

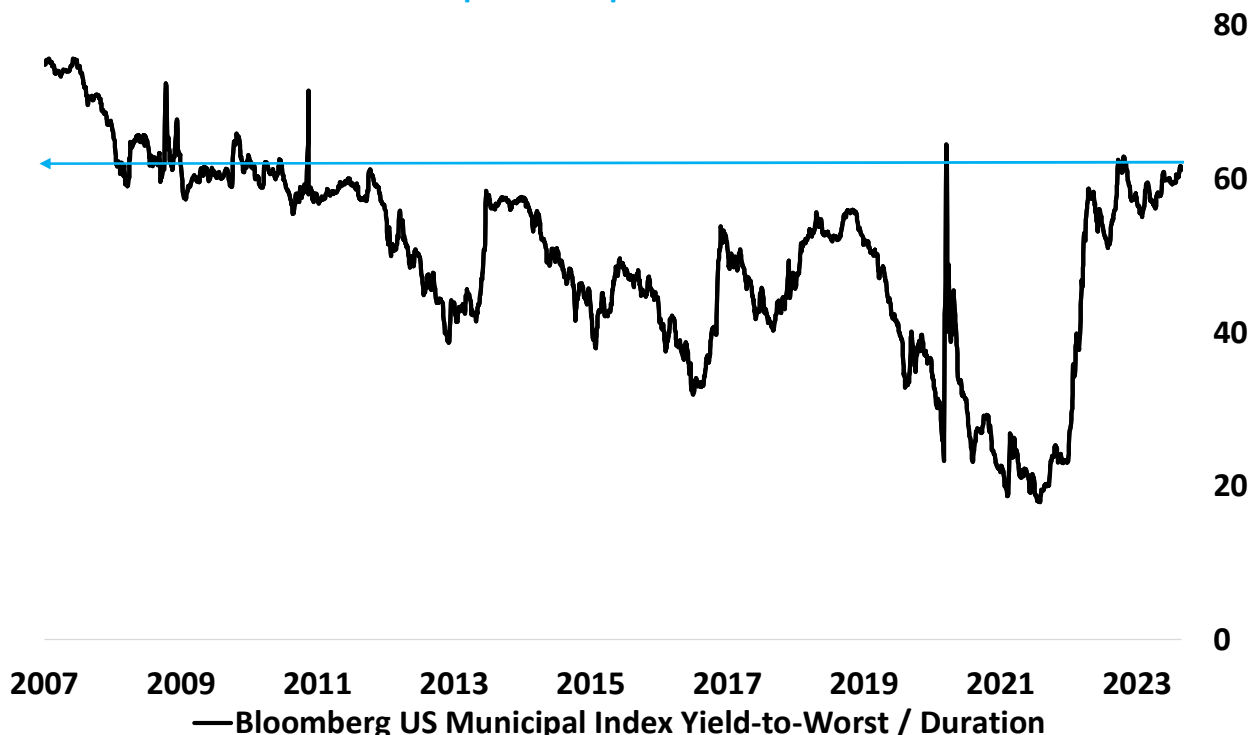
The US macro debate surrounding longer-term growth, term premium, and US Treasury issuance hit interest rates hard in August. US Treasury yields jumped across the curve, testing key support levels, and interest rate volatility spiked. Municipal bonds had a more pronounced reaction. The Bloomberg US Municipal Bond Index ended the month down -1.44% through August 31, 2023. The index was down as much as -1.81% through August 25, 2023.

Despite favorable municipal seasonal factors, this is the second worst August in over a decade. Some notable events include: (i) municipals starting at tight treasury yield ratios, (ii) higher than normal new issue supply, (iii) modest demand for fund products, and (iv) several credit events including the fire in Maui, more bad news out of the PREPA restructuring, and a sports complex default in Arizona.

As the US macro debate continues, we draw your attention to this chart which is a measure of how much municipal yields would need to rise from here for the price return to eliminate the interest return on a one-year basis. The municipal market now offers investors a buffer only witnessed on a few occasions historically.

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**Risk vs Reward**  
**US Municipal Bond Market**  
**Yields need to rise 61 basis points for price return to cancel out interest income**



Source: Bloomberg, 16Rock; 1/1/2017-8/31/2023; Value = #basis points annualized  
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