Municipal Bond Investor Weekly

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

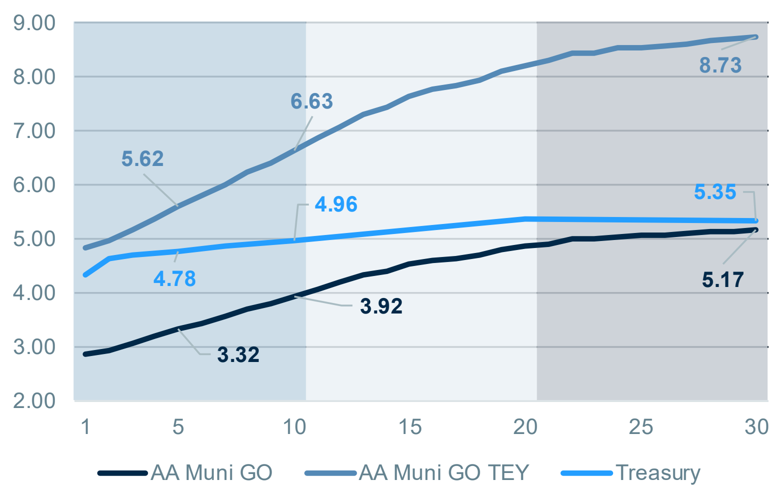
Windows of Opportunity: Part 2

The week ahead promises to be interesting with an FOMC meeting grappling with a possible rate hike, the 10-year Treasury touching 5% and continued geo-political uncertainty. The recent move higher in rates provides an even wider window of opportunity for investors to lock in yields and long-term tax-efficient cash flow. For investors experiencing some price shock on their existing bonds, remember what doesn't change: the reliable coupon cash flow and return of principal at maturity / call (see disclosure in comments).

TED RUDDOCK
Managing Director, Co-Head
Fixed Income Private Wealth

DREW O'NEIL
Director
Fixed Income Strategy

Yield Curve Comparison



MARKET UPDATE

Yields pushed higher last week as increased tensions in the Middle East pushed the price of oil higher while inflationary pressure now has markets pricing in a ~90% chance that the FOMC will raise the Fed Funds rate by 25 basis points at this week's meeting. Treasury yields were higher across the curve by 11 to 26 basis points with the largest move coming at the 2-year maturity. Municipal yields continued their march higher as the benchmark AAA curve was up by 19 to 23 basis points. This pushed muni-Treasury ratios higher as well, which now sit at ~75% at 10-year and ~92% at 30-years. Over $10 billion in municipal new issuance is expected this week with the largest deal coming from the New Jersey Transportation Trust Fund Authority with a $1.67 billion issue.

Illustrative Portfolios (Par Value of $1 Million)

	1 to 10 Year	11 to 20 Year	21 to 30 Year
Market Value	$1,052,835	$991,328	$919,295
Yield	3.38%	4.51%	5.06%
Taxable Equivalent Yield	5.70%	7.62%	8.56%
Duration	5.11	9.68	14.15
Average Coupon	4.50%	4.50%	4.50%
Annual Cash Flow	$45,000	$45,000	$45,000

The illustrative portfolios demonstrate opportunities across the municipal yield curve. Longer-duration strategies benefit from the steep yield curve, allowing investors to capture additional tax-exempt yield while utilizing call structures that may help mitigate interest rate risk.

Sources for Yield Curves and Illustrative Portfolios: Bloomberg LP, Raymond James. For illustrative purposes only. Values and yields are calculated from index-level data and are not intended to representative of actual offerings. Taxable equivalent yield calculations assume a 40.8% tax bracket.

