Municipal Market Insight

Wealth Management

April 7, 2021 | Portfolio Advisory Group – U.S. Fixed Income Strategies

What's inside:

For important disclosures and authors' contact information, see page 10.

A difficult month for Treasuries

March was a difficult month for Treasuries, with the yield on the 10-year note rising to 1.74%, an increase of 0.34%. Improving growth prospects in the U.S.—driven by positive vaccine data, President Biden's $1.9 trillion fiscal stimulus plan, and accommodative monetary policy—have led investors to shift away from lower-risk government securities into more economically sensitive assets; the S&P 500 is up 6% since December, while yields on the 10-year have nearly doubled in that time.

We are optimistic on U.S. growth prospects, but believe bonds are unlikely to see a repeat of Q1 performance during the balance of 2021. Our view is based in part on the strong structural forces keeping inflation contained, including the nine million jobs lost during the pandemic that are still missing from the U.S. economy. We believe demographics, trade, and productivity are other factors that will act as brakes on sustained inflation. So while the economic reopening is likely to cause prices to spike over the next several months, we see the U.S. economy reverting to lower inflation trend levels. We believe 30-year Treasury yields approaching 2.5% are becoming increasingly attractive for investors, particularly by comparison to the $13 trillion of foreign government debt trading at a negative yield.

U.S. Treasury rate forecasts (% as of March 5, 2021)

	2020	2021				2022			
	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
FF	0.13	0.13	0.13	0.13	0.13	0.38	0.38	0.63	0.63
2-yr	0.13	0.15	0.20	0.40	0.60	0.90	1.10	1.30	1.50
5-yr	0.36	0.75	1.20	1.35	1.45	1.50	1.60	1.70	1.80
10-yr	0.93	1.35	1.45	1.50	1.65	1.75	1.85	1.95	2.00
30-yr	1.65	2.35	2.40	2.45	2.50	2.60	2.60	2.60	2.60

Source - RBC Economics

Treasuries vs. municipals (%)

	5-yr TSY	5-yr Muni	10-yr TSY	10-yr AAA Muni	30-yr TSY	30-yr AAA Muni
Beginning of month (3/1/21)	0.94%	0.57%	1.42%	1.15%	2.19%	1.80%
Mid-month (3/15/21)	0.83%	0.43%	1.61%	1.02%	2.36%	1.65%
End of month (3/31/21)	0.70%	0.51%	1.74%	1.12%	2.41%	1.75%

Source - Bloomberg (Treasuries), Thomson Reuters TM3 (Municipals)

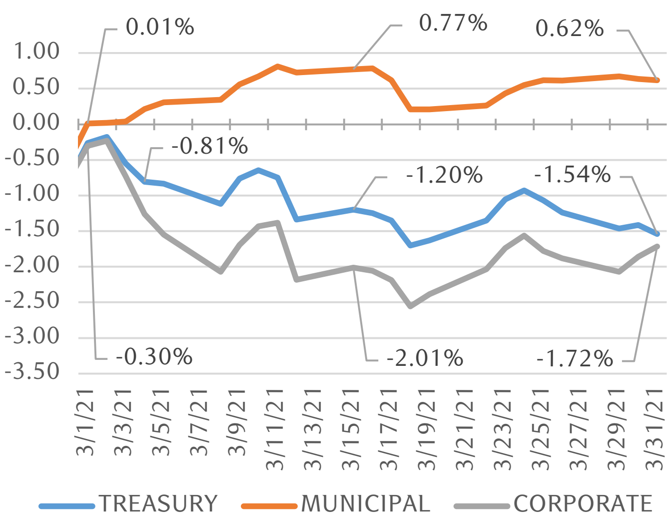
MARKET INVESTMENT STRATEGY & MARKET COMMENTARY

Market performance

Municipals shine in March, outperforming Treasuries and corporate bonds

Following February's selloff, when tax-exempts returned a dismal -1.59%, tax-exempt bonds rebounded in March and outperformed their counterparts in the Treasury and corporate bond markets. March's strong performance was driven by strong demand, with both retail and institutional investors remaining flush with cash and investing opportunities limited after this month's weak Treasury and corporate bond market performances. Municipals returned 0.62% in March and are returning -0.35% year to date, which compares favorably to Treasuries (yielding -1.54% in March and -4.25% year to date) and corporate bonds (returning -1.72% for the month and -4.65% year to date).

