

# Municipal Bond Investor Weekly

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



**NOREEN MCCLURE**

Director  
Fixed Income Private Wealth

## THE WEEK AHEAD

1. This past Wednesday, the Federal Reserve decided to maintain the target range for federal funds rate at 5.25 – 5.50% for the seventh consecutive meeting. They do not expect to reduce that range until they have gained greater confidence that inflation is moving toward 2%.
2. Muni yields decreased over last week, however underperforming Treasuries and as a result, we saw improving muni/Treasury ratios.
3. New issuance is expected to stay around \$8 billion during this shortened holiday week, with the markets closed on Wednesday to celebrate Juneteenth.



**DREW O'NEIL**

Director  
Fixed Income Strategy

## MONDAY'S COMMENTARY

Individual Bonds to Preserve Wealth!  
Illustrative Portfolios

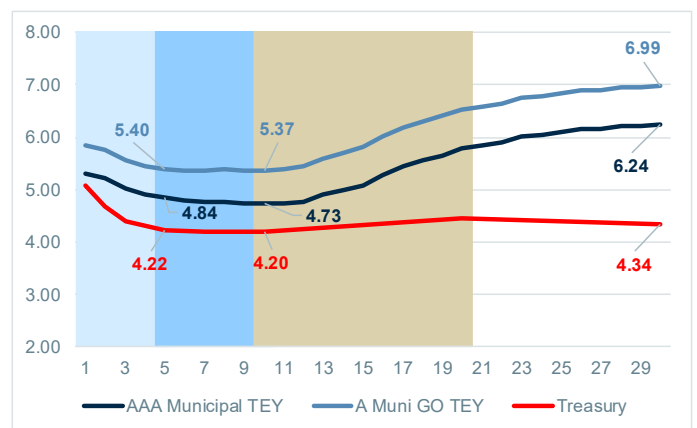
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## THE NUMBERS THIS WEEK

Yields moved lower across the board last week, mostly driven by Wednesday's CPI release. For the week, Treasury yields were down by 10 to 24 basis points. Municipal yields fell as well with the benchmark AAA curve moving lower by 11 to 12 basis points. Muni-Treasury ratios remain below historical norms but are currently higher than they have been for most of the year.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2025	5.07	3.14	3.47	5.30	5.86	62%	105%
2	2026	4.67	3.09	3.41	5.22	5.76	66%	112%
5	2029	4.22	2.87	3.20	4.84	5.40	68%	115%
10	2034	4.20	2.80	3.18	4.73	5.37	67%	113%
20	2044	4.46	3.42	3.86	5.78	6.52	77%	130%
30	2054	4.34	3.70	4.14	6.24	6.99	85%	144%

\*Taxable equivalent yield @ 40.8% tax rate



## INDIVIDUAL BONDS TO PRESERVE WEALTH!

This past Friday I presented at a symposium in the company headquarters discussing individual bonds and the many resources that we offer our clients. It prompted me to dedicate this week's commentary to the benefits of owning individual bonds vs. bond proxies. Bond proxies such as mutual funds, annuities and ETF's do not present the unique value of owning an individual bond. Bond funds and individual bonds are different in that bond funds lack the predictability and certainty of individual bonds. They do not have fixed coupons and stated maturity dates. When individual bonds are held to maturity, they provide secure income and preservation of principal regardless of what happens in the market.

Buying individual bonds provides control of the cash flows, both coupon and principal, to meet specific investment needs. A vast amount of municipal bonds are rated investment grade and above, with most of our investors purchasing A1/A+ or higher. Many are wrapped with additional insurance or enhancements to pay the principal and interest if available funds fall short of debt service. Investors have control over when to hold or sell positions while evaluating tax consequences in terms of their specific needs. Bonds also have a stated maturity date and will return principal at maturity or their designated call date, barring default.

Although individual bond prices fluctuate, this is inconsequential for investors focused on preserving wealth. The coupon payment from the bond is known, as is the maturity value, so price volatility is not significant for the buy and hold investor of individual bonds. Regardless of interest rate changes, individual bonds will gravitate toward par and principal will be returned at maturity, barring a default.

