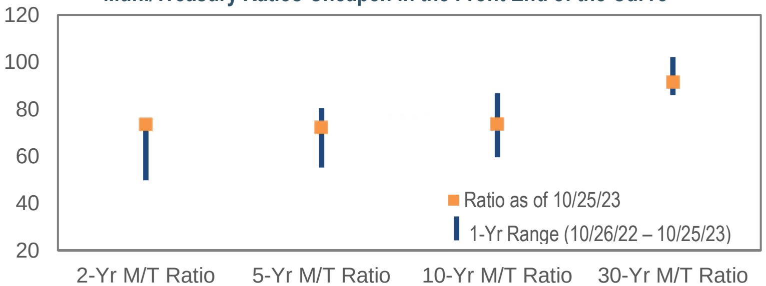
PRIVATE CLIENT MONITOR

October 2023

Municipal Market Update

- After a protracted period of contraction, Muni/Treasury ratios finally cheapened up in the third quarter, pricing in the hawkish tone from the Fed (see "Economic Environment"). The municipal AAA yield curve remains inverted, but less so than that of the Treasury curve.
- Year-to-date municipal issuance through 3Q23 ($267 billion) is 12% below that of 2022, but issuance in October was strong. Taxable municipal issuance is down 47% y/y and has slowed in response to higher rates.

Muni/Treasury Ratios Cheapen in the Front End of the Curve



- In 3Q23, taxable municipals' excess returns outperformed those of corporates, non-corporates, and CMBS.

	Taxable Munis	Long Taxable Munis	Corps	Non-Corps	CMBS
3Q23 Excess Returns (%)	1.45	1.71	0.84	0.32	0.35

- In 3Q23, municipal yields increased across the rating spectrum.

Index Yield Tracker

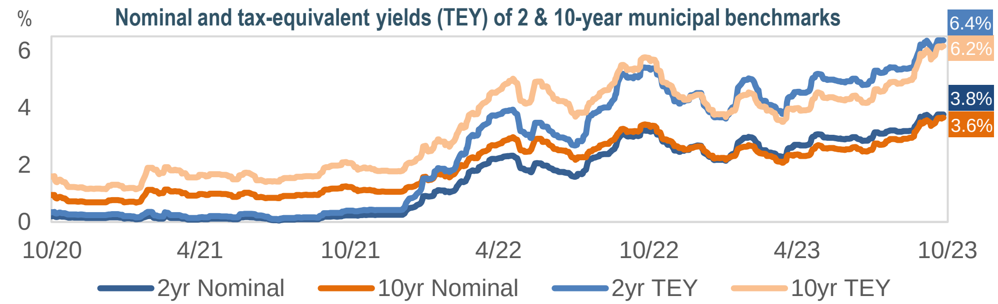
Avg Yield (%)	1-2 Yrs	3-5 Yrs	5-7 Yrs	7-10 Yrs	10-20 Yrs	20-30 Yrs	30+ Yrs
AAA	3.83	3.72	3.77	3.89	4.55	5.15	5.22
AA	3.87	3.78	3.81	3.94	4.58	5.15	5.19
A	4.26	4.19	4.22	4.34	4.85	5.34	5.47
BBB+	4.69	4.69	4.80	4.87	5.19	5.64	5.85

Economic Environment

- In September, the Federal Reserve (Fed) maintained the target for its benchmark federal funds rate at 5.5%; however, it did pencil in one more expected rate increase later this year. Fed officials insist that rates will stay higher for longer as indicated by its more hawkish tone, which has sparked a bear steepener as long-term rates have risen rapidly to catch up with short-term rates.
- The hawkish tone can be partly explained by resiliency in the labor market, where hiring accelerated in September as the economy added 336,000 jobs and the unemployment rate held firm at 3.8%. September CPI and PPI prints, where headline numbers exceeded expectations due to higher energy costs, also support the Fed's higher-for-longer mantra.

Higher Yields Increase the Value of the Municipal Tax-Exemption

Nominal and tax-equivalent yields (TEY) of 2 & 10-year municipal benchmarks



Municipal Credit Perspective

- The New York Metropolitan Transportation Authority (MTA) enjoyed positive rating action by all three rating agencies in 3Q23 and in October, bringing its credit ratings to A3 Stable by Moody's/A- Positive by S&P/A Stable by Fitch. This was largely reflective of the state increasing a payroll tax on the largest businesses in New York City, which will bring the MTA an additional $5 billion in revenue through 2027 and help close projected budget deficits as ridership levels remain muted.
- ESG: On July 1, Connecticut enacted its unique Baby Bonds program, which aims to help alleviate generational poverty. Newborns born under Connecticut's Medicaid program are now credited with a deposit at birth which is invested on their behalf. Beneficiaries may access the funds between ages 18-30 for qualified purposes such as buying a home in CT, starting or investing in a CT business, paying for education or job training, or saving for retirement. Favorably, the state's long-term funding solution for the program avoided debt financing by tapping an insurance reserve.