Bloomberg Barclays indexes



Source - Bloomberg; data through 3/31/21

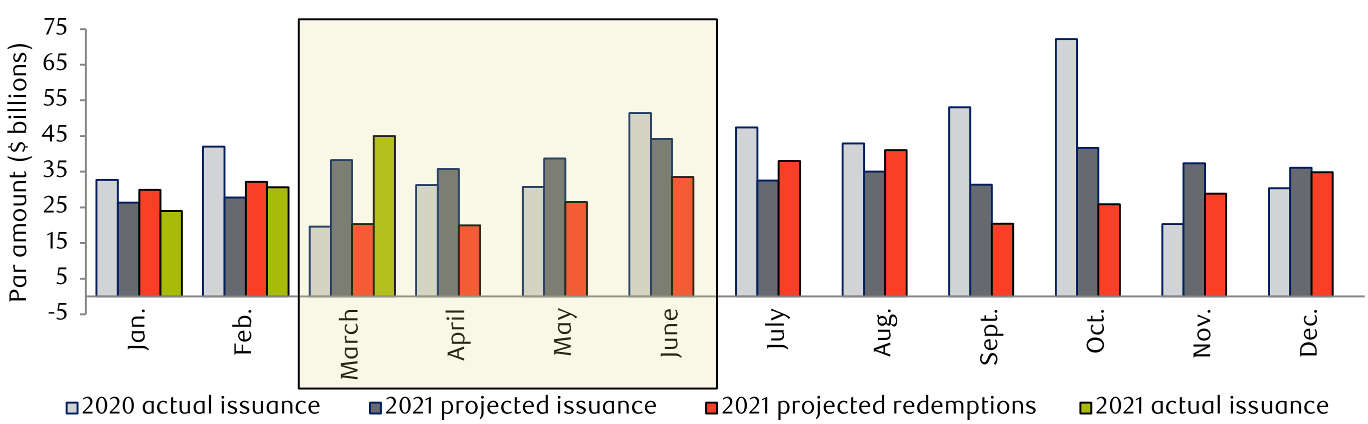
Rising yields present entry points

Through the end of March, benchmark municipal yields increased steadily with 5-year, 10-year, and 30-year municipals rising 29 basis points (bps), 34 bps, and 37 bps respectively. In our view, these increases provide a good entry point for investors to put some "dry powder" to work. Furthermore, we believe overall technicals for the municipal market remain strong over the long term following the recent passage of a $1.9 trillion stimulus bill and the potential for a $3 trillion infrastructure package, which is gaining steam in Congress. We caution investors of potential near-term volatility through the end of June amid lower reinvestment and maturities ($102 billion) compared with RBC Capital Markets' projections for $157 billion of issuance, leaving room for yields to rise further amid a projected supply/demand imbalance.

Looking ahead: Catalysts to a rising yield environment

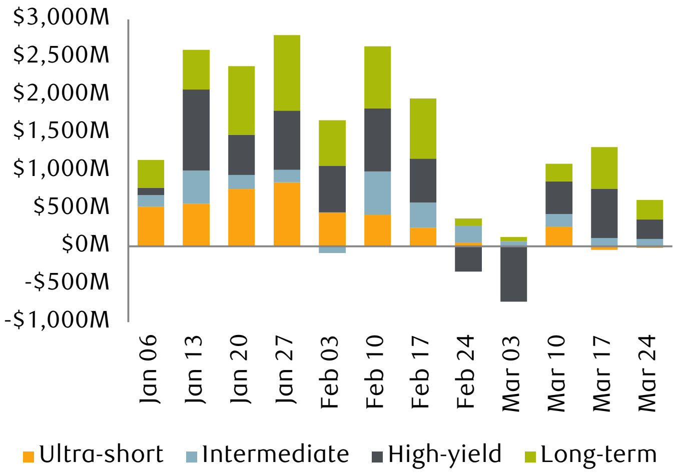
Retail investors spent the better part of last year on the sidelines hoping for yields to rise. While yields have been rising since the beginning of this year, municipal yields have not risen at the same pace as Treasury yields. We believe three main catalysts could pressure municipal yields upward: increased supply, reduced demand, and inflation fears. We believe two of the three catalysts are currently in place; however, one remains elusive. The two catalysts present are rising supply and inflation fears following recent passage of $1.9 trillion of stimulus and talk of another $3 trillion infrastructure plan up next. However, we believe talk of increasing both the corporate tax rate and the personal income tax rate could boost demand for municipals as investors seek to lower their tax liability. The recent run-up in yields has brought some retail investors off the sidelines, while municipal mutual fund demand remains strong as evidenced by inflows in eleven of twelve weeks this year. On March 3, investors

