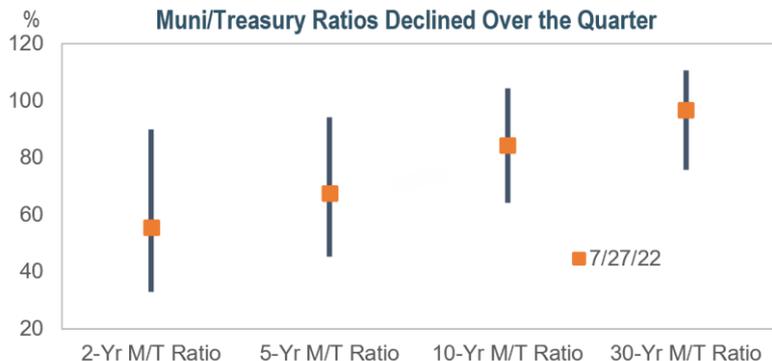


Municipal Market Update

- Municipal market tone has recently improved, although fund flows remain negative – except for those related to ETFs.
- During this outflow cycle, which has reached 28 weeks, mutual funds have lost 10.5% of assets, compared to 11.6% during the Taper Tantrum.
- Year-to-date municipal supply of \$230 billion continues to trail that of 2021 by 9%; the difference can be attributed to a decline in taxable issuance.

Muni/Treasury Ratios Declined Over the Quarter



- In 2Q22, taxable municipals' excess returns outperformed those of corporates, non-corporates, and CMBS.

	Corps	Non-Corps	CMBS	Taxable Munis	Long Taxable Munis
2Q22 Excess Returns	-2.24	-0.86	-0.41	-0.18	-0.20

- Yields steepened across the rating spectrum, while credit spreads widened.

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	1.64	1.96	2.13	2.39	3.11	3.73	3.85
AA	1.66	2.01	2.19	2.42	3.19	3.81	3.84
A	1.96	2.37	2.60	2.81	3.49	3.99	4.17
BBB+	2.20	2.70	3.03	3.33	3.86	4.32	4.29

Economic Environment

- The Federal Reserve (Fed) raised interest rates by another 75bps on July 27th. Yields did not change markedly, as the market priced in the expected hike ahead of the meeting.
- The Fed will now shift to meeting-by-meeting decision making. The pace of rate hikes is expected to slow after the July meeting, with a possible 50bps in September, which will be data dependent.
- US real GDP shrunk by 0.9% in Q2, following a 1.6% decline in Q1.

ESG and Municipals

- In the first half of 2022, municipal ESG issuance has been underwhelming, with just over \$15 billion in supply as of June 30th, compared to \$38 billion in total for 2021. Municipal ESG issuance is projected to rebound in the later stages of the year.

Municipal ESG Supply Expected to Pick Up in Second Half of 2022



Issuers in the News

- Fitch upgraded the State of Michigan's School Bond Qualification and Loan Program (SBQLP) to AA+ from AA to reflect the State's materially improved fiscal position, driven by conservative budgeting. The SBQLP program supports the State's school districts by promising timely debt service payments on qualified debt.
- New York State's first quarter tax receipts, which were driven by personal income taxes, exceeded the Division of Budget's Financial Plan forecast by \$1.7 billion. The State is focused on fortifying rainy day reserve funds ahead of potential economic uncertainty.