Protect your assets with the right strategy. Investors who want an individual portfolio rather than a generic model should consider buying individual bonds. Individual bonds are a favored wealth preservation asset because they provide the ability to personalize strategies with specific bonds, to tailor characteristics and to provide complete control to each unique investor. Our team is available to assist your financial advisor to create a custom portfolio tailored to your unique situation and personal goals using individual bonds!

## ILLUSTRATIVE PORTFOLIOS

Our illustrative proposals reflect three opportunities along the yield curve with bonds maturing from 1 to 30 years. Municipal yields moved lower by at least 10 basis points on the week, with the greatest movement along the curve in 5-to-10-years. Strategically, to lock in long-term, reliable tax-efficient cash flow, our duration focused 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 50+ basis points (over 10 – 20 years) and may be appropriate for some investors. The yield to worst is ~4.01%, which equates to a **taxable equivalent yield to worst of over 6.76%** 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 ~4.22%, which equates to a **taxable equivalent yield to maturity of ~7.13%**. This is a solution with 4-5% coupon bonds with an average coupon of 4.31% and a market price of ~\$101.30. The **current yield is ~4.32%**. An investment with \$1 million par value (~\$1,013,041 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 June 17, 2024

### 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	\$1,049,630
Accrued Interest	\$10,814
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,060,443
Next 12mo Cpn Cash Flow	\$43,000
Generic Annual Cpn Cash Flow	\$43,000
Weighted Averages	
Coupon*	4.300%
Maturity**	5.60 yrs
Duration	3.83
Yield to Worst	3.177%
Yield to Maturity	3.375%
Market Price*	104.963
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	\$1,064,512
Accrued Interest	\$10,844
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,075,356
Next 12mo Cpn Cash Flow	\$45,200
Generic Annual Cpn Cash Flow	\$45,000
Weighted Averages	
Coupon*	4.500%
Maturity**	14.47 yrs
Duration	6.20
Yield to Worst	3.448%
Yield to Maturity	3.855%
Market Price*	106.451
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.

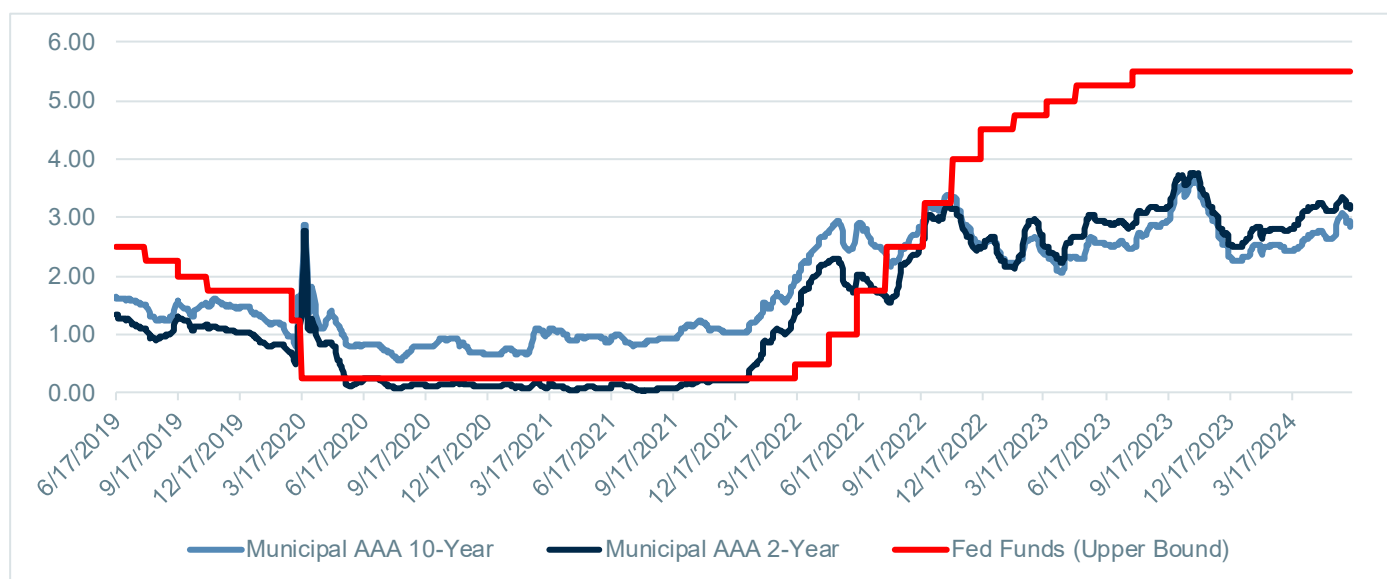
Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,013,041
Accrued Interest	\$11,234
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,024,275
Next 12mo Cpn Cash Flow	\$43,125
Generic Annual Cpn Cash Flow	\$43,125
Weighted Averages	
Coupon*	4.313%
Maturity**	24.57 yrs
Duration	10.94
Yield to Worst	4.011%
Yield to Maturity	4.229%
Market Price*	101.304
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, \$7.3 billion in new issuance is expected to come to market this week. Some of the larger deals include: Ohio (Aa2/AA) is selling \$461 million of hospital revenue bonds for Cleveland Clinic Health System Obligated Group; the New York State Housing Finance Agency (Aa2/-) is issuing \$310 million of sustainability affordable housing revenue bonds; the Pennsylvania Turnpike Commission (Aa3/AA-/AA-) is bringing a \$300 million turnpike revenue bond deal to market; and the Oregon Department of Transportation (-/AA) is issuing \$237 million social grant anticipation revenue bonds. See table below for additional new issuance.

