

Municipal Bond Investor Weekly

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



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THE WEEK AHEAD

1. Week 1 of 2026 should see a modest ~\$6 billion of new issuance---January volume generally takes time to build.
2. Key economic numbers this week --- including the December Jobs Report on Friday along with University of Michigan Consumer Confidence --- weakness is expected on both fronts.
3. Geo-political events over the weekend remind us that volatility can come from many sources at any time --- while fixed income coupon cashflows provide known outcomes in advance.

MONDAY'S COMMENTARY

Welcome 2026
Illustrative Portfolios

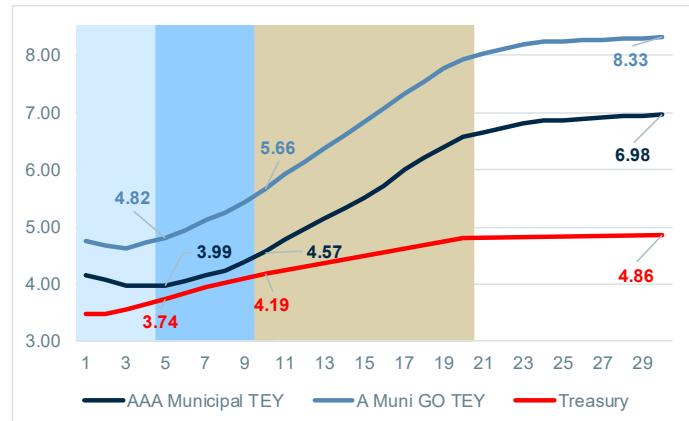
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THE NUMBERS THIS WEEK

Treasury yields were mostly higher last week. Yields from 5 to 30 years increased by 5 to 6 basis points while short-term yields inched slightly lower. Municipal yields were mostly unchanged, with the entire benchmark AAA curving finishing the week within a basis point of where it started.

Year	Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1 2027	3.47	2.47	2.82	4.17	4.76	71%	120%
2 2028	3.47	2.42	2.78	4.08	4.69	70%	118%
5 2031	3.74	2.36	2.85	3.99	4.82	63%	107%
10 2036	4.19	2.70	3.35	4.57	5.66	65%	109%
20 2045	4.81	3.89	4.70	6.57	7.93	81%	137%
30 2055	4.86	4.13	4.93	6.98	8.33	85%	144%

