

Market Recap

- There was little for muni bond investors to be thankful for in November. Returns for the month showed 23bps of returns and 4.15% for the year, which tracks average coupon carry for the sector according to Bloomberg. In the context of the broader market regarding continued outsize issuance, it could be said that Munis should be thankful for positive performance regardless of the size. Munis saw \$47.254B of new issue volume price in the month of November according to Bloomberg data which pushed muni YTD total issuance to \$535.4B, the largest new issue volume our market has ever seen.
- November showed a continuation of the ongoing dynamic of “short end wider, long end tighter,” though at a more muted pace. We saw the strongest muni performance in the ~10-30yr part of the curve, followed by the 1-2yr part of the curve. The belly remained attractive through much of the month. The short end of the curve tightened slightly on the month (1-3yrs) after seeing cheapening through September and October.
- Despite a relatively positive tone in the secondary market, the primary did experience some challenges. Large, recognizable issuer names did not see the usual level of support they have experienced throughout the year. This served to wake the market out of its fitful new issue slumber, even if only slightly. Notably, the New York Transitional Finance Authority priced a \$1.05B loan mid-month that struggled to get done. Underwriters were able to get the bonds sold but it required them to set larger coupons (5.25%) in 2055 with those bonds pricing at 4.49%, which was wider than originally anticipated.
- The end of the Federal Government shutdown did little to impact performance in muni bonds, as predicted last month. The lagging release in economic data has had the effect of introducing questions around the action of the Fed at its December FOMC meeting, though most in the investor community have become comfortable with a 25bp rate cut taking place on 12/10. Regardless, we have not seen the bias towards longer duration that we had seen through the end of the summer into the end of the fall.
- Notable pricings this month included the Jefferies led Chicago O’Hare AMT deal which priced bonds in maturities 2043-2060 with BAM insuring one term of 5% coupons in 2060 at 5.05%. The SW Energy Authority JP Morgan gas pre-pay deal was the largest deal of the month at \$2.67B. With the majority of the deal pricing a 2030 maturity at 3.38%. The strong reception this deal received highlights the ongoing ocean of demand for short spread/yield paper particularly in the pre-pay gas space. Los Angeles Water and Power came to market bringing ~\$976mm of 5% coupons across the curve, \$204mm of which were wrapped by BAM. The combination of the extreme demand for California bonds and the investor community becoming more comfortable with the impact of the 2024 Palisades fire, saw the deal get substantial support and price comparatively well, albeit with a noticeable spread premium presumably related to additional credit concerns.

Investment Strategy

- As stated in prior month’s commentary, we continue to look to take advantage of the relative cheapness of bonds in our 1-15yr maturity focus range. In November, we were able to participate in the slightly wider 1-5yr space while also adding to the longer 15yr end of our range in various call structures. The relative richness of specialty state bonds in duration that fit our strategy has caused us to venture into general market type paper to fill certain portfolio needs. In many cases,

we were able to find value in these bonds as compared to their in-state counterparties, resulting in a yield pick-up after-tax. For portfolios in specialty state markets, we will continue to examine the use of general market paper for attractive after-tax yield and diversification.

- We continue to stick to our game plan, digging the puck out of the corner, looking for interesting clean credits and spread in attractive structures. We continue to do our credit work to identify attractive spreads in sectors that have been put under pressure due to actions of the current administration. These sectors include but are not limited to healthcare, education, and transportation.
- Looking forward, we anticipate a continuance of the ongoing, generally positive dynamic in muni bonds. We expect the large new issue calendar and substantial demand in the form of fund flows to continue in the beginning of Q1 2026. The muted secondary volume and preference for new issues by many muni market participants is poised to continue.

Credit Observations

- We continue to follow the ongoing credit challenges facing the Chicago debt complex. The City is reporting a -\$1.15B gap in funding as the projected 2026 deficit. The Chicago Sales Tax Securitization Corp ~\$450mm loan which was met with a luke-warm reception and priced 5% 2046 at 4.68%. This deal left a substantial balance of approximately \$50mm bonds on the underwriter's balance sheet after the deal priced. The planned Chicago GO deal that was scheduled to price was pulled mid-month and has not made its way back on the calendar.

- Seelaus Asset Management, Intermediate Municipal Bond Strategy

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Commentary as of 8/07/25. Data as of 8/07/25, per Bloomberg.

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- *Diverse Perspective*
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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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*We use the ratio of our muni MMD scale as compared to treasuries of the same maturity as a measure of relative value to the taxable market.

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