WINDOWS OF OPPORTUNITY: PART 2

Regular readers may recall --- it was barely three months ago --- that I covered this topic as the 10-year Treasury moved past 4.50% for the first time in 2026, bringing municipal rates along for the ride. Opportunities to invest in high grade fixed income at these levels have been limited over the past decade. There was a time --- not very long ago --- when municipal bonds with 4% coupons priced at par ($100) captured investor's attention after several years of paltry post-COVID rates. Now, as the 10-year Treasury closes in on 5%, we have an even rarer opportunity in muni-land of 5% coupons at par --- and even some at a discount. Granted, these are longer maturity bonds (with 10-year calls), but for clients who understand the muni market, this represents a window of opportunity being opened even wider!! As an example, one marquee credit noted last week was New York City Water Revenue Bonds (Aa1/AA+) 5% coupon maturing in 2051 and callable in 2031, offered at par. Incredible. A 5% tax-exempt yield, for a NY investor in the top federal tax bracket (37%) also subject to the Net Investment Income Tax (3.8%) and not even in the highest NY tax bracket, but the 6.85% bracket (all-in 47.65%), **that 5% tax-exempt yield is a taxable equivalent yield of 9.55%** --- for a Aa1/AA+ credit --- just one notch below the vaunted Aaa/AAA. That's reliable, tax-efficient income to help meet your cash flow goals.

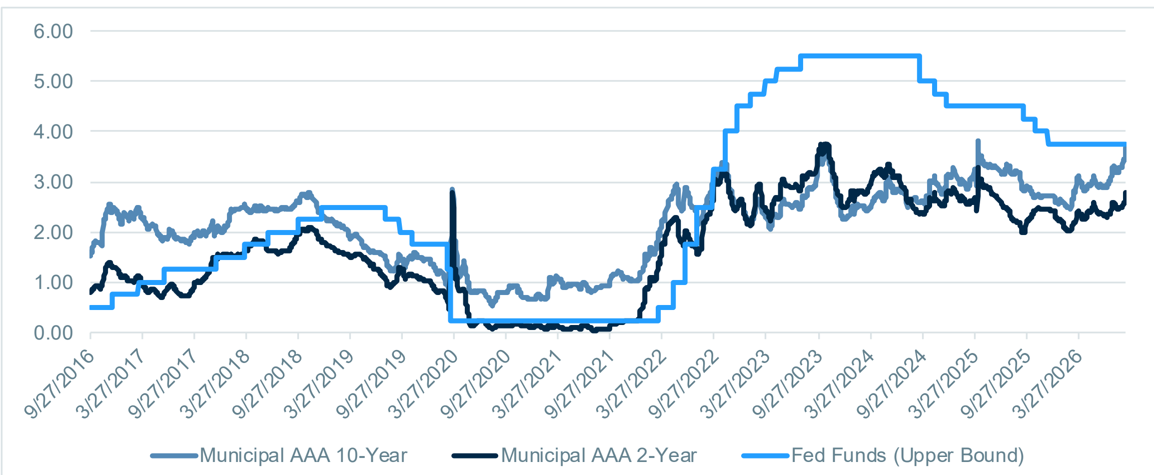
How long will this opportunity last? That's anyone's guess. But if history is any guide, the answer is: not very long. The most recent time the 10-year Treasury reached 5% was back on October 19, 2023. By December 27, 2023 it was 3.79% --- ***~120 basis points lower in less than 50 trading days***. (See chart below with 2023 move highlighted.) No two years are exactly the same, and 2023 did not have the same geopolitical backdrop as today. The monetary policy environment was both different and similar at the same time. Recall that in September 2023 the FOMC was still grappling with inflationary pressures and what to do with the Fed Funds rate. The FOMC had raised Fed Funds to the 5.25 - 5.50% range at the July 2023 meeting, and it was uncertain what would happen at that September meeting. **For this week's FOMC meeting**, the uncertainty is what will happen with Fed Funds now that we are at 3.50% - 3.75%. The probability of a rate ***hike*** is increasing.

We would be remiss if we didn't acknowledge the other side of the rising rates coin: yields higher, prices lower. Those 4% coupons purchased at par last year are now priced at a discount --- in some cases a rather steep discount. Those lower prices have some clients seeing red and asking: ***why are my bond prices down?*** It's simply math with fixed income: as interest rates (bond yields) move higher, prices move lower. And bonds with longer maturities (higher durations) get hit the hardest. If you already own bonds, it's likely that your yield when you bought them (acquisition yield) is lower than what's available today. By adding bonds at today's levels, you are "dollar-cost averaging" into higher overall portfolio yields.