### HISTORICAL YIELDS



**MUNICIPAL BOND INVESTOR WEEKLY**

Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
6/17	\$19MM	Palmyra Area School District	PA	General Obligation Bonds, Series of 2024	NR /AA- /NR	6/1/25-49
6/17	\$80MM	New York City Housing	NY	Housing Impact Bonds, 2024 Series A	Aa2 /NR /NR	8/1/2054
6/17	\$80MM	New York City Housing	NY	Taxable, Housing Impact Bonds, Series B	Aa2 //	02/01/2030-54
6/17	\$21MM	Georgia Housing and Finance	GA	Single Family Mortgage Bonds 2024	/AAA /	12/01/2024-34
6/17	\$114MM	Georgia Housing and Finance	GA	Single Family Mortgage Bonds 2024	/AAA /	12/1/2034-
6/17	\$117MM	Colorado Housing and Finance	CO	Single Family Mortgage Bonds Class I	Aaa /AAA /	11/1/26-35,39,46,50
6/17	\$2MM	CDA Maryland Dept of Housing	MD	Housing Revenue Bonds, Series 2024 C	Aa2 //AA+	7/20/1905
6/17	\$40MM	CDA Maryland Dept of Housing	MD	Housing Revenue Bonds, Series 2024 B	Aa2 //AA+	2028-2068
6/18	\$14MM	Rowland USD (Los Angeles and	CA	2024 General Obligation Refunding Bonds	Aa2 //	08/01/2024,26-27
6/18	\$41MM	Rowland USD (Los Angeles and	CA	General Obligation Bonds 2012 Election,	Aa2 //	08/01/2024-43
6/18	\$29MM	Oklahoma Development Finance	OK	OK State System of Higher Ed. Master Real	Aa3 /AA- /	06/01/2025-2049
6/18	\$6MM	Louisiana Housing Corporation	LA	Multifamily Tax-Exempt Mortgage-backed	Aaa //	7/1/2042
6/18	\$6MM	Louisiana Housing Corporation	LA	Multifamily Tax-Exempt Mortgage-backed	Aaa //	7/1/2042
6/18	\$11MM	Louisiana Housing Corporation	LA	Multifamily Housing Revenue Bonds (Loop	Aaa //	2/1/2028
6/18	\$11MM	Louisiana Housing Corporation	LA	Multifamily Housing Revenue Bonds	Aaa //	2/1/2028
6/18	\$17MM	Housing Oppt Comm of	MD	Multifamily Housing Development Bonds	Aaa //	07/01/2029-
6/20	\$242MM	Katy Independent School District	TX	Unlimited Tax School Building Bonds,	Aaa /AAA / (Aa1 /AA / )	2/15/2025-54
6/20	\$8MM	Clarksville High SBC, (Clark	IN	First Mortgage Bonds, Series 2024	/AA+ / ( /A+ / )	01/15/2026-37
6/20	\$50MM	Aubrey Independent School District	TX	Unlimited Tax School Building and	Aaa /AAA / (A2 /A+ / ) PSF	02/15/2025-54

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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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M23-184726 through 4/28/26