Muni360

July 14, 2026

Municipal Market Weekly Update

MACKAY MUNICIPAL MANAGERS.™ THE MINDS BEHIND MUNIS.

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Half-Time Assessment

KEY TAKEAWAYS

- Technicals Driving Municipal Forces
- Taking Score at Half-Time
- Are There Spots the Market Is Mispricing Risk?

Relative Performance

MUNI VS. TREASURY RELATIVE PERFORMANCE

Rates moved higher across the fixed income market last week, with Treasuries once again leading the selloff. AAA BVAL yields rose 4.5 bps in 2s, 6 bps in 5s, 8 bps in 10s, and nearly 10 bps in 30s. Treasuries experienced a more pronounced move, with yields increasing 12–13 bps in the front and intermediate portions of the curve and roughly 10 bps in 30s.

Because Treasuries sold off more aggressively, municipals once again outperformed on a relative basis. Muni-to-Treasury ratios widened modestly across the curve, with the 2-year ratio increasing to 56.60%, the 5-year ratio rising to 60.97%, the 10-year ratio moving to 65.55%, and the 30-year ratio ending the week at 83.97%. After several weeks of persistent richening, the modest backup in ratios helps preserve the relative value proposition, particularly in the intermediate portion of the curve.

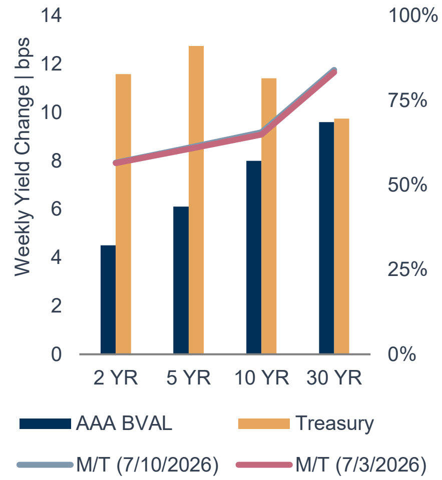
The resilience of municipals continues to be driven by one factor more than any other: technicals.

According to Lipper, municipal bond funds attracted another $1.4 billion of inflows last week, bringing year-to-date inflows to approximately $56.6 billion. That represents the second-strongest pace of inflows through this point in the year and already ranks as the third-largest annual inflow tally, on record. Simply put, investors continue to use periods of volatility as buying opportunities rather than reasons to reduce exposure.

FIGURE 1: INDEX PERFORMANCE[1]

	MTD	YTD	2025
Muni Bond 5-Year	-0.09%	0.99%	5.03%
Muni Bond 10-Year	-0.36%	0.73%	5.92%
Muni Bond 15-Year	-0.54%	1.78%	5.31%
Muni Long Bond	-0.71%	3.27%	1.95%
Muni Managed Money	-0.47%	1.64%	3.94%

FIGURE 2: MUNIS OUTPERFORM[2]



1. Data as of July 10, 2026. Source: Bloomberg
2. Data as of July 10, 2026. Source: Bloomberg. Spot Muni, Spot AA rates. AAA BVAL: AAA Municipal yield curve M/T: Municipal/Treasury Yield Ratio - Bloomberg Municipal Bond Index yield / Bloomberg U.S. Treasury Index yield.

Relative Performance (Continued)

That demand should once again be tested this week as the primary calendar approaches $11 billion.[3] While we believe markets will be focused on a busy economic calendar and the potential for renewed geopolitical headlines, the supply backdrop remains manageable relative to the strength of investor demand and seasonal reinvestment flows.

Market Technicals

With the first half of 2026 behind us, it's a good time to step back from the day-to-day volatility and ask a simple question: **what's actually worked**?

Coming into the year, we argued that curve positioning, credit selection, and active management would matter more than simply owning the asset class. Six months in, we think that's exactly how the market has behaved.

Our highest-conviction theme was to favor **essential-service revenue bonds over general obligations**, and revenue bonds have rewarded investors with stronger year-to-date performance as state and local governments continue to adjust to a post-pandemic fiscal environment.