*Taxable equivalent yield @ 40.8% tax rate

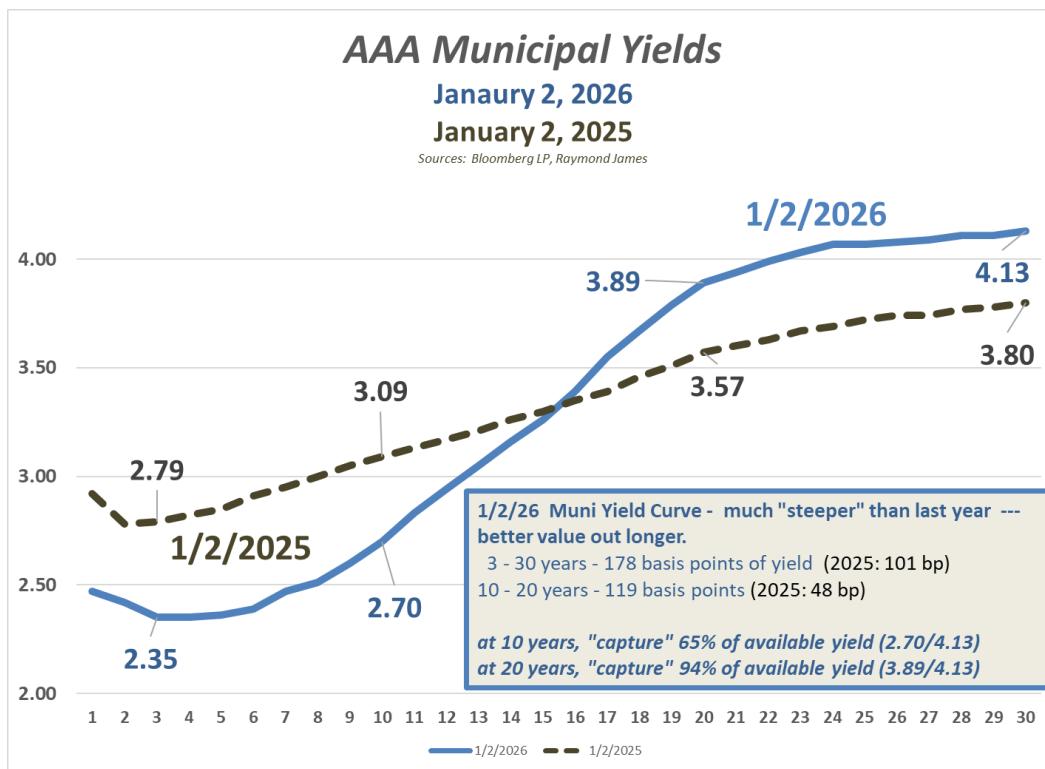


WELCOME 2026

We have endings so we can begin anew. 2025 turned out to be quite the year for the municipal bond market. It was an easy call in early December to forecast another record year: Issuance topped \$550 billion for the first time ever --- an increase of ~10% over a record breaking 2024. Many firms are forecasting another strong --- possibly another record --- year for 2026.

Next Monday we'll publish our **Annual Outlook** for the municipal market with our perspectives on key topics likely to impact the markets and opportunities for investors.

In the meantime, muni investors begin 2026 with some better opportunities than this time last year. There's a good story in the "tale of two yield curves" shown in the graph below. The current municipal yield curve reflects some of the key developments from 2025. First, as the Fed has lowered short-term interest rates, the front end of the muni curve (inside 15 years, but particularly inside 5 years) has seen rates move lower. Second, the Fed's "measured" approach to lowering rates was due to its on-going concerns about inflation and employment. Indeed, most inflation measures remain above the Fed's 2% target, including its preferred measure, Personal Consumption Expenditures (PCE). Consequently, in part due to inflation concerns, the longer end of the yield curve has moved higher, offering municipal investors better value / higher yields out longer. As highlighted in our graph below, 10-year AAA munis offer a yield of 2.70% --- at 20 years (with a 10 year call) the yield is 3.89% --- 119 basis points more. **At 20 years with a 3.89% yield, investors are able to "capture" 94% of the maximum yield available at 30 years (4.13%).** For investors in the highest federal tax bracket and subject to the net investment income tax, **the 3.89% tax-exempt yield is an attractive taxable equivalent yield of 6.57%.**



This is a great way to start the new year! Municipal bond investors are generally buy-monitor-hold investors. Investors buying longer dated, callable bonds are able to lock in higher yields --- and generate more tax-efficient cash flow for longer. As the year begins, take a look at short-term allocations and consider these type of opportunities to capture more yield.

Welcome 2026!! Stay tuned for our Annual Outlook next week!

ILLUSTRATIVE PORTFOLIOS

- ✓ Portfolio yields are little changed, reflecting subdued activity during the holiday shortened week.
- ✓ **Looking to maximize yield?** The 20-to- 30-year range offers an **additional ~60 basis points** (over 10 – 20 years), without significantly increasing volatility (average modified duration ~5.25 on 10-to-20-years vs 6.5 on 20-to-30-years).
- ✓ The **current yield is ~4.75%.**
- ✓ A 20-to 30-year portfolio rated A or better can produce a federal tax-free yield to worst of ~4.35%, which equates to a **taxable equivalent yield to worst of ~7.35%** 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 ~7.90%.**
- ✓ An investment with \$1 million par value (~\$1,052,000 market value with accrued interest) will generate a federally tax-exempt **annual coupon cash flow of approximately \$49,500.**

