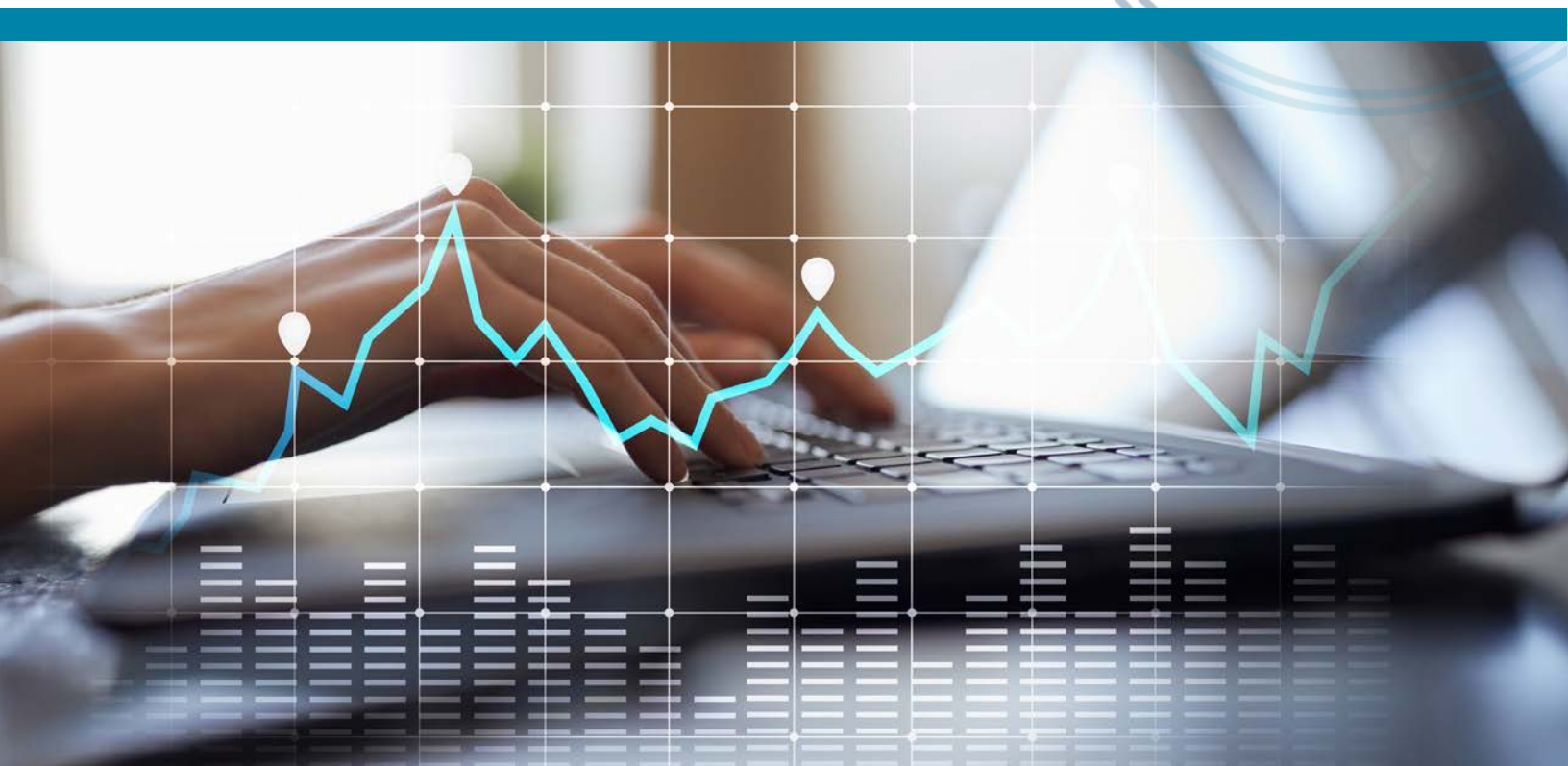


April 2021

MUNIWATCH

FIXED INCOME MARKET UPDATE



Munis returned to outperforming in March, with yields falling by up to 5 basis points (bps) across the curve compared to U.S. Treasury yields rising by up to 30 bps. Inflows into Muni Mutual Funds are on their fastest pace on record to start a year. This unprecedented demand has caused Munis to maintain their rich valuations vs. other fixed income asset classes. In addition, the American Rescue Plan Act's aid to Muni issuers is easing credit concerns, drawing back investors who may have been wary of the market.