We also highlighted the **12–22 year portion of the curve** as the best place to capture carry, roll-down, and total return. That part of the curve has been one of the market's strongest performers, validating our view that the best opportunities sat beyond the increasingly crowded front end.

Where we've become more selective is credit. High yield municipals have had an outstanding year, but strong performance doesn't always equal compelling value. Today, the spread pickup from **BBB into traditional high yield** is below long-term averages, while BBB municipals continue to offer compensation much more in line with history. That's why we continue to believe the sweet spot remains in upper-tier spread product rather than chasing returns further down the quality spectrum.

The same story has played out in taxable municipals, where infrastructure-focused strategies have continued to outperform core fixed income, and in portfolio construction, where flexible active strategies have benefited from being able to move beyond the constraints of passive SMA mandates.

The biggest takeaway from the first half isn't that every call worked exactly as expected. It's that the market rewarded **discipline over prediction**. Investors who focused on relative value, thoughtful credit selection, and active positioning have generally fared better than those trying to time every move in rates or the Fed.

3. Source: Bloomberg

Questions from the Field

Q. We've talked a lot about relative value this year. Where do you think the market is still mispricing risk?

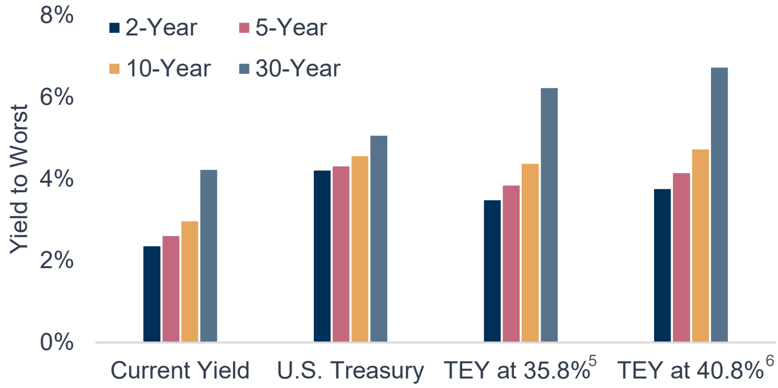
A. We still think the market is mispricing credit more than duration.

Everyone spends time debating the next Fed meeting or where Treasury yields are headed. Those conversations matter, but we think the bigger opportunity is within the municipal market itself.

Today, investors are receiving almost no compensation to move from AAA to AA municipals, while BBB-rated municipals continue to offer spread levels much closer to historical averages. On the other hand, traditional high yield has had a tremendous year, but spreads have compressed to the point where investors are no longer being paid as generously for taking that additional credit risk.

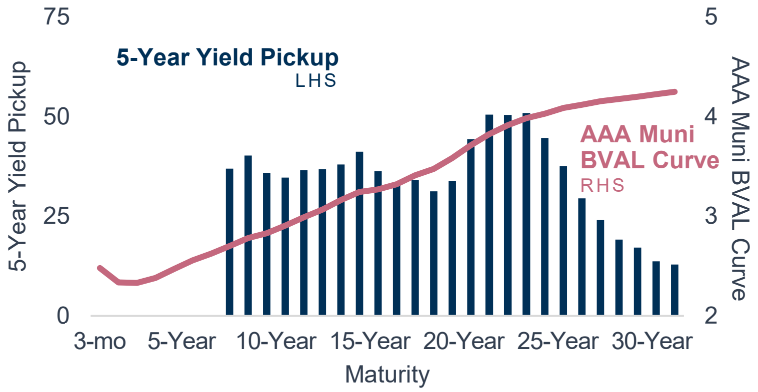
We believe, that's where active management adds value. It's not about taking more risk—it's about making sure you're being adequately compensated for the risk you choose to take.

