

Municipal Market Statistics

September 2024

	09-01-24	08-01-24	09-01-23	09-01-21	09-01-19
10-Year AAA BVAL Municipal	2.68%	2.76%	2.85%	0.92%	1.25%
10-Year US Treasury	3.90%	4.03%	4.11%	1.31%	1.50%
10-Year Muni vs. Treasury Ratio	69%	68%	69%	70%	83%
IG Fund Flows YTD	\$8.8B	\$7.4B	(\$9.0B)	\$64.4B	\$46.1B
HY Fund Flows YTD	\$8.3B	\$6.9B	\$1.5B	\$18.6B	\$13.3B
IG (LMBITR) Total Return YTD	1.30%	0.50%	1.59%	1.53%	7.61%
HY (LMHYTR) Total Return YTD	6.52%	5.28%	3.52%	7.23%	9.91%
New Issue Calendar YTD	\$329B	\$273B	\$235B	\$300B	\$235B

Lind Capital Partners Municipal Market Commentary

- Municipal Market Performance and Benchmark Rates:** Supportive seasonal technicals continued to provide performance tailwinds for both investment grade and high yield municipal indices in August. The Bloomberg Municipal High Yield Index (LMHYTR) posted its fourth-straight month of positive performance, returning 1.30% this month, increasing its year-to-date performance to 6.52%. While investment grade municipals' underperformance (relative to HY) year-to-date is well documented, the Bloomberg Municipal Bond Index (LMBITR) posted its third-straight month of positive returns, 0.80%, bringing its year-to-date performance up to 1.30%.

Benchmark yields ended the month lower in August as both AAA municipals and the US Treasury market bull steepened. The steepening was more pronounced in the municipal market as yield fell by 29bps in 5 years, 8bps in 10 years, and 5bps in 30 years. US Treasury bonds modestly outperformed despite stumbling in the month's final trading session, as yields ultimately tumbled by 21bps in 5 years and roughly 11bps in 10 & 30 years. The opportunity cost and re-investment risk of "hanging out" in short-term debt instruments is increasing.

- Mutual Fund Flows:** New month, same story. Capital continued to flow into municipal mutual funds in August as both high-grade and high-yield funds experienced inflows all 4 weeks this month. Investment-grade mutual funds have now experienced 9-straight weeks of inflows while high-yield funds' streak stands at 19 weeks and 35 out of 37 weeks YTD. For the month, IG funds experienced inflows totaling \$2.75B while HY totaled close to \$1.5B. Year-to-date inflows are now approaching \$10B for IG and \$8.50B for HY.
- Primary Market Supply:** Close to \$53B came to market this past month, a 30% increase YoY, and ~23% higher than the trailing 5 year average for the month of August. Year-to-date new issue municipal supply remains elevated, compared to 2023, as the market has experienced a 37% increase in supply YoY. While the non-and-lower rated new issue calendar remained adequate in August, the issuance isn't enough to satisfy the appetite of the growing institutional and retail investor base (see demand above). We expect new issue volume to increase in the coming weeks.