FOR MORE INFORMATION:

Richard K. Marrone

Senior Portfolio Manager
(415) 364-2917

Paul B. Clark, CFA

Senior Portfolio Manager
(415) 364-2635

Daniel W. Urbanowicz

Senior Portfolio Manager
(973) 549-4335



Muni Yields Fall as U.S. Treasury Yields Rise

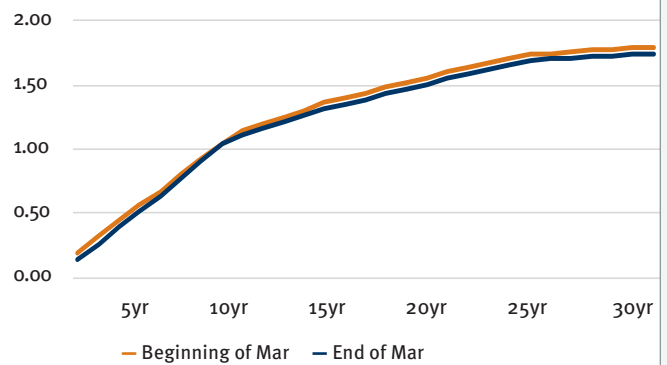
Muni yields decreased by up to 5 bps in March (graph, top-right) while yields on U.S. Treasuries rose by up to 30 bps (graph, middle right). Munis have been supported by unprecedented demand in the form of inflows into Muni Mutual Funds. In March, funds took in over \$5 billion, bringing the year-to-date total to nearly \$32 billion (graph, bottom-right), the fastest pace of inflows to start a year on record. For comparison, the average inflow through this point in the past 5 years is only \$8 billion. This demand is preventing Muni yields from rising with their taxable U.S. Treasury and Corporate counterparts.

Stimulus Bill Eases Credit Concerns

Of the \$1.9 trillion in funding from the recent stimulus bill, nearly \$650 billion is earmarked for Muni issuers such as state and local governments, education, healthcare, mass transit, and airports, among others. This aid comes at a time when Muni issuers are “healing”; states and local governments are replenishing reserves with higher than anticipated tax receipts and issuers such as colleges, hospitals, and airports are already in the midst of a recovery. This amounts to a simple windfall in many cases, as the legislation allows for a wide range of uses for the funding, allowing investors who may have been reluctant to enter or reenter the market due to credit concerns, and further fueling demand.

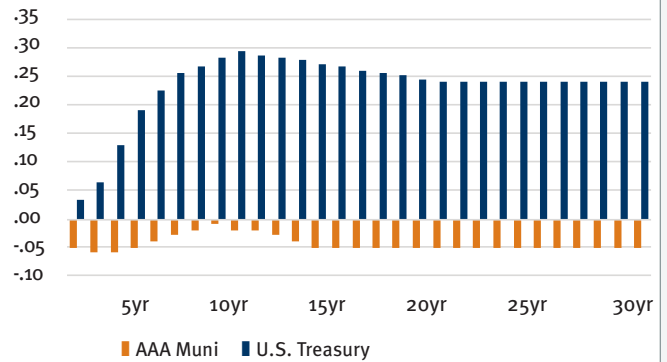
AAA MUNI YIELD CURVE

Source: Refinitiv TM3. Data as of March 31, 2021.



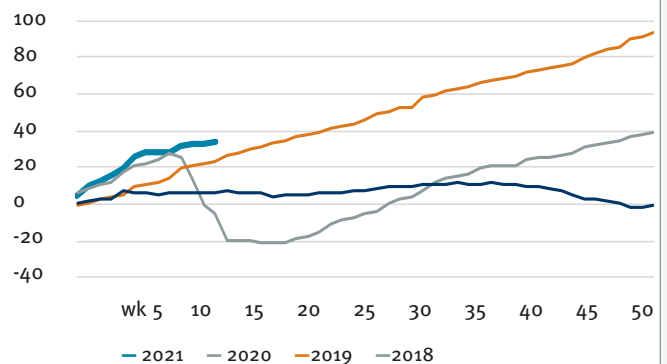
MARCH CHANGE IN YIELD

Source: Refinitiv TM3, Bloomberg. Data as of March 31, 2021.



