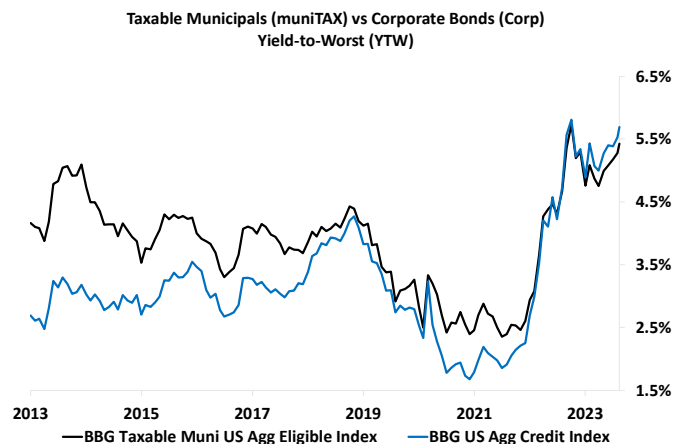


U.S. interest rates have risen over the past few months as investors evaluate pending inflation data and a decision from the Federal Reserve. On the tax-exempt side, we see compelling value not seen in years (see our recent reports). The taxable municipal market, however, is not as attractive, particularly when compared to corporate bonds. We do see some value in certain low coupon structures and credits.

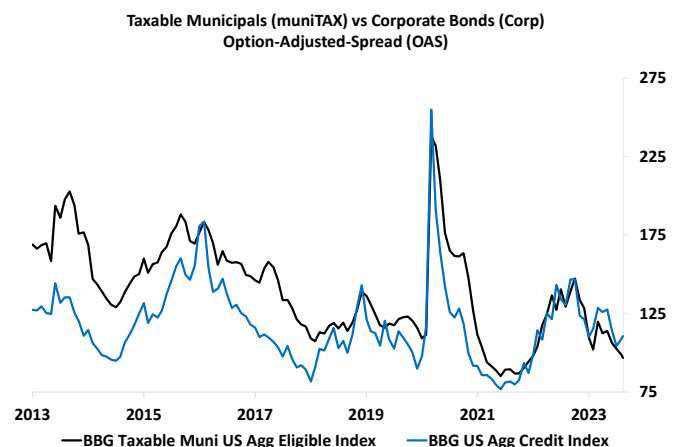
Figure 1: Yield, Taxable Municipals vs Corporate Bonds



Source: Bloomberg (BBG), 16Rock Asset Management, 1/1/2013-9/11/2023  
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The taxable muni index is trading 27bps tighter on yield and 14bps tighter on spread as compared to corporate bonds. The opposite historically has been the case. However, taxable munis benefit from global regulatory capital-efficiency, land best in a recessionary environment from a credit perspective and offer high-quality long duration characteristics.

Figure 2: Spread, Taxable Municipals vs Corporate Bonds



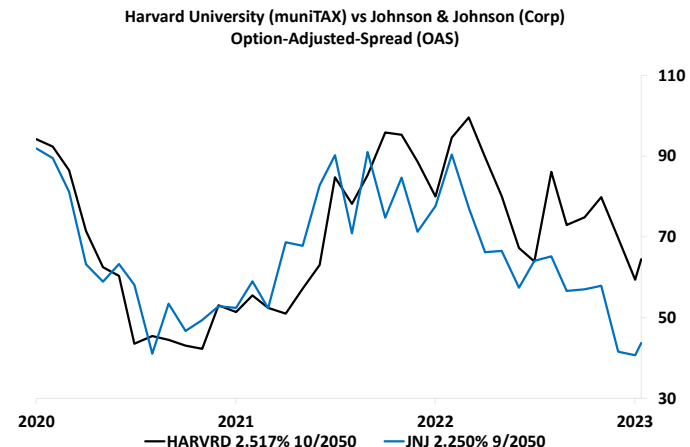
Source: Bloomberg (BBG), 16Rock Asset Management, 1/1/2013-9/11/2023  
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Taxable munis are also benefiting from a lack of supply as issuers are reluctant to lock in today's rates unlike corporations which have issued a large amount of debt recently. While taxable munis have rich headline valuations, pockets of relative value can be found in secondary market low coupon structures. Security selection remains key and has become even more important in today's environment.

Figure 3: Issuer specific, Taxable Municipals vs Corporate Bonds



Source: Bloomberg (BBG), 16Rock Asset Management, 1/1/2013-9/11/2023  
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About

16Rock is a full-service asset management firm specializing in U.S. Municipal Bonds with a global perspective. We cater to the modern needs of institutions and high-net-worth individuals around the world. Our passion is to help clients translate their desires and aspirations into sophisticated outcomes that exude order. Our team leverages decades of experience to construct highly curated portfolios. We offer tailored managed account solutions, transition management services, and through our alternative investment capabilities, products designed to deliver absolute return excellence.