2021 issuance actual/projected



Source - RBC Capital Markets

2021 estimated municipal fund flows



Source - Refinitiv Lipper U.S. Fund Flows, RBC Wealth Management; weekly data through 3/31/21

withdrew $605 million from municipal mutual funds, leading to hopes the trend would continue. Over the three weeks since March 3, investors have added just under $3 billion, with no signs of demand for municipals waning.

A low-demand environment is likely to remain elusive

Municipal bond demand continued through the second half of last year and so far this year, driven by strong institutional demand and evidenced by inflows to municipal funds in 19 of the past 20 weeks.

We believe demand is poised to accelerate, given recent talk of an overhaul of the tax code and the introduction of higher corporate and individual rates by the Biden administration. Restoring the top tax rate to 39.6% could incentivize investors to seek out tax-exempt investments to shield their income from higher taxes, in our view, further reducing the likelihood that demand for tax-exempt bonds could decline and drive yields higher.

THIS MONTH'S FOCUS

Municipal finances were correcting before the latest federal stimulus

State and local governments, like the rest of the economy, have been adversely impacted by the pandemic and the widespread economic shutdowns; positively, however, municipal officials took immediate steps to curb expenditures in anticipation of lagged revenue declines. Fortunately, in many cases municipal revenues did not decline as much as anticipated, and as a result, municipal finances are generally in better shape than would be expected after prolonged economic shutdowns. Municipalities have also benefited from the substantial federal stimulus—especially the latest round, which provides wide latitude on how municipalities deploy their cash infusions. By and large, state and local governments' fiscal prospects are much better than they were a year ago.

Many municipalities responsibly curbed spending at the outset of the pandemic, fearing a collapse of their entire revenue base. Since municipalities must balance their budgets annually, officials were effectively forced to abruptly cut expenditures in order to align with depressed revenue expectations. Most notably, state and local governments collectively eliminated more than 1.5 million jobs near the onset of the pandemic. According to the U.S. Bureau of Labor Statistics, New Hampshire was the most aggressive, reducing staffing by 26%; eleven other states reduced employment by at least 10%. At the local level, Nevada municipalities were the most aggressive, reducing headcount by 14%, followed by Oregon municipalities at 12% and Washington municipalities at 10%. The swiftness of these actions was in stark contrast to municipal job cuts during the Great Recession, when losses of 200,000 jobs at the state level and 600,000 at the local level occurred over a six-year period.

Revenue resiliency

The economic contractions and job losses caused by the pandemic-induced recession differ from previous recessions because of the impact of government mandated closures of businesses and stay-at-home orders forced on a large portion of the country's population. Job losses were concentrated in the lower-paying service-related and tourism sectors, while many white-collar employees sidestepped wholesale layoffs by transitioning to remote work. As a result, income tax collections nationwide have been more resilient than during past economic downturns when wide swaths of higher-paid employees were also displaced.

Sales tax collections are also coming in better than expected, as consumers have transitioned from physical store sales to online purchases. Again, unlike in past recessions, states were able to tax these transactions because of the 2018 Supreme Court ruling in *South Dakota v. Wayfair*. Prior to this decision, states did not have the legal authority to tax many online purchases, but because of *Wayfair*, state coffers were not harmed by the shift to online purchases during the nationwide stay-at-home orders.

