# Seelaus Asset Management
# Municipal Bond Market Commentary

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*September 8, 2025*

## Market Recap

- In our July 2025 commentary, we noted the substantial tightening of the 1-7 year part of the curve and the associated relative value opportunity further out the curve. It seems this opportunity was identified by the larger market as we have seen substantial duration extension into the 7-15 year part of the curve in an otherwise sleepy month of summer doldrums. This duration extension is not immediately evident in the ratio data, where we see the 12-15 year part of the curve tighten slightly while all shorter maturities remained steady.

July-August MMD*/Treasury Ratio

| | July | | | August | | |
|---|---|---|---|---|---|---|
| Year | MMD | Tsy | Ratio | MMD | Tsy | Ratio |
| 1 | 2.41 | 4.14 | 58% | 2.18 | 3.81 | 57% |
| 3 | 2.42 | 3.89 | 62% | 2.21 | 3.58 | 62% |
| 5 | 2.55 | 3.973 | 64% | 2.37 | 3.69 | 64% |
| 7 | 2.87 | 4.16 | 69% | 2.71 | 3.939 | 69% |
| 10 | 3.34 | 4.37 | 76% | 3.22 | 4.21 | 76% |
| 12 | 3.65 | 4.42 | 83% | 3.54 | 4.299 | 82% |
| 15 | 4 | 4.73 | 85% | 3.98 | 4.67 | 85% |

- While visible supply dipped through the month of August, it appears the rush to issue is back on for the fall. Visible 30-day supply at the end of July was just $10.1B, substantially below the 2025 average of $15.1B. It has since ticked back up to $15.5B by the end of August. This dynamic is not unusual for August historically, though it is a bit surprising in this “new normal” of elevated issuance. We believe this number will continue to grow as more issuers fill in during the fall and into the end of the year. In our opinion, however, this should not translate into weak muni bond performance, as net negative 30-day supply is relatively robust at -$7.3B.

- While this is not a part of our short-intermediate municipal strategy, it is worth noting that there have been a substantial volume of buyers stepping into the long end (20-30yrs) ahead of a potential Fed rate cut in September. Thirty-year ratios are still relatively attractive at 93.7% of Treasuries. Duration extension here is likely to provide outperformance in the event of Fed action in September or October. Dealers remain agnostic towards duration, maintaining light balances, while we are seeing hedge funds and arbitrage shops extend duration into the end of the summer.

- We view President Trump’s attempts to interfere with the Federal Reserve Bank and its monetary policy as an overall negative for financial markets. The most recent legal dispute with Fed board member Lisa Cook is the latest chapter in that ongoing story. To the extent the battle for the Fed’s independence calms down a bit, the bond market seems to react by returning to its overall

*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.

Commentary as of 9/08/25. Data as of 9/08/25, per Bloomberg.

sentiment for lower rates. More relevant is the change in non-farm payrolls number released on Friday, September 5th coming in at just 22,000 with July revisions almost flat, signaling a weakening job market. The last domino to fall could potentially be the PPI release on September 10th. If we see a softer PPI number, it should add another layer of cover to the potential for a Fed cut in September.

## Investment Strategy

- We continue to monitor the 1-5 year space which we see as fairly priced to slightly rich right now. Because of these relatively rich valuations, we have been seeing muni buyers consistently moving into the 8-15 year part of the curve. We continue to see this part of the curve as representing attractive relative value and are actively looking to add appropriately in that space.

- Our purchases in the past month have been primarily in the 7 to 12 year final maturity space as well as a number of purchases with shorter calls. We feel that the relative richness of the very front-end of the curve is likely to persist and investors will be forced to move longer out the curve eventually pulling yields down there as well. The associated attractive roll-down the curve provides ample yield pick-up compensation as a tradeoff for the slightly longer duration assets.

- We were able to extend duration moderately on our August purchases with a weighted average duration of 7.1. Coupon mix was also up slightly to 4.51% from 4.45% month over month. The continued barbell approach of buying short-call bonds where appropriate, as well as longer duration bullets, continues to help us position the strategy to perform in a variety of rates market scenarios.

## Who We Are

### 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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