FIGURE 4: TAX-ADJUSTED YIELDS OF MUNICIPAL BOND INDEX VS US TREASURY INDEX[4]



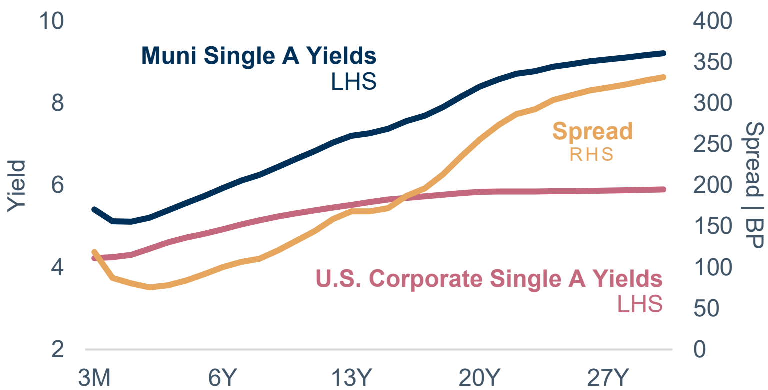
On a tax-adjusted basis munis handily lead across tenors

FIGURE 5: YIELD CURVE STEEPNESS[7]



Our relative value lens focus on the area of the curve where steepness benefits returns

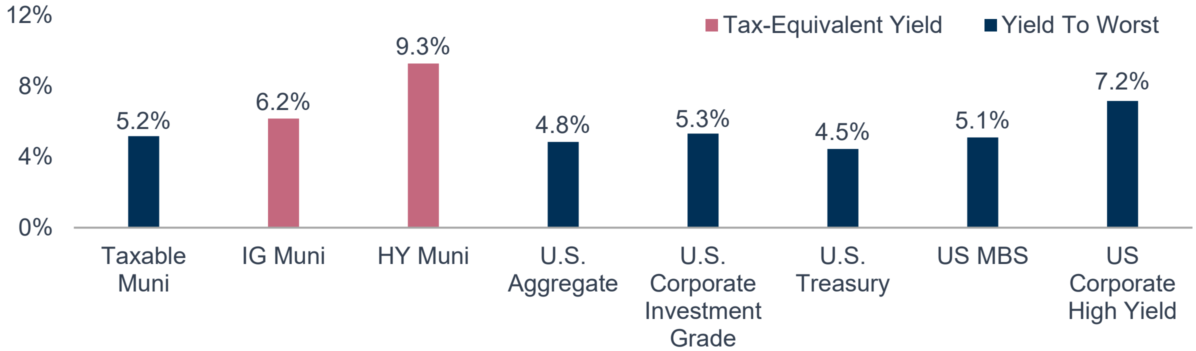
FIGURE 6: MUNI EXCEEDS CORPORATE SPREADS[7]



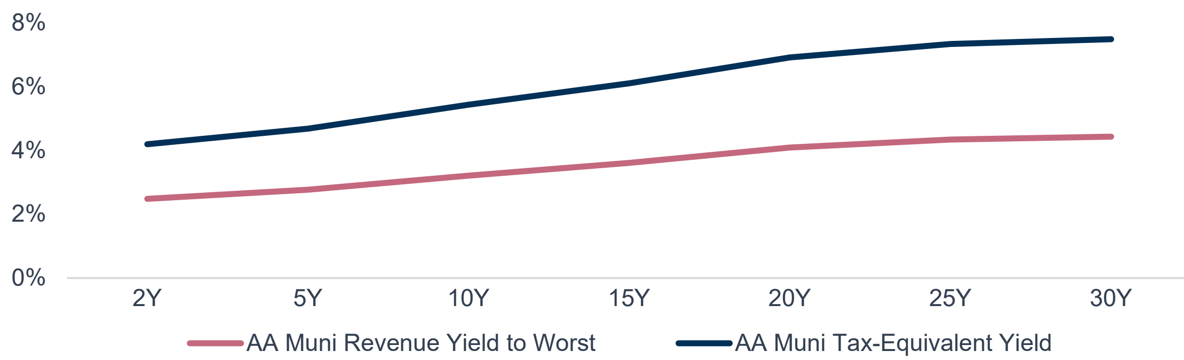
Tax equivalent munis continue to exceed corporate spread/yields