At the local level, most municipalities generate the majority of their revenues from property taxes, which routinely hold up well through economic cycles because residents' homes may be seized for nonpayment. This legal structure strongly incentivizes homeowners to pay their property taxes, resulting in a very dependable revenue stream for local governments even during economic downturns.

Direct and indirect federal stimulus

The federal government has enacted six stimulus bills totaling $5.2 trillion since the onset of the pandemic. Prior to the most recent stimulus package, the benefits of stimulus to state and local governments were mostly indirect but nonetheless tangible. The stimulus measures provided small businesses with payroll protection, the unemployed with supplemental cash benefits, and the majority of Americans with additional cash payments. This stimulus money was then poured back into the economy, which in turn generated tax revenues and economic buoyancy for various levels of government.

The most recent stimulus bill, named the American Recovery Plan, provides massive direct assistance to states and local governments. The stimulus allocates roughly $195 billion to states, $129 billion to local governments, and $27 billion to territories and tribal governments. To put the magnitude of the direct stimulus into perspective, the state allocation equals nearly 16% of total state revenues in fiscal 2019. Governments are also being given wide latitude in terms of how quickly they can spend the stimulus money, and what they can spend it on. Governments can offset lost revenues due to the pandemic, rehire employees, invest in economic activity projects, or fund essential infrastructure needs such as water, sewer, and broadband. However, governments are prohibited from using the federal money to reduce taxes or make pension payments.

Rating agencies taking a more optimistic view

By and large, the rating agencies have taken a much more optimistic tone on state and local governments following the recent passage of a $1.9 trillion stimulus package, through which state and local governments are set to receive up to $350 billion. The agencies do acknowledge that the economic recovery could be uneven, with states more exposed to travel and tourism facing greater challenges and likely a slower recovery.

Nonetheless, Moody's Investors Service and Standard & Poor's changed their outlooks for states and local governments to stable from negative, citing improved financial circumstances and continued extraordinary federal support. According to Moody's, most states will retain or even add to their budgetary reserves in fiscal 2021 and 2022. Fitch Ratings highlighted the fact that significant one-time federal infusions should help governments bridge near-term budgetary gaps, but the money is not expected to alter long-term credit fundamentals.

State and territory ratings

State/territory	Fitch	Moody's	Kroll
Alabama	AA+	Aa1	—
Alaska	A+	Aa3	—
Arizona	—	Aa2	—
Arkansas	—	Aa1	—
California	AA	Aa2	—
Colorado	—	Aa1	—
Connecticut	A+	Aa3	AA-
Delaware	AAA	Aaa	AAA
Florida	AAA	Aaa	—
Georgia	AAA	Aaa	—
Hawaii	AA	Aa2	—
Idaho	AA+	Aa1	—
Illinois	BBB-	Baa3	—
Indiana	AAA	Aaa	—
Iowa	AAA	Aaa	—
Kansas	—	Aa2	—
Kentucky	AA-	Aa3	—
Louisiana	AA-	Aa3	—

State/territory	Fitch	Moody's	Kroll
Maine	AA	Aa2	—
Maryland	AAA	Aaa	—
Massachusetts	AA+	Aa1	—
Michigan	AA	Aa1	—
Minnesota	AAA	Aa1	—
Mississippi	AA	Aa2	—
Missouri	AAA	Aaa	—
Montana	AA+	Aa1	—
Nebraska	—	Aa1	—
Nevada	AA+	Aa1	—
New Hampshire	AA+	Aa1	—
New Jersey	A-	A3	A
New Mexico	—	Aa2	—
New York	AA+	Aa2	AA+
North Carolina	AAA	Aaa	—
North Dakota	—	Aa1	—
Ohio	AA+	Aa1	—
Oklahoma	—	Aa2	—

State/territory	Fitch	Moody's	Kroll
Oregon	AA+	Aa1	—
Pennsylvania	AA-	Aa3	—
Rhode Island	AA	Aa2	—
South Carolina	AAA	Aaa	—
South Dakota	AAA	Aaa	—
Tennessee	AAA	Aaa	—
Texas	AAA	Aaa	—
Utah	AAA	Aaa	—
Vermont	AA+	Aa1	—
Virginia	AAA	Aaa	—
Washington	AA+	Aaa	—
West Virginia	AA	Aa2	—
Wisconsin	AA+	Aa1	AA+
Wyoming	—	—	—
Dist. of Columbia	AA+	Aaa	—
Guam	—	—	—
Puerto Rico	D	Ca	—
Virgin Islands	—	—	—

On March 31, Moody's upgraded Connecticut's rating to Aa3 from A1, citing the state's improved finances including $3.8 billion of reserves, which account for 19% of general fund expenditures.

