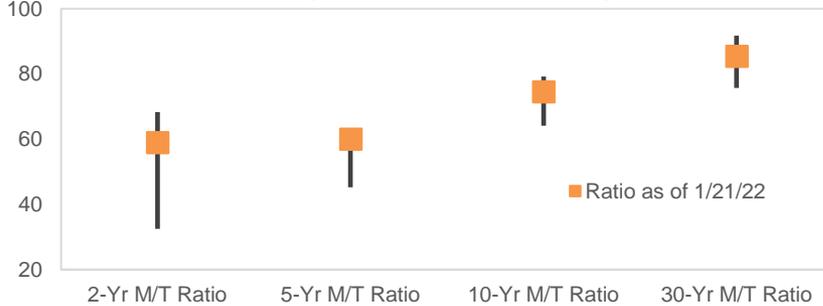


Municipal Market Update

- For 2021, total gross municipal bond issuance – nearly \$500 billion – was down 5% versus that in 2020. Taxable issuance was down 24% YoY. For 2022, total annual issuance is estimated at \$520 billion.
- After 45 consecutive weeks of inflows, municipal bond funds have seen two weeks of outflows – with this week’s the largest outflow since April 2020. Munis may experience record-breaking losses in January.
- Muni/Treasury ratios remained rich in 4Q21 before cheapening in January 2022.

Muni/Treasury Ratios Have Been Climbing in 2022



- In 4Q21, taxable municipals’ excess returns underperformed those of corporates, non-corporates, and CMBS, but remained ahead for the year.

	Corps	Non-Corps	CMBS	Taxable Munis	Long Taxable Munis
2021 Excess Returns	1.61	0.91	1.29	5.05	5.65

- Since 3Q, yields have consistently risen 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	0.51	0.84	1.00	1.12	1.48	1.88	2.25
AA	0.55	0.88	1.03	1.17	1.50	1.93	2.20
A	0.74	0.95	1.11	1.25	1.51	1.96	2.26
BBB+	0.76	1.11	1.33	1.56	1.81	2.17	2.17

Economic Environment

- The Federal Reserve (Fed) is setting expectations that it will move quickly to tame stubbornly high inflation. The Fed stated that it would take a mostly passive approach to reducing its balance sheet, but did not rule out a more aggressive strategy.
- Swift action by the Fed could trigger a municipal market outflow cycle, which would likely be driven by a Fed-related rate market sell-off and not a municipal or credit-specific event.

Outflow Start	Outflow End	# of Weeks Outflow	Coincided with Looming/Ongoing Fed rate hike cycle?	Muni-Specific Catalyst or Credit Fears?	Notes
7/23/03	12/3/03	24	No	No	
4/14/04	8/25/04	20	Yes	No	Rate volatility ahead of hiking cycle
11/9/05	1/11/06	10	No	No	
9/24/08	1/7/09	16	No	Yes	Financial Crisis-related concerns about muni credit
11/17/10	6/1/11	29	No	Yes	Meredith Whitney credit alarmism
3/13/13	1/15/14	45	No	No	Taper tantrum
5/13/15	9/30/15	21	No	No	Sovereign debt crisis
11/16/16	1/11/17	9	Yes	Yes	Tax reform worries after Trump election
9/26/18	1/2/19	15	No	No	Hawkish Fed turn
3/11/20	5/13/20	10	No	Yes	Muni credit worries due to pandemic

ESG and Municipals

- As part of its engagement on ESG trends, the Municipal Securities Rulemaking Board (MSRB) recently issued a request for information on ESG practices in the municipal market.
- The MSRB is focused on enhancing issuer and investor protection and the fairness and efficiency of municipal securities through 1) the disclosure of information regarding ESG-related risk factors and practices and 2) the labeling and marketing of municipal securities with ESG designations; comments are due March 8, 2022.
- In 2021, municipal green bond issuance hit a record high of \$24.6 billion.

Issuers in the News

- The New York Metropolitan Transportation Authority (MTA) received a \$6.2 billion grant from the Federal Transit Administration (FTA) – the FTA’s largest ever. The grant, which is from the American Rescue Plan Act, will help the MTA maintain service and preserve jobs.