsg Fin Corp	AK	Alaska Housing Finance Corporation	Aaa/AA+/NR	2025 - 2054
02/05	\$5MM	West Haven	CT	City of West Haven, Connecticut	NR/NR/NR	2025 - 2025
02/05	\$39MM	Lancaster ISD	TX	Unlimited Tax Refunding Bonds, Series	A1/A/NR	2025 - 2034
02/05	\$207MM	N Carolina Hsg Fin A	NC	Home Ownership Revenue Bonds Series	Aa1/AA+/-	2026 - 2056
02/05	\$40MM	Cumberland Vly SD	PA	SERIES A OF 2025	--/AA--	2026 - 2053
02/05	\$18MM	Cumberland Vly SD	PA	SERIES B OF 2025	--/AA--	2025 - 2035
02/05	\$26MM	Lancaster ISD	TX	Unlimited Tax Refunding Bonds, Series	Aaa/AAA/NR	2026 - 2038
02/05	\$92MM	N Carolina Hsg Fin A	NC	Home Ownership Revenue Bonds Series	Aa1/AA+/-	2056 - 2056
02/06	\$612MM	Dallas ISD	TX	UNLIMITED TAX SCHOOL BUILDING AND	Aaa/NR/NR	2026 - 2055
02/06	\$164MM	Dallas ISD	TX	UNLIMITED TAX REFUNDING BONDS,	Aaa/NR/NR	2026 - 2034
02/06	\$18MM	Las Cruces	NM	Taxable Gross Tax Receipts Revenue	--	2025 - 2044
02/06	\$13MM	William Penn SD	PA	School Revenue Bonds, Series A of 2025	Aa3/AA--	2026 - 2044
02/06	\$13MM	William Penn SD	PA	School Revenue Bonds, Series B of 2025	Aa3/AA--	2026 - 2049

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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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