Source - Fitch Ratings, Moody's Investors Service, Kroll Bond Ratings Agency

Parting thoughts

State and local governments, like the rest of the economy, have been battered by the pandemic and the stay-at-home orders. In response, many governments were able to reduce their spending and, fortuitously, in many cases municipal revenues did not decline as much as had been anticipated. Municipalities further benefited from the multiple federal stimulus packages—most notably the American Recovery Plan, which provides substantial cash infusions to municipal coffers. As a result, municipal finances are generally in better shape than would be expected after prolonged economic shutdowns, and many state and local governments are financially well positioned despite a once-in-a-century pandemic.

MUNICIPAL NEWS

General commentary

The municipal market remains resilient

General municipal news – What a difference a year makes

Following last year's pandemic-driven selloff, rating agencies revised their outlook on many sectors within the municipal space. The municipal market exodus was short-lived; beginning in May 2020, investors returned to the market, erasing $30 billion of withdrawals from municipal bond funds that had occurred between March and April 2020. As a result, municipal bond funds ended 2020 with just under $20.5 billion in net inflows. Strong demand contributed to strong municipal market performance in March 2021, following a dismal February.

As a result of previous rounds of stimulus and the recent passage of $1.9 trillion of additional stimulus, municipals are leading the recovery in the fixed income space this year. With state and local governments set to receive around $350 billion in stimulus followed by a potential $3.0 trillion in infrastructure spending, Moody's and S&P have revised their outlook on multiple municipals sectors to stable from negative.

State tax revenue – Q4 collections improve and remain on the mend

State tax receipts grew to $273.9 billion in Q4 2020, a 7% increase compared to the same period the prior year. Tax receipts were $17.8 billion higher from the same period the prior year but lagged Q3 collections by 12% or $45.9 billion. The State of Washington led the 50 states, with tax collections increasing 19%; Texas was at the bottom of the list, with tax collections 8.3% lower.

Advance refunding – Odds improve for revival

U.S. Representative Dutch Ruppersberger (D-MD) and Representative Steve Stivers (R-OH), co-chairs of the House Municipal Finance Caucus, reintroduced bipartisan legislation to allow the use of advance refunding in the municipal market. Advance refundings were eliminated under the previous administration with passage of tax reform in 2017.

Plans to reintroduce advance refundings gained steam in late February when U.S. Senators Roger Wicker (R-MS) and Debbie Stabanow (D-MI) introduced a bill that would reinstate them. With support growing in both the Senate and the House, we believe passage of the bill stands a better chance with Democrats in control of both the White House and Congress.

The Senate is also in the process of preparing a bill to eliminate the $10,000 cap on state and local tax deductions for federal income tax purposes. The measure is part of the Biden administration's planned $3 trillion infrastructure bill and is receiving support from both sides of the aisle.

Municipal market news

California – Wins in $1.9 trillion stimulus jackpot

The country's most populous state is expecting to receive a large portion of stimulus funds set aside for state and local governments. An analysis by the California Department of Finance concluded the state could receive as much as $152 billion in federal stimulus. The state is expecting to receive $42 billion ($26 billion to state and $16 billion to local governments) of the $350 billion set aside for state and local governments. In addition, the state could receive $550 million for capital projects; residents could receive an additional $30 billion of unemployment benefits; K-12 schools $15.9 billion; state colleges and universities $5 billion; and an additional $40 billion could flow to residents as a result of $1,400 stimulus checks—all of which, we expect, is likely to provide a strong boost to the state's economy.

