

# Municipal Market Update | March 2023

## SUMMARY

Municipals had a very strong first quarter. Their relentless move lower in yields was initially reversed in February but resumed after the closure of Silicon Valley Bank and corresponding move lower in rates.

## MAJOR MUNICIPAL BOND INDEX RETURNS (%)

	YTW	Duration (years)	YTD Return
Short Duration (1-5 Years)	2.68	2.62	1.48
Intermediate (1-15 Years)	2.87	4.52	2.27
Long Duration (22+ Years)	4.18	10.34	4.27

## MUNICIPAL & TAX EQUIVALENT YIELDS

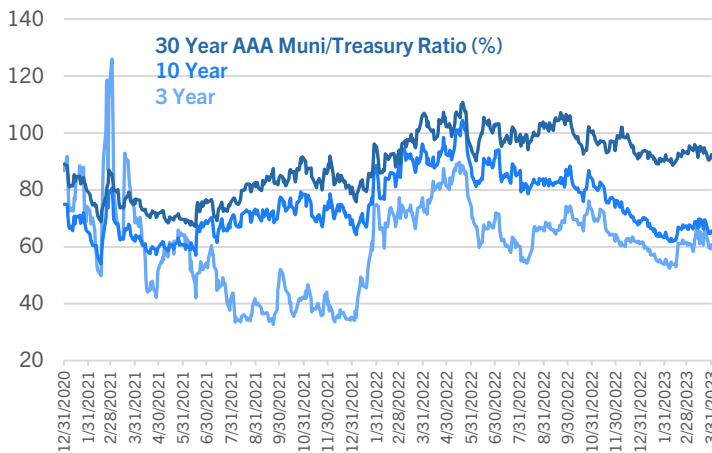
The inversion through the belly of the curve (2-10 years) only deepened through the quarter. Relentless buying for SMAs appears to be the culprit, as buying certain maturities appear to be prioritized over adding value.

We continue to see value in a heavier barbell approach with sub 1 and 12+ years.

	Treasuries	Industrials (A)	Muni AA Revenue	AA Revenue Muni at 40% Tax Rate	Muni A Revenue	A Revenue Muni at 40% Tax Rate
1Y	4.62	4.61	2.67	4.46	2.79	4.64
3Y	4.03	4.37	2.54	4.23	2.63	4.38
5Y	3.79	4.31	2.50	4.16	2.61	4.34
7Y	3.58	4.33	2.50	4.17	2.66	4.44
9Y	3.48	4.41	2.51	4.19	2.75	4.58
10Y	3.47	4.45	2.57	4.28	2.83	4.71
15Y	3.55	4.74	3.25	5.42	3.61	6.01
20Y	3.80	4.91	3.47	5.78	3.94	6.56
25Y	3.78	4.90	3.68	6.14	4.21	7.01
30Y	3.65	4.88	3.77	6.29	4.32	7.19

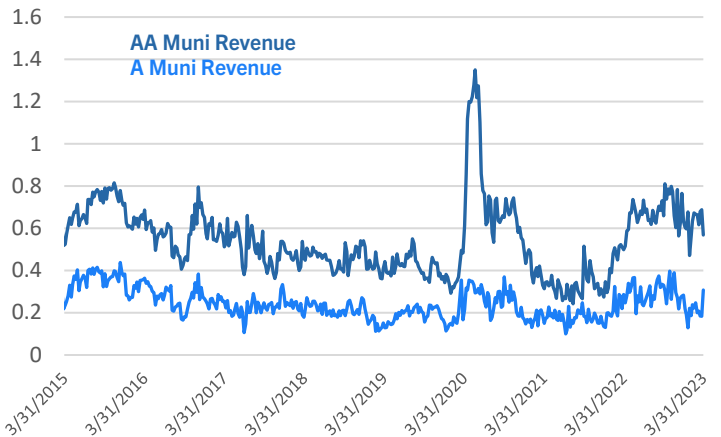
## MUNICIPAL/TREASURY RATIOS

Higher dispersion between the below data points denotes steeper curves.



## A & AA REVENUE CREDIT SPREADS

Compensation for credit continues to be significantly wider than we have seen in some time, although it has begun to rally.



Source: All data from Bloomberg as of 3/31/23.

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