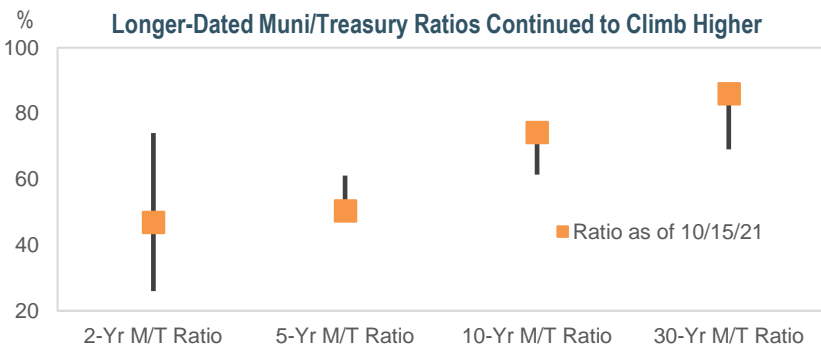


Municipal Market Update

- In 2021, total gross municipal bond issuance – at \$385.2 billion – is down 7% versus that in 2020. Taxable issuance is down 26% YoY due to a decline in refinancings. Total annual issuance is estimated at \$515 billion.
- Municipal bond funds reported their 32nd straight week of inflows. Year-to-date inflows have reached \$76.7 billion.
- Since the summer, shorter-term muni/Treasury ratios remain rich, while longer-term muni/Treasury ratios have cheapened.



- In 3Q21, 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	1.89	0.84	1.48	5.45	6.09

- Since 2Q, yields have primarily decreased across the rating spectrum.

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	0.11	0.31	0.49	0.64	1.09	1.50	1.58
AA	0.13	0.33	0.51	0.67	1.09	1.58	1.93
A	0.24	0.41	0.57	0.76	1.02	1.57	1.96
BBB+	0.32	0.62	0.78	1.05	1.38	1.76	2.00

Political Environment

- Optimism is rising over legislative progress on President Biden’s spending plan. To win over key Senate moderates, Democrats have reduced the initial \$3.5 trillion in spending to between \$1.5 trillion and \$2 trillion. Due to the spending decline, it is unlikely that the cap on SALT deductions will be lifted.

Scenario	Probability	Issuance Impact	Tax-Exempt Spreads/Ratios Impact	Taxable Spreads Impact
Direct pay bonds and tax-exempt advance refundings are approved	High	Direct pay bonds < \$10 billion a month; \$100 billion in 2022; tax-exempt advance refundings increase by \$15 billion a month; taxable advance refundings decrease/vanish	Widen but then stabilize; tax-exempt new money cannibalized by direct pay bonds longer-term	None
Tax-exempt advance refundings are approved	Moderate	Tax-exempt issuance increases by \$15-\$20 billion due to refundings; taxable advance refundings decrease/vanish	Widen initially but then stabilize over long term	None
Direct pay bonds are approved	Low	Direct pay bonds < \$10 billion/month; \$100 billion total in 2022	Tighten in long term - tax-exempt new money cannibalized by BABs	None
Neither provision passes	Low	None	Remain tight; ratios do not reflect expectations of higher tax rates	Remain tight

ESG and Municipals

- New York City’s three pension funds have committed to achieving net-zero greenhouse gas emissions in their investment portfolios by 2040, becoming one of the first cities to do so.
- The plans call for doubling investments in renewable energy, energy efficiency, and green real estate to over \$8 billion by 2025, and to over \$37 billion.

Issuers in the News

- The Puerto Rico Plan of Adjustment may be in jeopardy after lawmakers failed to enact legislation that would restructure the island’s \$35 billion in public debt. On November 2nd, a mediator will report if the proposed plan can move forward.