New York

New York City – One step closer to congestion pricing

After plans to introduce congestion pricing in midtown Manhattan stalled in 2020, New York City's congestion pricing program received approval from the U.S. Department of Transportation to move forward with the federally mandated environmental assessment and public outreach to implement the program. The Biden administration, which seems more amenable to infrastructure investment than its predecessor, said it would fast-track the environmental component.

The congestion pricing plan, once implemented, would charge motorists heading into midtown New York City a fee. Revenue would be used to provide much-needed financial assistance to New York City's MTA, the country's largest public transportation provider.

Revenue outperforms

Seven months into its fiscal 2022, the city reported that tax collections outpaced budget projections by $229 million through January 31. City Comptroller Scott Stringer reported that boosts from both personal income taxes and property taxes contributed to the better-than-expected result.

NYC Metropolitan Transportation Authority (MTA) – Resumes capital plan

The country's largest public transportation provider, fresh off multiple infusions of federal aid and a green light to go ahead with congestion pricing, announced it plans to resume its $51.5 billion capital plan. The MTA's finances have been hit hard during the pandemic, with ridership plummeting by more than 75% over the past year.

New York State – Revenue tracking ahead of projections

New York State Comptroller Thomas DiNapoli reported state tax collections are exceeding budget projections by around $758 million for the first 11 months of the fiscal year. The state has collected $75 billion so far this fiscal year, with February collections of $7 billion outpacing last February's collections by $1.8 billion.

Texas

State commentary

Following February's winter storm, which shut down almost 50% of the state's power generation plants, the state Senate passed sweeping legislation aimed at preventing similar outages in the future. The legislation would force the state's power producers—including owners of transmission lines, power generators, natural gas facilities, and pipelines—to winterize their facilities to help avoid service interruptions due to natural events. The bill also seeks to rein in the Electric Reliability Council of Texas' (ERCOT) pricing excesses by limiting price increases, which were front-and-center during the winter storm. Pricing surges caused multiple bankruptcy filings among the state's power providers. The bill needs approval from the Texas House of Representatives before heading to the governor's desk.

Brilliant Energy, LLC – Seeks court protection

Brilliant Energy became the fourth Texas power supplier to file for bankruptcy protection following February's winter storm that drove electricity prices to record highs after utility providers were required to purchase power from the Electric Reliability Council of Texas (ERCOT). Brilliant estimated liabilities of $50 million to $100 million compared with assets of $10 million to $50 million, according to its filing.

CPS Energy – Sues ERCOT

CPS Energy, San Antonio's city-owned utility, is asking a Texas state judge to block ERCOT from passing on higher costs associated with February's storm. ERCOT is seeking $3 billion in underpayments from state utility providers that were forced to purchase electricity from it.

CPS is arguing that the Texas constitution does not allow municipally owned utilities to be charged for private generators' unpaid bills. CPS is also seeking to recover roughly $18 million from ERCOT for power generated after the winter storm. CPS said ERCOT is refusing to pay the money it owes CPS until outstanding debt is settled.

Ratings corner

Notable state and local issuer rating updates

Asbury Park, NJ – Wins an upgrade

On March 11, Moody's upgraded the New Jersey beach community's GO rating one notch to A1 from A2, citing "the city's strengthening financial position, which was generated through ongoing revenue growth that continues to outpace spending." The city's wealth and income levels continue to present challenges, but are improving. The city's economy should continue to improve as summer approaches because it is a popular tourist destination.

Chicago Public Schools (CPS) – Upgraded one notch

On March 11, Moody's upgraded CPS' rating to Ba3 from B1. The upgrade follows the passage of a $1.9 trillion stimulus package, which provides federal funds to state and local governments for purposes including education. While the upgrade news is positive, the district still faces challenges including stagnant state funding and high retiree costs.

Connecticut – Upgraded by Moody's

On March 31, Moody's upgraded the state's general obligation rating to Aa3 from A1, citing increasing reserves and proactive cost cutting measures by the state government. Moody's expects the state's reserve to improve to $3.75 billion, or 19% of its general fund spending. Connecticut has benefited from higher-than-expected tax collections as its finances continue to rebound from the impact of the pandemic.

