Seelaus Asset Management
Municipal Bond Market Commentary

November 4, 2025

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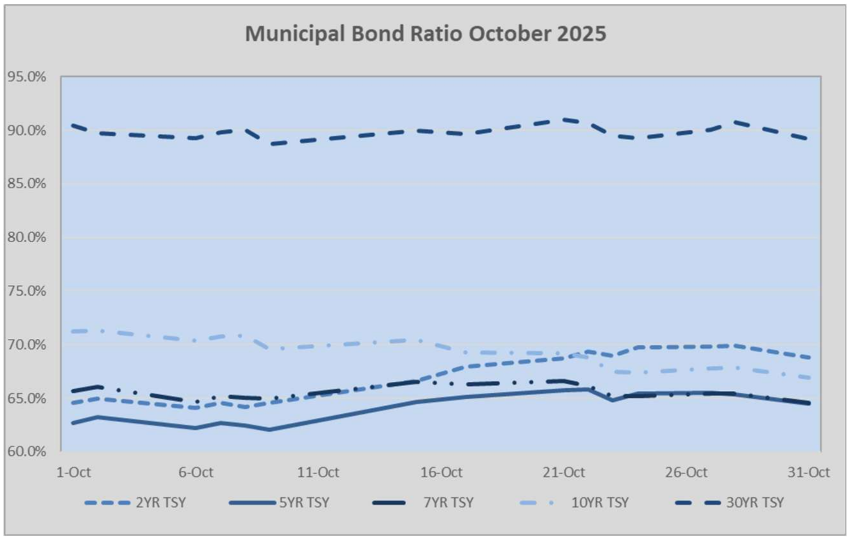
ASSET MANAGEMENT

Market Recap

- October was far from a scary month for municipal bond returns as munis experienced the strongest October returns since 1995. Municipal bonds returned 1.42% in October driven by Fed action and the prevailing strong technical environment. This combination of slightly waning supply and strong demand in the form of fund flows contributed to robust municipal bond performance.
- We continue to see the standing dynamic of “short-end wider, long-end tighter” in primary issuance as well as the secondary market. From a ratio standpoint, muni 2s-7s saw widening as much as 2.5 ratios on the front-end of the curve while 10s-30s were all tighter up to 4+ ratios of the AAA scale to treasuries



- The looming implications of the ongoing Federal Government shutdown did little to dampen the muni market enthusiasm seen in October. In general, we feel that the federal government shut down should not adversely impact muni credit and the overall market. Many credits are sitting on substantial cash reserves and will supplement any shortfall in government funding. Additionally, there are limited credits in our market that rely substantially on Federal funding.
- The overall dynamic in the new issue market was one of high-grade deals doing well with oversubscribed books 10yrs and longer. Cuts on the front-end during new issue pricing were common, but not so drastic that they threatened to hang-up deals.
- Notable pricings from October included the California Public Works deal priced on October 22nd. Lead by JP Morgan, the deal priced $607 million of tax-exempt bonds bearing 5% coupons in maturities ranging from 2026 to 2050. The deal was 6 times over-subscribed and tightened an average of 12 basis points from initial talk. Other large deals, such as the $1.7 billion Texas Trans, $1.5 billion New York City GO and $1.5 billion New Jersey TTFA, all saw substantial interest and tighter deal pricing levels than initially expected.

Commentary as of 11/04/25. Data as of 11/04/25, per Bloomberg.

Investment Strategy

- We continue to stick to our game plan of lengthening duration in our 1-15yr maturity range to take advantage of the relative cheapness of bonds on the longer end of the curve. As the front end has sold off and returned to a more “fair value” type level we are also selectively looking to add names in the 1-5yr space, as a hedge to the concomitant lengthening of duration. We anticipate supply slowing at the end of November and into the traditionally slow month of December.
- Potential negative volatility in the equity market (and others) should bode well for continued fund flows into the municipal bond sector and the combination of these two factors should contribute to strong muni performance into year-end.
- We continue to selectively add spread type credits in attractive structures as we see fit. As we near year-end, we can begin to look back on the rollercoaster ride that was 2025. It’s safe to say that many of us are happy to see it fading into the rear view, leaving most of us with all limbs intact!

Credit Observations

- The ongoing budget debacle in Chicago has become a focus for many investors from a credit standpoint. The budget is reporting a -$1.15B gap in funding as the projected 2026 deficit. The last week of October saw Chicago price a $1.3B Board of Education loan. The deal, rated BB+ by S&P, was comparatively well received and priced a 6% coupon which is +178 basis points to the AAA scale to treasuries and a 5.5% coupon at +187. This illustrates the extreme credit spread compression we are seeing and, in our opinion, is not necessarily indicative of the credit risk implied by the budget resolution process.
- Other credits connected to city of Chicago revenue streams are in focus for us as well. We have limited exposure to this corner of the market and are comfortable with those we do own.
- Brightline Florida made headlines in October after entering into an agreement with bondholders to delay repayment of $985 million of hard put bonds due for mandatory tender. The deal will extend the mandatory tender and remarketing in exchange for equity in the Brightline West rail project.

Commentary as of 11/04/25. Data as of 11/04/25, per Bloomberg.

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Our Independence Prioritizes the Client

Seelaus Asset Management, LLC is a private, women-owned investment manager providing expertise in active fixed income and equity portfolio management and designing customized

investment strategies.

Our Vision

To be a best-in-class asset manager that leads with value in a client driven, partnership model.

Our Values

- *Innovative*
- *Diverse Perspective*
- *Impactful*
- *Authentic*

Our Mission

To be an agent for change in the finance industry by demonstrating a straight line between the support we receive as a women-owned firm and the support we provide to women in the industry and in the community.

To learn more about our investment offerings, please call 212-935-0755, email ir@seelausam.com or visit https://www.rseelaus.com/asset-management/

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