Lind Capital Partners Municipal Non-Rated Market Commentary

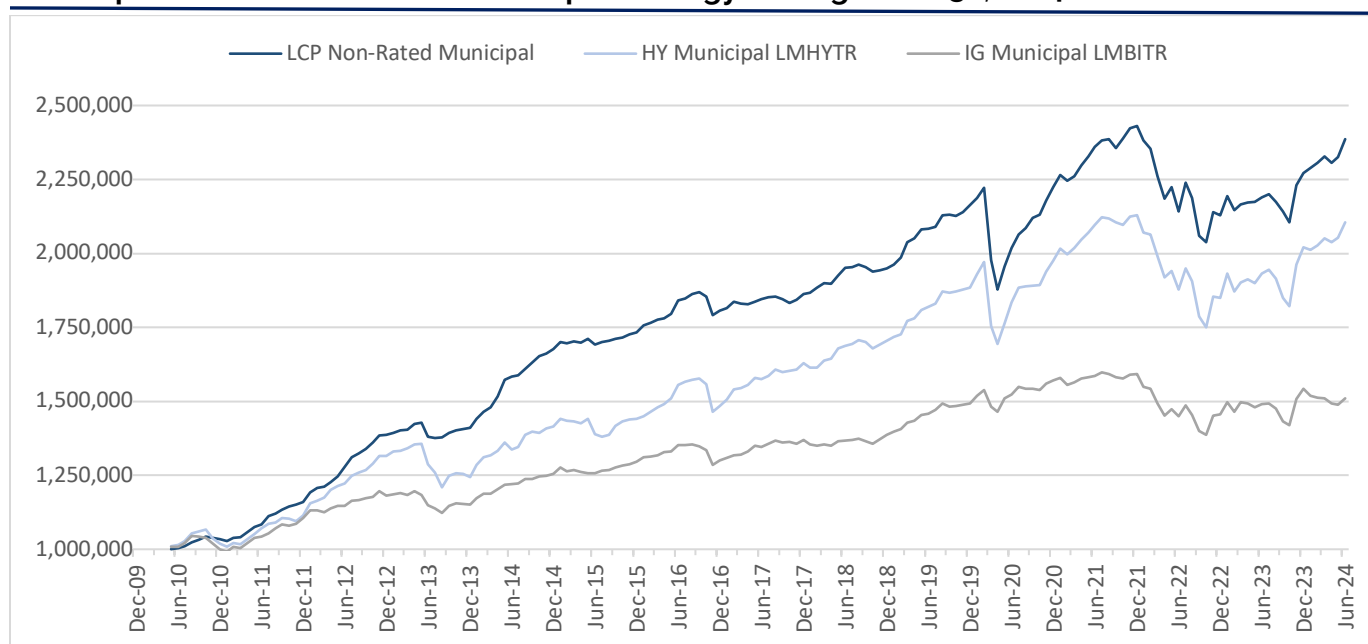
The Labor Day long weekend marked the end to the rather sleepy final few summer weeks in the municipal bond market. Steady investor demand and modest new issue volume, as noted above, led to moderate activity. With back-to-school activities returning, we look forward to market activity picking back up as well. In the past, we've noted seasonal factors ([May Note](#)) that have historically made the last four months of the year attractive for investors in the non-rated municipal bond market. The primary reason for this recurring seasonality has been an uptick in new issue supply between Labor Day and year end. The increase supply can be attributed to a few structural features in the market.

The non-rated municipal borrowers we focus on are most often 501(c)3 non-profit organizations that issue tax-exempt debt through a “conduit” issuer. The borrower, who has invested significant time and resources into their debt issuance, may have face a year-end expiration of their conduit issuing authority and be motivated to complete their deal, or face significant delays in raising capital by having to seek re-authorization. Market participants (investment bankers and underwriters) are also incentivized to get deals done before the holiday slowdown and year end.