4. Source: Bloomberg. Data as of July 10, 2026.
5. Tax Equivalent Yield is using 32% federal tax rate, including 3.8% Net Investment Income Tax.
6. Tax Equivalent Yield is using 37% federal tax rate, including 3.8% Net Investment Income Tax.
7. Source: Bloomberg. Data as of July 10, 2026. Muni Single A Yields: Bloomberg Municipal Bond Index; U.S. Corporate Single A Yields: Bloomberg Corporate Bond Index

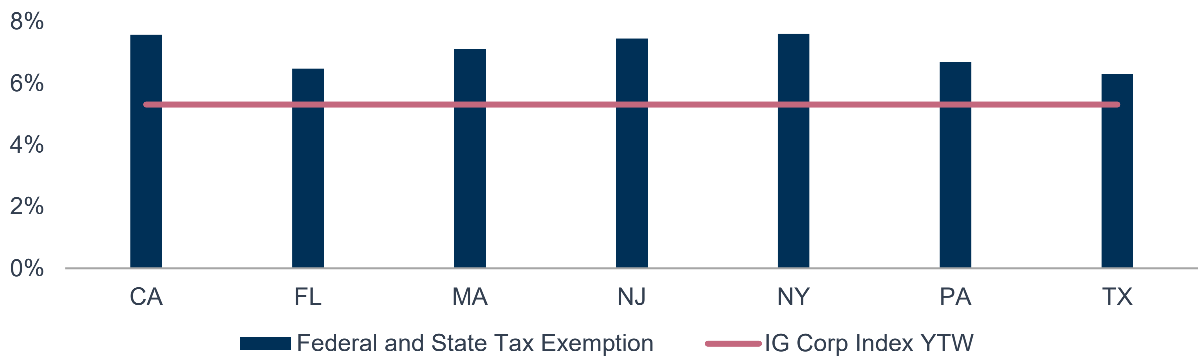
INDEX YIELDS[8]



AA MUNI TAX-EQUIVALENT YIELD CURVE[9]



IN-STATE MUNI TAX-EQUIVALENT YTW[9]



8. Data as of July 10, 2026. Tax Equivalent Yield is using 40.8% federal tax rate, including 3.8% Net Investment Income Tax. Source: Bloomberg.

