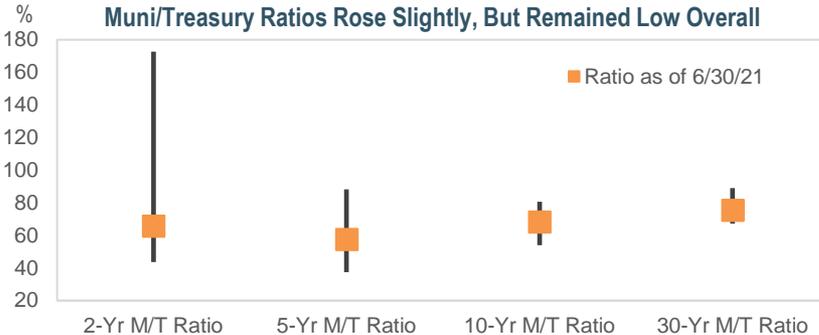


Municipal Market Update

- In 2021, total gross municipal bond issuance could reach \$515 billion, driven by \$340 billion in tax-exempt and \$175 billion in taxable bonds. Net issuance is estimated at \$118 billion.
- Municipal bond funds reported inflows in 58 of the last 59 weeks. Year-to-date inflows of \$59.5 billion are already the third highest total annual inflows since record keeping began in 1992.
- After declining to historical lows in the first quarter, 5-, 10-, and 30-year muni/Treasury ratios edged higher in the second quarter.



- In 2Q21, taxable municipals performed well, with excess returns continuing to outpace those of corporates, non-corporates, and CMBS.

	Corps	Non-Corps	CMBS	Taxable Munis	Long Taxable Munis
YTD Excess Returns	2.04	1.11	1.51	5.26	5.90

- Yields increased across the rating spectrum, except for longer-dated, lower-rated bonds, which experienced declines.

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	0.17	0.39	0.58	0.73	1.11	1.47	1.72
AA	0.17	0.41	0.60	0.75	1.11	1.55	1.97
A	0.29	0.55	0.65	0.93	1.20	1.56	1.93
BBB+	0.37	0.70	0.93	1.17	1.54	1.85	2.01

Political Environment

- President Biden reached a tentative \$579 billion bipartisan infrastructure deal, which included \$312 billion for transportation and \$266 billion for other infrastructure and will fund the largest public transit investment in US history.

Transportation	Amount (bn)	Other Infrastructure	Amount (bn)
Roads, Bridges, Major Projects	\$109	Water Infrastructure	\$55
Safety	\$11	Broadband Infrastructure	\$65
Public Transit	\$49	Environmental Remediation	\$21
Passenger and Freight Rail	\$66	Power Infrastructure	\$73
EV Infrastructure	\$7.5	Western Water Storage	\$5
Electric Buses/Transit	\$7.5	Resilience	\$47
Reconnecting Communities	\$1		
Airports	\$25		
Ports and Waterways	\$16		
Infrastructure Financing	\$20		
Total	\$312	Total	\$266

ESG and Municipals

- The Buffalo Sewer Authority issued a \$49 million municipal environmental impact bond (EIB) deal, the largest US EIB transaction to date. The proceeds of the tax-exempt bonds will be used to finance green infrastructure and stormwater mitigation projects.
 - EIBs are validated by an independent third party, which inspects each green infrastructure project site and determines if the prescribed outcomes have been reached.
 - EIBs differ from traditional green bonds, which finance climate and environmental projects, but lack the stringent measurement and reporting requirements.

Issuers in the News

- The Metropolitan Transportation Authority (MTA), which was the beneficiary of \$14.5 billion in stimulus funding, continues to face significant structural budget deficits and low ridership.
 - The MTA expects ridership to stabilize in 2023 and 2024 at 80% to 92% of pre-pandemic levels. Currently, weekday subway ridership is at 45% of pre-pandemic levels.