Illinois – Rewarded with an outlook revision by Moody's and S&P

On March 9, Standard & Poor's affirmed the state's rating and revised its outlook to stable from negative. Also on

March 9, Fitch Ratings affirmed the state's BBB- rating but maintained a negative outlook on the state.

On March 25, Moody's affirmed the state's Baa3 rating and revised its outlook to stable from negative. The outlook revision "reflects the state's financial performance through the pandemic, in combination with increased levels of federal support that will moderate near-term fiscal and economic pressure."

New York State – Rating affirmed

On March 12, Fitch Ratings affirmed the state's AA+ rating, with the outlook remaining negative. The rating affirmation and negative outlook reflect "the ongoing and still uncertain effects of the coronavirus pandemic on state economic and operating performance, even as the public health situation gradually improves and reopening of the economy progresses."

Orlando, FL Tourist Development Tax (TDT) – Downgraded

On March 30, Fitch Ratings downgraded the city's TDT revenue bonds to BBB- from BBB; the outlook remains negative. The downgrade "reflects persistent pressures on the travel and tourism sector resulting in historically low TDT revenues since the onset of the coronavirus pandemic."

Territorial update

Commonwealth of Puerto Rico

Employee Retirement System (ERS) – PROMESA nearing an agreement

Negotiators representing the commonwealth's oversight board and a group of primarily institutional investors are nearing an agreement on restructuring nearly $3.2 billion of ERS pension obligation bonds. Brian Rosen, counsel representing the oversight board, informed U.S. Bankruptcy Court Judge Laura Taylor Swain that he expects to file a revised plan in early April. Recent negotiations have not included many unsecured creditors owed money by the commonwealth including suppliers, contractors, and other creditors. The pending "proposed understanding of treatment" adds to the growing list of creditors that have approved, or are in the process of approving, the island's now-four-year-old restructuring, increasing the likelihood of bankruptcy court approval.

Restructuring – Is this the year?

After defaulting on principal and interest payments in 2016, the commonwealth's restructuring continues to gain steam. We believe it is increasingly likely to win court approval as more creditors accept the oversight board's restructuring plan. We remain confident the commonwealth can exit bankruptcy sometime in 2021.

The revised plan cuts the island's $18.8 billion of GO and commonwealth-guaranteed debt to $7.4 billion after creditors receive an estimated $7 billion in cash payments. The plan, once approved and implemented, calls for the commonwealth to begin paying bondholders principal and interest in January 2022. But even as the restructuring agreement gains steam, the economic outlook for the commonwealth seems less secure amid population declines and weak socioeconomic demographics. The island's economy has been hard hit by acts of nature, ongoing population declines, and more recently, the effects of the COVID-19 pandemic. In addition to the aforementioned problems, Governor Pedro Pierluisi's FY2022 budget calls for spending around $140 million more than the commonwealth expects to collect in tax revenue—excluding debt service payments, which add another $700 million to spending annually. Including debt service, the island could be facing an $840 million deficit as soon as 2022, and this could call into question the island's ability and willingness to meet its debt service obligations.

Guam – Successfully places revenue-refunding deal

On March 15, the junk-rated (Moody's: Ba1) U.S. territory sold just under $58.9 million of hotel occupancy tax revenue refunding bonds, which met with strong demand as investors continued seeking out high-yield tax-exempt opportunities.

RBC Wealth Management retail trading (3/1/21 – 3/31/21)

Top 10 CUSIPs selling volume to retail customers

CUSIP	Description	Maturity	Coupon	Volume
576000ZW6	MASSACHUSETTS ST SCH	05/15/2043	2.95	30,511
09182NBR0	BLACK BELT ENERGY GAS	06/01/2051	4.00	22,086
709224S91	PENNSYLVANIA ST TPKE	12/01/2049	5.00	20,845
61075TUV8	MONROE CO NY INDL-A	07/01/2050	4.00	19,158
79625GBL6	SAN ANTONIO TX ELEC &	02/01/2034	5.00	19,113
79625GBX0	SAN ANTONIO TX ELEC &	02/01/2049	1.75	18,923
45204EBX5	ILLINOIS ST FIN AUTH	12/01/2046	5.00	17,659
646039YP6	NEW JERSEY ST-A	06/01/2030	4.00	17,640
70914PR95	PENNSYLVANIA CMWLTH	05/01/2032	4.00	16,995
115067KW9	BROWARD CO SD	07/01/2050	5.00	16,801