9. Data as of July 10, 2026. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax. Source: Bloomberg

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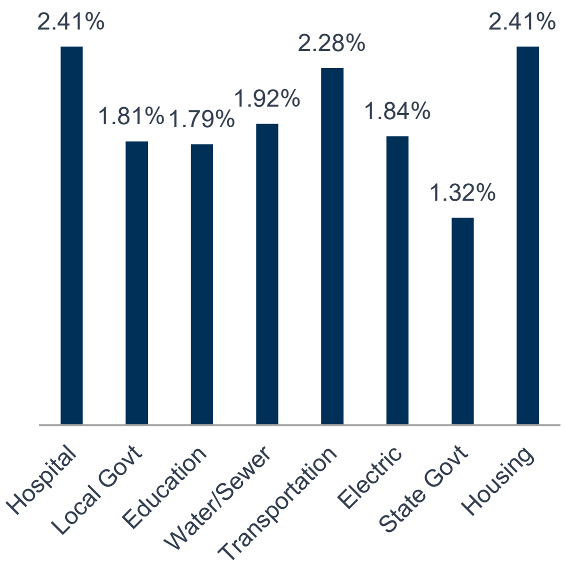
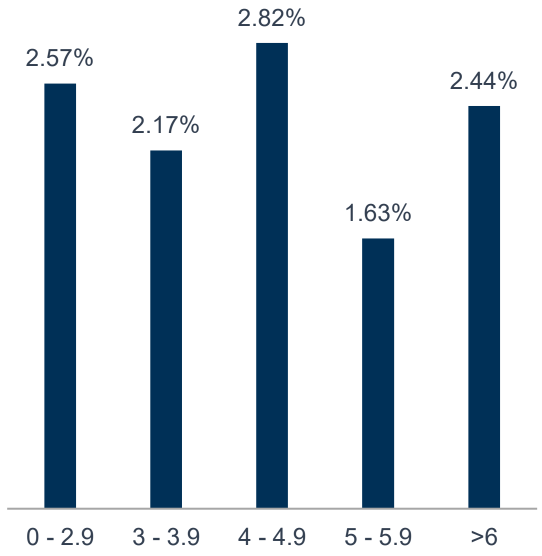
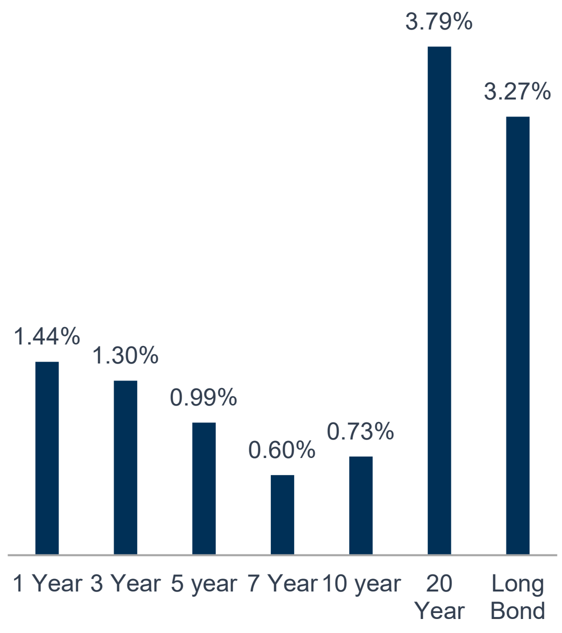
YTD TOTAL RETURNS BY SECTOR[10]



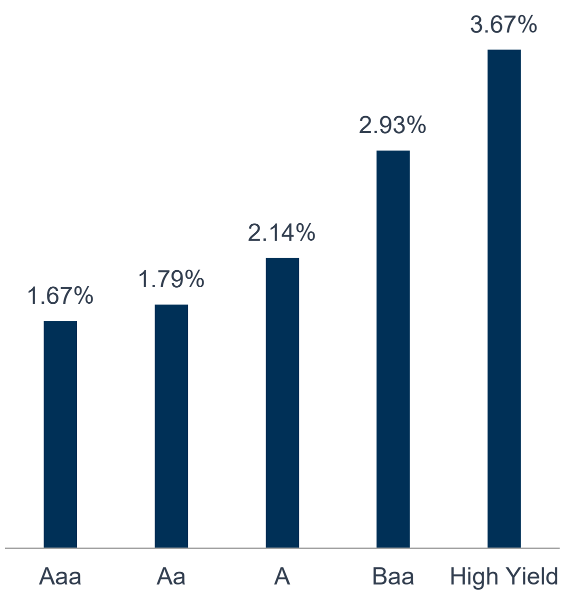
YTD TOTAL RETURNS BY COUPON[10]



YTD TOTAL RETURNS BY MATURITY[10]



YTD TOTAL RETURNS BY RATING CATEGORY[10]



10. Data as of July 10, 2026. Source: Bloomberg.

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BLOOMBERG MUNICIPAL YIELD-TO-WORST[11] (YTW)

MUNI YIELDS

Tenor	7/10/2026	7/3/2026	Change (+/-)
Bloomberg AAA Muni Key Rate Yields[12]			
2-year	2.38%	2.34%	0.04%
5-year	2.62%	2.56%	0.06%
10-year	2.99%	2.91%	0.08%
30-year	4.25%	4.15%	0.10%
U.S. Treasury Key Rate Yields[12]			
2-year	4.21%	4.14%	0.07%
5-year	4.30%	4.23%	0.07%
10-year	4.56%	4.49%	0.07%
30-year	5.06%	4.98%	0.08%
U.S. Treasury & AAA Muni Curve Slopes[13]			
	2s10s	**10s30s**	**2s30s**
U.S. Treasury Curve Slope	+35 bps	+50 bps	+85 bps
AAA Muni Curve Slope	+61 bps	+126 bps	+187 bps

Data as of July 10, 2026.

