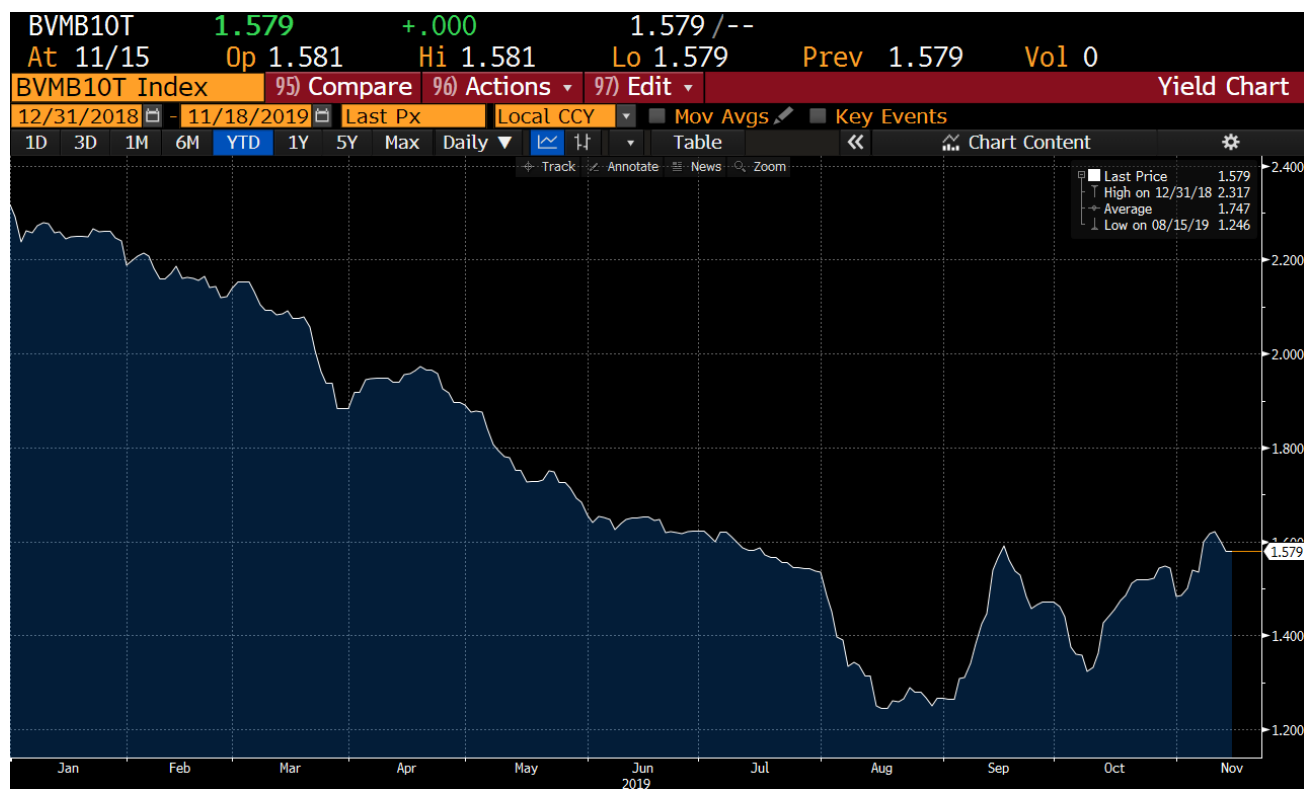




Municipals Lag Treasuries

- Tax-exempt yields declined last week as skepticism on a U.S.-China trade deal, President Trump's impeachment inquiry, and Hong Kong protests all helped propel the market. The yield curve bull-flattened in the risk-off move after steepening since mid-August. Municipals, however, could not keep pace with Treasuries in the rally resulting in more attractive municipal/Treasury relative value ratios.
- Heavy new issue supply of \$9.1 billion, compared to the year-to-date weekly average of \$6.3 billion, was a headwind for tax-exempts despite positive mutual fund flows for the 45th consecutive week. This week is expected to see above average supply as well. However, the pace should wane as we approach the holiday season.
- Leading the expected calendar will be \$1.1 billion Port Authority of NY/NJ by Bank of America, \$450 million Round Rock ISD, TX by Citi, and \$350 million University of Pittsburgh Higher Ed by Barclays.

10-Year AAA- Municipal Yields



Source: Bloomberg

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