

# Municipal Bond Update Municipal Bond Management

JULY 11, 2022

16<sup>TH</sup> AMENDMENT  ADVISORS LLC™

## Comment on Municipal Market Volatility

### BUYERS ATTRACTED TO YIELD LEVELS NOT SEEN IN YEARS

The second half of '22 started out much as the first half of the year with continued volatility, although the most-recent trend has been favorable as retail, and to a lesser degree cross-over buyers, have jumped on the opportunity to invest in yields not seen in years.

#### MUNICIPAL US TREASURY RATIO

	7/1/22	7/8/22	CHANGE
10 Year MMD	2.72	2.49	(0.23)
10 Year UST	2.95	2.98	0.03
Ratio	92.2%	83.6%	-8.6%
30 Year MMD	3.18	3.01	(0.17)
30 Year UST	3.15	3.17	0.02
Ratio	101.0%	95.0%	-6.0%

Source: Bloomberg and MMD

Consistent with the renewed buying of municipals, the first week of July has shown a turn in daily fund flows from negative to positive. According to EPFR, the daily fund flows for the first week of July were as follows:

#### EPFR DAILY FUND FLOWS (\$ IN MILLIONS)

DAY	FUND FLOW
Friday, July 1, 2022	\$540
Monday, July 4, 2022	\$5
Tuesday, July 5, 2022	\$171
Wednesday, July 6, 2022	\$371
Thursday, July 7, 2022	\$403

Source: EPFR

In addition to positive fund flows, entering July, the seasonal conditions generally turn favorable for Muni's with a projected \$60+ billion of reinvestment flows along with historically lower debt issuance.

We are going to use this recent strength in municipals as an opportunity to continue to take advantage of trading opportunities to harvest tax losses on bonds purchased last year at lower book yields and higher prices. We anticipate the volatility to continue heading into the fall when we should have a clearer picture of Fed policy and economic conditions. We will continue to buy any selloff in bonds to lock in higher yields for clients which we have not seen in years. Clients who are hesitant to purchase longer dated maturities for fear of higher rates have benefited from our Short Duration strategy with has a duration of <2.5years yielding around a 2.5% tax free, which exceeds 4.00% on a taxable equivalent basis at the 39.6% tax bracket. Increased volatility in bond markets prove why an actively managed fixed income portfolio can benefit clients through such turbulent times.

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