11. Source: Bloomberg. "Post GIFC Average" measures the period from 01/01/2010–07/10/2026.

12. Source: Bloomberg.

13. Source: Bloomberg. 2s10s–is spread between 10yr and 2yr yield; 10s30s–refers to spread between 30yr and 10yr yield; 2s30s–refers to spread between 30yr and 2yr yield.

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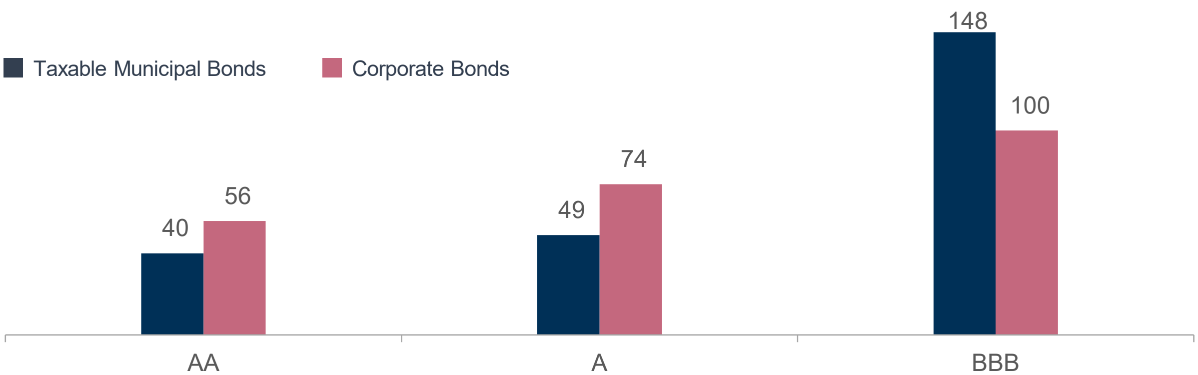
BLOOMBERG MUNICIPAL HIGH YIELD | AAA YIELD DIFFERENTIAL[14]

TAXABLE MUNICIPAL AND CORPORATE CREDIT SPREADS[15]



14. Data as of July 10, 2026. Source: Bloomberg.

15. Data as of July 10, 2026. Source: Bloomberg. The spread, better known as the option-adjusted spread (OAS) is the measurement of the yield of a fixed income security over that of a risk-free rate of return, which is adjusted to take into account an embedded option.

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SOURCE INFORMATION (Continued)

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DEFINITION OF TERMS

Option-Adjusted Spread

The option-adjusted spread (OAS) measures the spread between a bond's rate and the risk-free rate, while adjusting for any embedded options like callables or mortgage-backed securities.

Standard Deviation

Standard deviation is a statistical measurement that looks at how far discrete points in a dataset are dispersed from the mean of that set. It is calculated as the square root of the variance.

Tax Equivalent Yield

The tax-equivalent yield is the return a taxable bond needs to equal the yield on a comparable tax-exempt municipal bond. Investors use this calculation to compare the returns between a tax-free investment and a taxable alternative.

Tax Equivalent Yield to Worst

Tax Equivalent YTW is calculated by dividing the tax-exempt yield by one minus the marginal income tax. this is used to compare YTW on a tax-exempt investment to a taxable investment.

Volatility

Volatility is a measurement of how varied the returns of a given security or market index are over time. It is often measured from either the standard deviation or variance between those returns. In most cases, the higher the volatility, the riskier the security.

