

MUNIWATCH

FIXED INCOME MARKET UPDATE



Municipals continued to outperform in April, with yields falling by up to 16 basis points (bps) compared to U.S. Treasury yields decreasing by up to 9 bps.

- Muni Mutual Funds again added to record inflows for the month
- Demand has been fueled by rating agencies revising sector outlooks to the upside, Federal Stimulus funds making their way to issuers, and plans for tax hikes

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MUNIWATCH OVERVIEW



Muni Yields Fall, Outperform U.S. Treasuries

Muni yields decreased by up to 16 bps in April (graph, top-right), outperforming yields on U.S. Treasuries, which fell by up to 9 bps. Munis continue to experience unprecedented demand in the form of inflows into Muni Mutual Funds. Funds took in over \$9 billion in April, bringing the year to date total to nearly \$42 billion (graph, middle-right). We added these record inflow statistics to our usual supply/demand metrics to show the resulting "excess demand" in the market (graph, bottom-right). Fund inflows plus cash from called or matured positions outstripped supply by \$4 billion in April and is expected to increase to \$16 billion in May.

Easing Credit Concerns and Tax Hike Plans

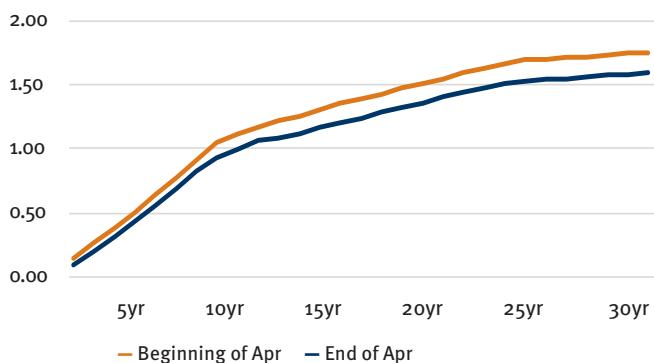
Fuel Demand

As nearly \$650 billion in Federal Stimulus funds make their way to issuers and the economy continues to improve, rating agency S&P has raised outlook or upgraded \$266 billion in outstanding Munis compared to lowering outlook or downgrading only \$30 billion, year-to-date. In addition, plans for tax hikes, especially on high income earners, have increased interest in the tax-exempt income offered by Munis.

*Amount Issued less Fund Flow plus Amount Called or Matured

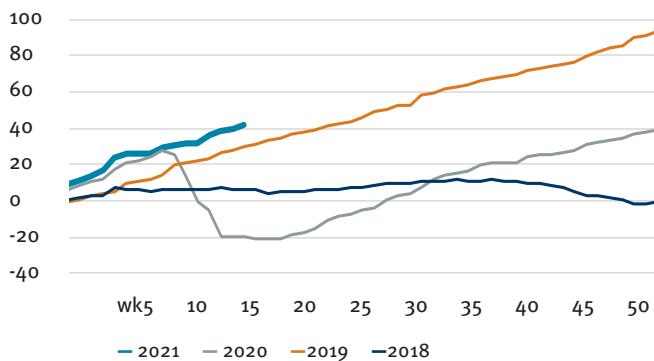
AAA MUNI YIELD CURVE

Source: Refinitiv TM3. Data as of April 30, 2021.



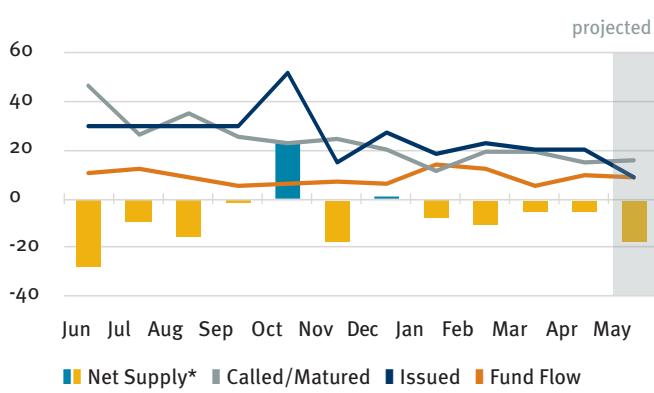
CUMULATIVE MUNI MUTUAL FUND FLOWS

Source: Refinitiv Lipper. Data as of April 30, 2021.



MONTHLY MUNI EXCESS SUPPLY/DEMAND (IN BILLIONS)

Source: Bloomberg. Data as of April 30, 2021.



STATE OF THE STATES



Spreads on the State of Illinois and the NYC MTA continue to narrow. We view this spread narrowing to be the result of the aforementioned technical supply/demand factors in the market and not improving credit fundamentals.

* Proxy Issuer used.

States with insufficient GO debt or lack of Proxy

Issuer: MO, AL, IA, 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 April 30, 2021.

State	Yield on 10-Yr Maturity (%)	Current Spread to 10-Yr AAA Muni (bps)	3-Mo Change in Spread (bps)	1-Yr Change in Spread (bps)
CA	1.08	12	+3	-32
NY	0.96	0	-17	+7
NYC MTA	1.55	59	-39	+10
TX	1.16	20	+13	+6
IL	1.88	92	-40	-318
FL	1.04	8	+2	-4
PA	1.16	19	-3	-42
NJ	1.40	44	-15	-24
OH	1.09	13	+4	-14
MA	1.01	5	+6	-17
WA	1.09	12	+4	-6
MI	1.06	10	-1	-4
CO*	1.04	8	-8	-6
VA	1.02	6	+2	-2
GA	1.03	7	+3	-2
MD	1.06	10	+2	+7
WI	1.08	12	+2	-5
MN	0.96	0	-3	-12
AZ*	1.11	15	+1	-23
CT	1.34	38	+5	-74
NC	1.04	7	+1	+8
OR	1.05	9	-1	0
IN*	1.09	12	+6	0
TN	1.06	9	+11	-3
SC	1.05	9	0	+1
LA	1.14	18	-9	-13
KY*	1.26	29	+17	+14
DC	1.01	5	-5	-8
NV	1.15	19	-14	-20
UT	0.99	3	-3	-1
KS*	1.14	18	+6	-46
NE*	1.32	36	-5	+8
OK*	1.05	9	-11	-10
HI	1.15	19	+4	-16
MS	1.10	14	+5	-10
AR*	1.15	19	-12	-8
RI	1.05	9	-7	-25
DE	1.03	7	+1	+2
NH	1.03	7	0	+2

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