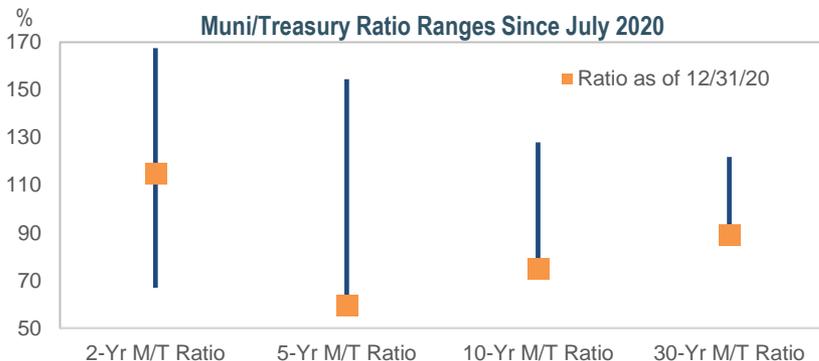


Municipal Market Update

- 2020's record-setting municipal issuance of approximately \$514 billion was prompted almost exclusively by taxable supply, which at \$185 billion, was up 112% YoY.
 - Governments issued more than twice the amount of taxable bonds in 2020 than they did in 2019.
- 2021 issuance is expected to be robust, but down slightly, fueled by stimulus-driven economic growth and the COVID vaccine.
- Longer-term muni/Treasury ratios, from 5- to 30-years, recovered to pre-pandemic levels by year end.

Muni/Treasury Ratio Ranges Since July 2020



- 2020 marked the municipal bond market's seventh consecutive year of gains, a notable feat considering the record selloff in March.
- Municipal bond fund flows were positive for much of the year (\$33 billion), despite a \$42 billion withdrawal in March.
- Yields in lower-rated bonds continue to compress relative to higher-rated ones, creating an opportunity to go up in quality.

Index Yield Tracker

Avg Yield	1-2 Yrs	3-5 Yrs	5-7 Yrs	7-10 Yrs	10-20 Yrs	20-30 Yrs	30+ Yrs
AAA	0.18	0.26	0.38	0.57	1.02	1.45	1.57
AA	0.21	0.35	0.47	0.66	1.09	1.61	1.96
A	0.44	0.60	0.72	0.99	1.41	1.88	2.16
BBB+	0.57	0.91	1.10	1.39	1.85	2.38	2.52

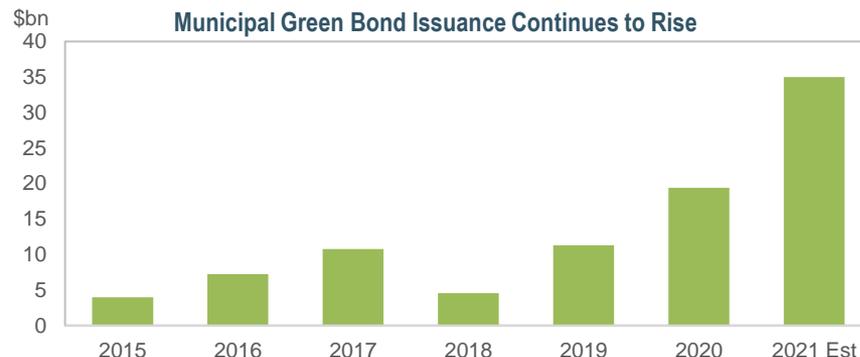
Political Environment

- President Joe Biden's \$1.9 trillion relief plan could mitigate states' and cities' needs for pronounced budget cuts. The plan includes an estimated \$350 billion of emergency aid to states and local governments, as well as \$20 billion to public transit agencies.
- President Biden's proposed cabinet includes at least six members who have guided states or municipalities, such as RI Governor Gina Raimondo and former South Bend Mayor Pete Buttigieg.
- With the GA Senate run-off decided, Democrats will take control of the Senate. Tax reform and an infrastructure bill could be forthcoming, which could mean the repeal of the limit on SALT deductions and increased taxable muni supply. Also, the ability to advance refund tax-exempt bonds could be restored.

ESG in Municipal Bonds

- 2021's muni green bond supply is forecasted at \$35 billion – about 7% of total annual muni issuance – with CA, MA, and NY likely leading the way.

Municipal Green Bond Issuance Continues to Rise



Issuers in the News

- New York's Metropolitan Transportation Authority (MTA), which oversees the operations of bus, subway, and commuter train systems, will receive \$4 billion under Congress' coronavirus relief package, closing the MTA's 2021 deficit.
- Illinois' financial struggles continue, with a \$3.9 billion budget deficit for 2021, \$33.2 billion bill backlog for 2026, and a longer-term overhang of \$137.3 billion in unfunded pension liabilities. Voters recently rejected a graduated income tax proposal, eliminating one of legislators' few remaining levers.

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