*National Municipal Bond Illustrative Portfolios**Week of January 5, 2026***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	\$1,063,522
Accrued Interest	\$9,651
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,073,173
Next 12mo Cpn Cash Flow	\$44,500
Generic Annual Cpn Cash Flow	\$44,500
Weighted Averages	
Coupon*	4.450%
Maturity**	6.03 yrs
Duration	3.53
Yield to Worst	2.760%
Yield to Maturity	3.251%
Market Price*	106.352
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	\$1,044,306
Accrued Interest	\$6,570
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,050,875
Next 12mo Cpn Cash Flow	\$45,669
Generic Annual Cpn Cash Flow	\$46,625
Weighted Averages	
Coupon*	4.663%
Maturity**	15.89 yrs
Duration	5.25
Yield to Worst	3.781%
Yield to Maturity	4.257%
Market Price*	104.431
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	\$1,041,104
Accrued Interest	\$11,250
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,052,354
Next 12mo Cpn Cash Flow	\$50,312
Generic Annual Cpn Cash Flow	\$49,875
Weighted Averages	
Coupon*	4.988%
Maturity**	25.89 yrs
Duration	6.53
Yield to Worst	4.363%
Yield to Maturity	4.710%
Market Price*	104.110
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

New issuance for the first full week of 2026 is expected to come in around \$6.3 billion according to The Bond Buyer. Some of the larger deals include: the Board of Regents of the University of Texas System is bringing a \$1 billion revenue financing system deal to market; the New York State Thruway Authority (A1/A) is selling \$848 million of general revenue junior indebtedness refunding bonds; the Conroe Independent School District (Aaa/AAA) is issuing \$443 million of PSF-backed unlimited tax school building bonds; and the Oregon Department of Transportation (Aa2/AA+/AA+) is selling \$224 million of highway user tax revenue subordinate lien refunding bonds. See table below for addition new issuance.

HISTORICAL YIELDS



Date	Amount	Issuer	ST	Description	Moody's/S&P/Fitch	Maturity
01/05/2026	\$120MM	Florida Hsg Fin Corp	FL	Homeowner Mortgage Revenue Bonds	Aaa/---	2028 - 2057
01/05/2026	\$50MM	Florida Hsg Fin Corp	FL	Homeowner Mortgage Revenue Bonds	Aaa/---	2028 - 2057
01/06/2026	\$155MM	Illinois Hsg Dev Aut	IL	Revenue Bonds, 2026 Series A (Non-AMT)	Aaa/NR/NR	2035 - 2056
01/06/2026	\$7MM	Corunna Pub Schs	MI	2026 Refunding Bonds	--/AA--	2027 - 2035
01/06/2026	\$22MM	Park Ridge-Niles Comm Cons SD	IL	General Obligation School Bonds, Series	Aa1/-/-	2026 - 2035
01/07/2026	\$6MM	Rolling Meadows	IL	City of Rolling Meadows	--/AA+/-	2026 - 2045
01/07/2026	\$14MM	Mississippi Home Cor	MS	MISSISSIPPI HOME CORPORATION	Aa1/---	2026 - 2035
01/07/2026	\$72MM	Mississippi Home Cor	MS	MISSISSIPPI HOME CORPORATION	Aa1/---	2035 - 2055
01/07/2026	\$120MM	South Dakota Hsg Dev	SD	Homeownership Mortgage Bonds	Aaa/AAA/-	2029 - 2056
01/07/2026	\$25MM	South Dakota Hsg Dev	SD	Homeownership Mortgage Bonds	Aaa/AAA/-	2027 - 2036
01/08/2026	\$848MM	NYS Thruway Auth	NY	New York State Thruway Authority	A1/A/NR	2027 - 2056

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.

MUNICIPAL BOND INVESTOR WEEKLY

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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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