Yield to Worst

Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures. YTW helps investors manage risks and ensure that specific income requirements will still be met even in the worst scenarios.

Dividend Yield

Dividend yield is a financial ratio that measures the annual dividend income a company pays to its shareholders, expressed as a percentage of its current share price. It represents the "dividend-only" return on investment for a stock.

INDEX DESCRIPTIONS

Bloomberg U.S. Taxable Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term taxable bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

Bloomberg Municipal AMT index refers to a specific Bloomberg municipal bond index that includes bonds subject to the Alternative Minimum Tax (AMT). Unlike most municipal bond indices, which exclude AMT-subject securities, these indices contain bonds that typically offer higher yields to individuals who are subject to the AMT.

Muni IG ex. AMT and ex Territories Index is the Bloomberg Municipal Bond Index excluding AMT and U.S. Territory exposure.

Bloomberg Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a date-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and pre-refunded bonds. Most of the index has historical data to January 1980. In addition, sub-indices have been created based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.

Bloomberg 5-Year Muni Index is a capitalization weighted bond index created by Bloomberg intended to be representative of major municipal bonds of all quality ratings with an average maturity of approximately five years.

Bloomberg Municipal 1-10 Year Blend 1-12 Year Index measures the performance of short and intermediate components of the Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment grade, tax-exempt bond market.

Bloomberg Municipal Long Bond 22+ Index (often referred to as the Bloomberg Long-Term Municipal Bond Index) tracks the performance of long-term, tax-exempt U.S. municipal bonds with maturities of 22 years or longer. This index serves as a benchmark for high-quality municipal debt and covers various sectors, including general obligation, revenue, insured, and pre-refunded bonds.

INDEX DESCRIPTIONS (continued)

Bloomberg High Yield Municipal Bond Index is a flagship measure of the U.S. municipal tax-exempt non-investment grade bond market. Included in the index are securities from all 50 U.S. States and four other qualifying regions (Washington DC, Puerto Rico, Guam, and the Virgin Islands). The index includes state and local general obligation bonds and revenue bonds. All bonds in the Municipal High Yield Bond Index are tax exempt and hence are not eligible for other indices that include taxable high yield bonds, such as the U.S. High Yield Index and EM USD Aggregate Index.

Bloomberg U.S. Aggregate Bond Index measures the performance of investment grade, U.S. dollar-denominated, fixed rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. It rolls up into other flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-US industrial, utility, and financial issuers. The index is a component of the U.S. Credit and U.S. Aggregate Indices, and provided the necessary inclusion rules are met, U.S. Corporate Index securities also contribute to the multi-currency Global Aggregate Index. The index includes securities with remaining maturity of at least one year.

Bloomberg U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury, including securities that roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices

Bloomberg Securitized Bond Index The Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index tracks all USD-denominated, investment grade, securitized issues within the "Parent Index". MBS must have a weighted average maturity of at least one year. CMBS and ABS must have a remaining average life of at least one year.

Bloomberg U.S. Municipal Bond Index Total Return Index Value Unhedged Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds

Bloomberg U.S. Aggregate Total Return Value Unhedged Index (LBUSTRUU:IND) is a benchmark that measures the performance of the U.S. investment-grade, fixed-rate, taxable bond market, excluding any currency hedging. It tracks a broad universe of U.S. dollar-denominated securities, including U.S. Treasuries, government-related debt, corporate bonds, mortgage-backed securities (MBS), and asset-backed securities (ABS).

Bloomberg U.S. Treasury Total Return Unhedged Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg U.S. Mortgage-Backed Securities Index is formed by grouping the universe of individual TBA-deliverable MBS pools into pool cohorts and then applying the index inclusion rules at the cohort level. Each cohort is a representation of its mapped individual pools and contributes their total amount outstanding to the U.S. MBS Index.

Bloomberg U.S. Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg Global Aggregate Bond Index is a flagship measure of global investment grade debt from twenty-seven local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

New York Life Investment Management

PRD-00261-07/26