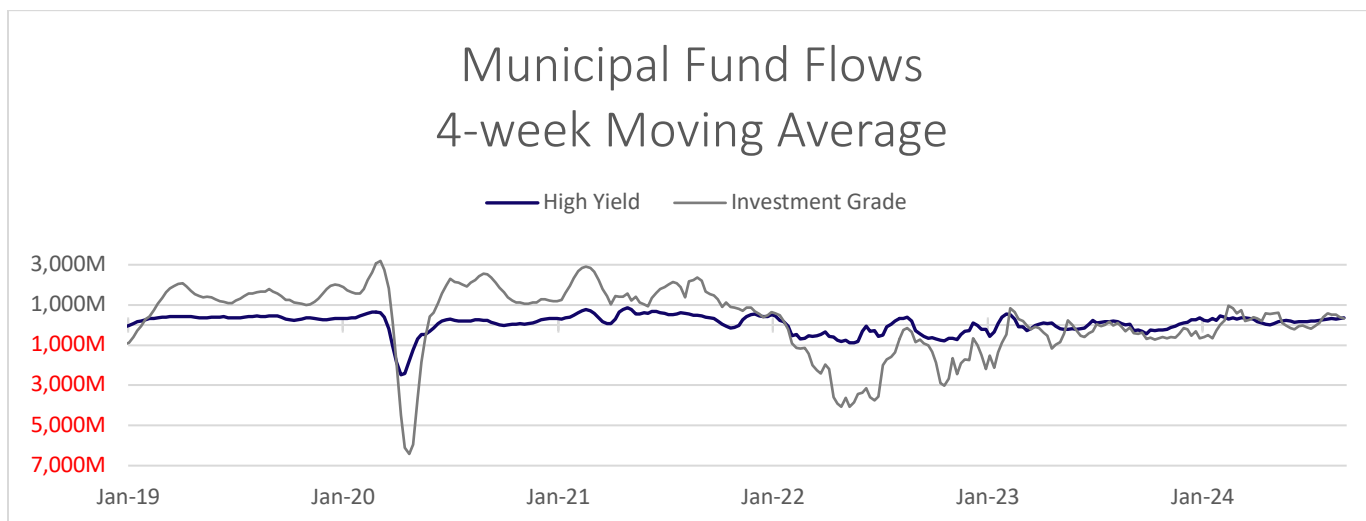
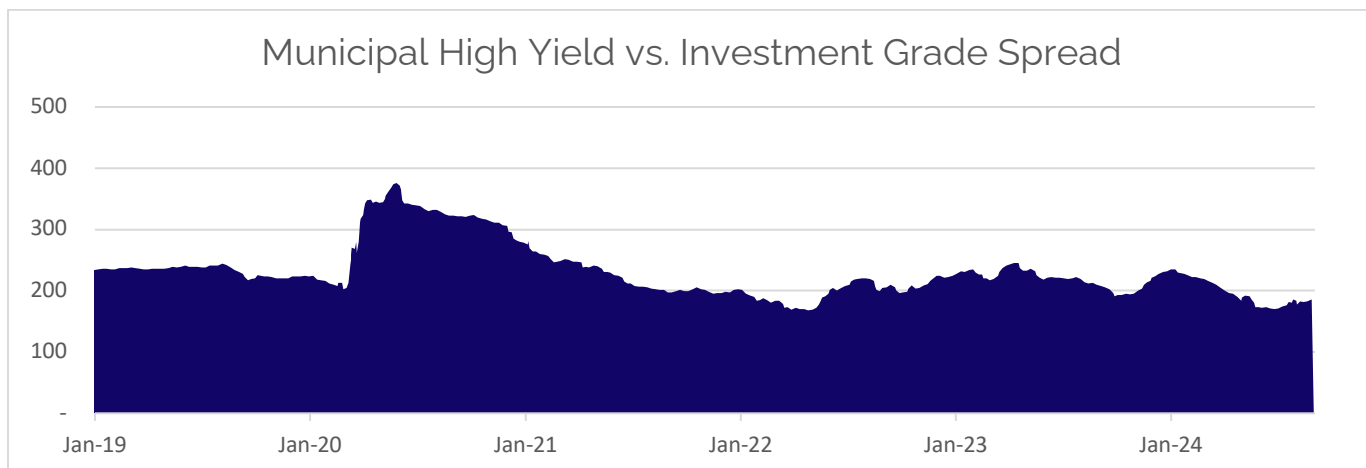
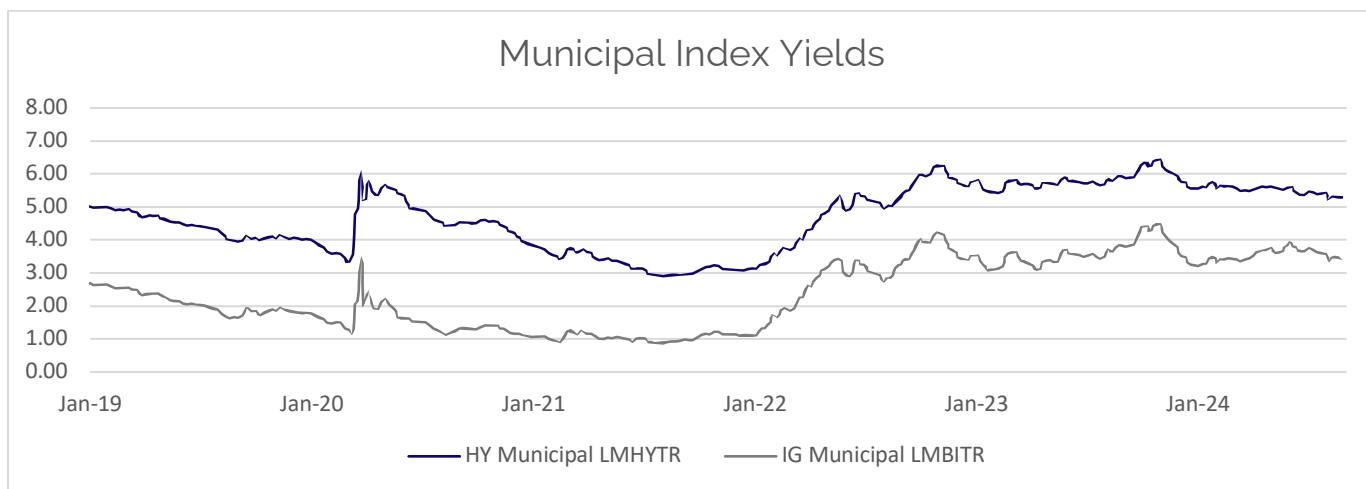
With the upcoming election in November, we looked back at historical non-rated municipal supply trends during election and non-election years using data from Bloomberg, LP. Over the last three election cycles, an average of **40%** of annual issuance came to market in the last four months of the year. In election years, this jumped to **44%** of annual supply. There was also noticeable “pull forward” and “push back” effects during election years. October issuance in election years was 4% higher than in non-election years. Then, December issuance made up for November slowdowns, showing 2% higher supply compared to non-election years.