The key thing to remember is what doesn't change: the reliable, tax-efficient cash flow. The majority of municipal bond investors buy individual bonds with a "buy-monitor-hold" investment strategy for the long term. It's not an annual total return, trading focus. If you bought 4% coupons at par a year ago, your 4% coupon payment hasn't changed. Your bond's price is lower, but the coupon --- and annual coupon cashflow --- *stays exactly the same.* And if interest rates should move lower, the price of those discount bonds will move higher, closer to par. **Here's another truth:** regardless of how prices change while you own bonds, at maturity (or call), **you will receive your principal back in full**. (Disclosure – subject to the possibility of default, which for investment grade municipal bonds [AAA – BBB categories] is rare.) And that's the value of owning individual securities (vs. packaged products): you know what you own; you know your cash flow over time; and, you know your re-payment at maturity/call.

What does all this mean for investors? Windows of opportunity do not stay open forever. Regular readers know we never advise trying to time the market --- but we do advise taking advantage of opportunities when they appear. It is a good time to have a conversation with your financial advisor to lock in reliable, tax-efficient income at rates that don't come along every day!

HISTORICAL YIELDS



NEW ISSUE CALENDAR

Date	Amount ($millions)	Issuer	ST	Description	Ratings	Maturity
09/14/2026	74	Mississippi Home Cor	MS	Single Family Mortgage Revenue Bonds,	Aa1/--/--	2027 - 2051
09/14/2026	24	Mississippi Home Cor	MS	Single Family Mortgage Revenue Bonds,	Aa1/--/--	2056 - 2056
09/15/2026	49	Oregon Hsg & Comm	OR	2026 Series C	Aa2/NR/NR	2036 - 2056
09/15/2026	14	Hillsborough County	FL	UTILITY REFUNDING REVENUE BONDS	Aaa/AAA/AAA	2032 - 2034
09/15/2026	62	Roanoke	TX	GENERAL OBLIGATION IMPROVEMENT	--/AA/--	2029 - 2056
09/15/2026	10	Hospital Authority of Bacon Cnty	GA	Hospital Authority of Bacon County,	A2/NR/NR	2033 - 2047
09/15/2026	11	Oregon Hsg & Comm	OR	2026 Series E	Aa2/NR/NR	2032 - 2036
09/15/2026	30	Easton Area SD	PA	General Obligation Bonds, Series A of	Aa3/--/--	2027 - 2030
09/15/2026	28	Easton Area SD	PA	General Obligation Bonds, Series B of	Aa3/--/--	2027 - 2035
09/15/2026	293	NYC Muni Wtr Fin	NY	Fiscal 2027 Series AA	Aa1/AA+/AA+	2033 - 2047
09/15/2026	609	Hillsborough County	FL	UTILITY REVENUE BONDS	Aaa/AAA/AAA	2031 - 2056
09/15/2026	10	Washington County	PA	The Washington-East Washington Joint	A1/AA/--	2027 - 2046
09/15/2026	16	Roanoke	TX	COMBINATION TAX AND REVENUE	--/AA/--	2029 - 2055
09/15/2026	10	Oregon Hsg & Comm	OR	2026 Series F	Aa2/NR/NR	2027 - 2032
09/16/2026	12	City of Oak Point	TX	Combination Tax and Revenue Certificates	--/AA+/--	2028 - 2046
09/16/2026	3	City of Oak Point	TX	General Obligation Bonds, Series 2026	--/AA+/--	2027 - 2046
09/16/2026	4	Centerville	OH	City of Centerville (Montgomery County)	--	2027 - 2027
09/17/2026	73	Madison Co BOE	AL	Capital Outlay Tax Anticipation Warrants,	Aa2/AA-/--	2027 - 2056
09/17/2026	29	Madison Co BOE	AL	Refunding Tax Anticipation Warrants,	Aa2/AA-/--	2027 - 2034
09/17/2026	47	City of Port Aransas	TX	City of Port Aransas, Texas	--/A-/--	2027 - 2056
09/17/2026	17	North Myrtle Beach	SC	City of North Myrtle Beach, South Carolina	Aa3/AA-/--	2027 - 2041
09/17/2026	7	Greene Twp Muni Auth	PA	Greene Township Municipal Authority	--/AA/--	2043 - 2046

*Moody's/S&P/Fitch. 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.

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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.

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.

Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

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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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