CUMULATIVE MUNI MUTUAL FUND FLOWS

Source: Refinitiv Lipper. Data as of March 31, 2021.



STATE OF THE STATES

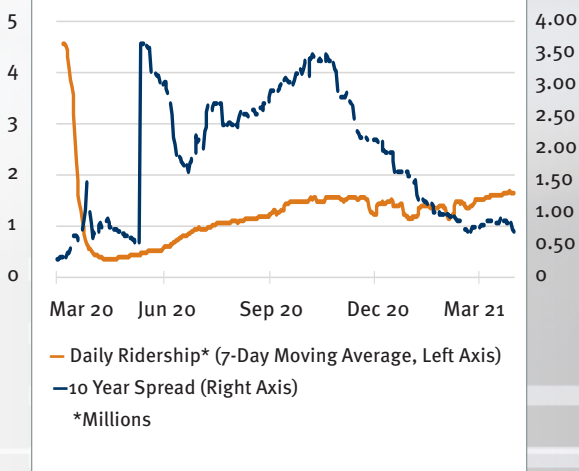


Credit spreads continue to narrow as the economy improves and Federal Stimulus funds are distributed to issuers.

One credit that we still view as problematic is the NYC MTA. Daily subway ridership has increased in recent months but is still down over 67% from pre-pandemic levels. Credit spreads, however, have narrowed from a high of 360 bps in March 2020 to 75 bps as of March 31, 2021. The Agency announced that they will be selling, for the first time, bonds backed by a payroll tax on employers in New York City, showing that significant budgetary pressure still remains.

NYC MTA RIDERSHIP VS. CREDIT SPREAD

Source: Bloomberg. Data as of March 31, 2021.



* Proxy Issuer used.

States with insufficient GO debt or lack of Proxy

Issuer: MO, AL, IA, AR, NM, WV, AK, ME, ND, ID, SD,

MT, VT, WY

STATE GO 10YR YIELD AND SPREAD TO AAA

Spread widening noted as (+), spread narrowing noted as (-)

Source: Bloomberg. Data as of March 31, 2021.

State	Yield on 10yr Maturity (%)	Current Spread to 10yr AAA Muni (bps)	3-Mo Change in Spread (bps)	YTD Change in Spread (bps)
CA	1.19	13	0	+8
NY	1.03	-3	-8	+1
NYC MTA	1.79	73	-87	-12
TX	1.23	17	+15	+14
IL	2.19	112	-74	-191
FL	1.17	11	+4	-1
PA	1.29	22	-5	-33
NJ	1.59	52	-31	-10
OH	1.14	8	-3	+10
MA	1.11	5	-4	-1
WA	1.18	12	-1	-5
MI	1.15	8	-1	-16
CO*	1.15	9	0	+7
VA	1.11	5	-1	+25
GA	1.08	1	-2	+12
MD	1.16	10	+1	+15
WI	1.15	9	-10	-11
MN	1.06	0	-6	-5
AZ*	1.23	16	+1	-30
CT	1.39	33	-7	-41
NC	1.13	7	0	+10
OR	1.14	7	+5	+6
IN*	1.16	9	-9	-2
TN	1.18	11	+12	+6
SC	1.14	8	+4	-3
LA	1.20	14	-14	-28
KY*	1.35	29	+0	+11
DC	1.15	9	+1	+14
NV	1.25	18	-14	-1
UT	1.08	2	-1	+6
KS*	1.30	24	-2	+11
NE*	1.37	31	-8	-5
OK*	1.24	17	+1	-15
HI	1.23	16	+4	-12
MS	1.25	18	+4	-4
AR*	1.43	37	+6	+11
RI	1.10	3	-7	-18
DE	1.16	9	+4	+11
NH	1.11	5	-3	+3

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