We actively seek to capitalize on the many structural inefficiencies in the non-rated municipal market including issuance seasonality. The increased new issue volume in late Q3 and Q4 have presented attractive opportunities for LCP investors. Not only have there been more abundant opportunities to invest, but supply pressures often affect pricing and offer more attractive yields. Additionally, as the calendar moves toward Thanksgiving and Christmas, investor attention often turns elsewhere, minimizing demand. Unsurprisingly, our historical purchase volume mirrors this seasonality pattern, with over 40% of purchase volume occurring September through early December. With low new issue supply year-to-date offering limited opportunities, we welcome a continuation of historical seasonality trends. Should new issue volume increase, we expect the next few months to be a very attractive environment to find investment opportunities in the non-rated municipal market.

Lind Capital Partners Non-Rated Municipal Strategy (through June 30, 2024)



The chart above shows the increase in value of \$1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding credit profile, returns, taxable equivalent yields or further portfolio information. Past performance is not indicative of future results.



Sources: Refinitiv and Bloomberg LP

Disclosure

Past performance is not indicative of future results. An investment in the Lind Capital Partners Non-Rated Municipal strategy is not suitable for all investors. Investing involves risk, and municipal instruments can be affected by adverse political and economic conditions. The material contained herein is provided for informational purposes only and is not financial advice, should not be construed as an offer to buy, hold, or sell any security or to invest in the strategy, and may contain information from third party sources Lind Capital Partners, LLC (LCP) believes to be accurate. Any offer for investment in the LCP limited partnership vehicle will be made exclusively to qualified investors on a private placement basis, and only by means of a private placement memorandum, which contains detailed information concerning investment terms. LCP is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration as an investment advisor does not imply a certain level of skill or training. Performance information (time-weighted rate of return) is provided for the LCP Non-Rated Municipal Composite (Inception May 1, 2010) which is comprised of all fully discretionary accounts managed in the LCP High Yield Muni Strategy. Performance returns include realized and unrealized gains and losses; are calculated total return, net of actual advisory fees and transaction costs, including distributions to Limited Partnership investors where appropriate. Refer to LCP's Form ADV Part 2A for additional information related to advisory fees and services. This document is publicly available and upon request by contacting: info@LindCapitalPartners.com. Performance measured by Cortland Capital Services, Clearwater Analytics, NAV Consulting, ICE Data Services and Bloomberg. Opinions expressed are those of LCP and should not be considered a forecast of future events or a guarantee of future results. Opinions and estimates offered constitute our judgment as of the date set forth above and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. All material presented is compiled from sources believed to be reliable, but no guarantee is given as to its accuracy. Taxable equivalent yield = (Tax-Exempt Yield)/(1-Federal Tax Rate).