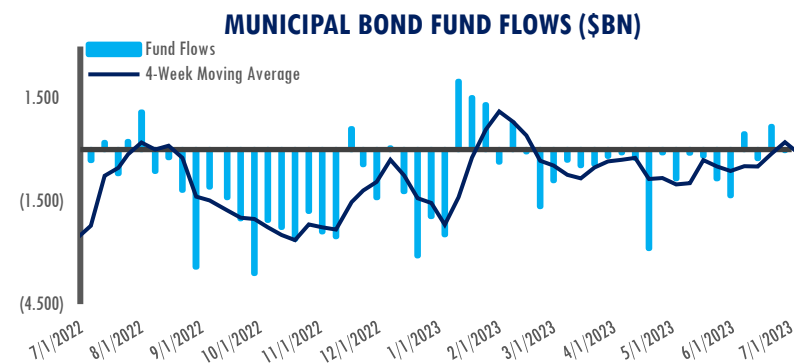
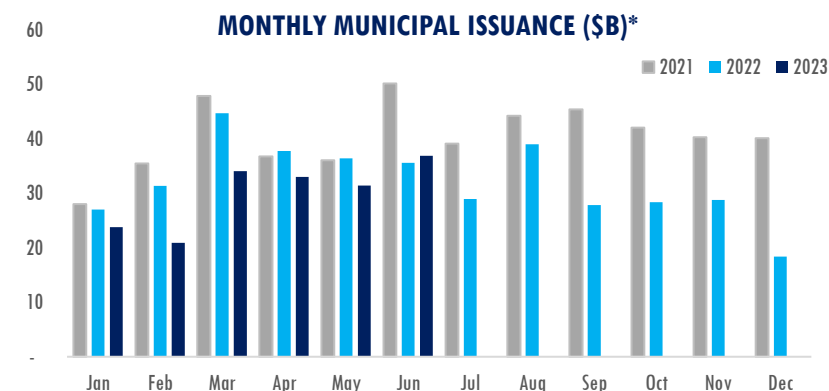
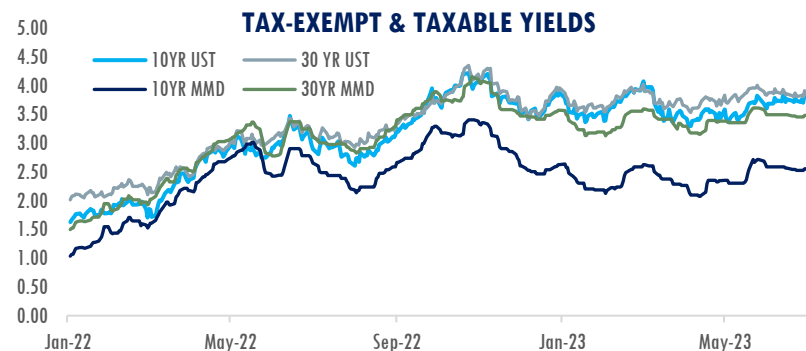


MUNICIPAL MARKET UPDATE – 2023 FIRST HALF RECAP

2023 AAA MMD

| Maturity | 1-Jan-23 | 1-Jul-23 | 1H Change (bps) | QoQ Change (bps) |
|----------|----------|----------|-----------------|------------------|
| 2-year | 2.60% | 2.93% | +33 | +55 |
| 5-year | 2.52% | 2.62% | +10 | +40 |
| 10-year | 2.63% | 2.56% | -7 | +29 |
| 30-year | 3.58% | 3.49% | -9 | +19 |

- Rates have increased since the beginning of 2023 on the shorter end while long end rates have tightened slightly in the first half. The second quarter continued the curve's long end outperformance trend as MMD rates increased significantly on the short end with a slight increase on the longer end of the curve.
- For the first half of the year, total issuance was at \$174.768 billion in 3,719 issues, down from \$218.230 billion in 5,444 issues from the same period in 2022. Volume for the first half is still down 20%.
- In the first half of 2023, three of the four largest bank failures in U.S. history took place, with the collapses of Silicon Valley Bank, Signature Bank, and First Republic Bank.
- While new issuance slumped, the municipal bond market absorbed a roughly \$7B portfolio of municipal securities the Federal Deposit Insurance Corp. acquired primarily from failed Silicon Valley Bank.
- Issuers in Texas have accounted for \$26.719 billion of municipal issuance through the first half of the year, up 7.9% year-over-year. California was second with \$25.791 billion, down 6.4%. New York was third with \$17.297 billion, down 35.7%, followed by Illinois in fourth with \$7.849 billion, up 18.3%, and Florida in fifth with \$5.919 billion, a 39.5% decrease from 2022.
- To start off the year, the Fed hiked rates 25 bps in its first three FOMC meetings of 2023. After 15 months of consecutive rate hikes, the Fed finally announced a pause in the rate hike cycle at its most recent FOMC meeting.
- While the Fed announced a pause, Fed Chair Powell's commentary was hawkish and another hike rate is anticipated for the July meeting. The Fed Funds Rate was 5.00% - 5.25% to end the first half.
- For the first half of 2023, there was a total of \$7.088 billion of outflows. Mutual funds had a total of \$5.973 billion in outflows in the 2nd quarter as only two weeks had inflows coming into the municipal market.



*Excluding Notes and Deals with Maturity less than 13 months