Top 10 CUSIPs buying volume from retail customers

CUSIP	Description	Maturity	Coupon	Volume
452151LF8	IL ST TXB-PENSION	06/01/2033	5.10	121,830
09182NBR0	BLACK BELT ENERGY GAS	06/01/2051	4.00	54,324
61075TUV8	MONROE CO NY INDL-A	07/01/2050	4.00	32,583
977100HB5	WISCONSIN ST	05/01/2029	2.35	21,370
62952EAB3	NYU HOSPITALS CENTER	07/01/2043	5.75	19,536
79625GBL6	SAN ANTONIO TX ELEC &	02/01/2034	5.00	19,106
79625GBX0	SAN ANTONIO TX ELEC &	02/01/2049	1.75	18,898
45204EBX5	ILLINOIS ST FIN AUTH	12/01/2046	5.00	17,626
646039YP6	NEW JERSEY ST-A	06/01/2030	4.00	17,000
70914PR95	PENNSYLVANIA CMWLTH	05/01/2032	4.00	16,955

Source - RBC Wealth Management

RBC Capital Markets institutional trading (3/1/21 – 3/31/21)

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Source - RBC Capital Markets

Bond Buyer indexes

Weekly	Current 3/25/21	Previous 3/18/21	2021 high	Date	2021 low	Date
Bond Buyer Revenue Bond Index	2.71%	2.76%	2.80%	(2/25)	2.47%	(2/11)
Bond Buyer 20-Bond Index	2.35%	2.40%	2.44%	(2/25)	2.10%	(2/11)
Bond Buyer 11-Bond Index	1.88%	1.93%	1.97%	(2/25)	1.63%	(2/11)

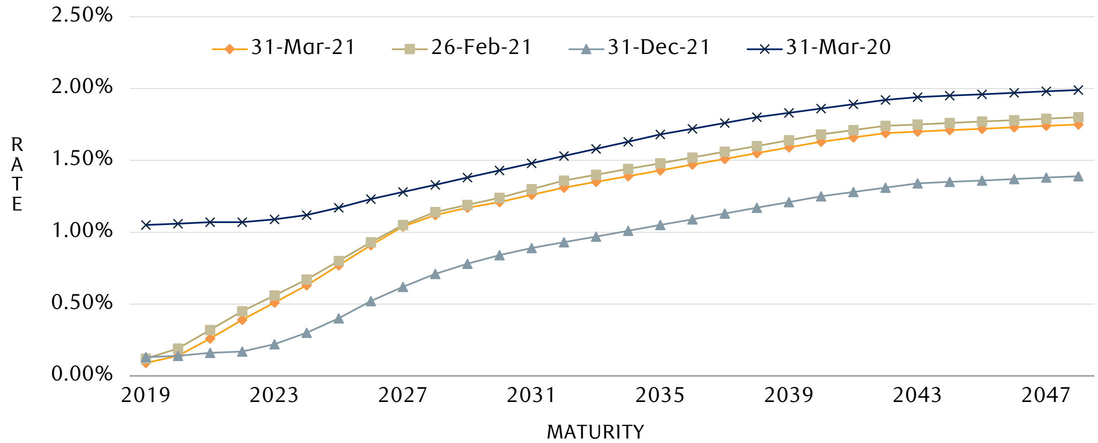
Source - The Bond Buyer

Barclays Municipal Index returns

	Index								
	1-month	5-year (4–6)	10-year (8–12)	15-year (12–17)	Long bond (22+)	AAA	AA	A	BAA
Month-to-date total return	0.62%	0.45%	0.56%	0.69%	1.00%	0.52%	0.58%	0.66%	0.90%
Year-to-date total return	-0.35%	-0.31%	-0.57%	-0.53%	-0.47%	-0.90%	-0.65%	0.06%	1.28%

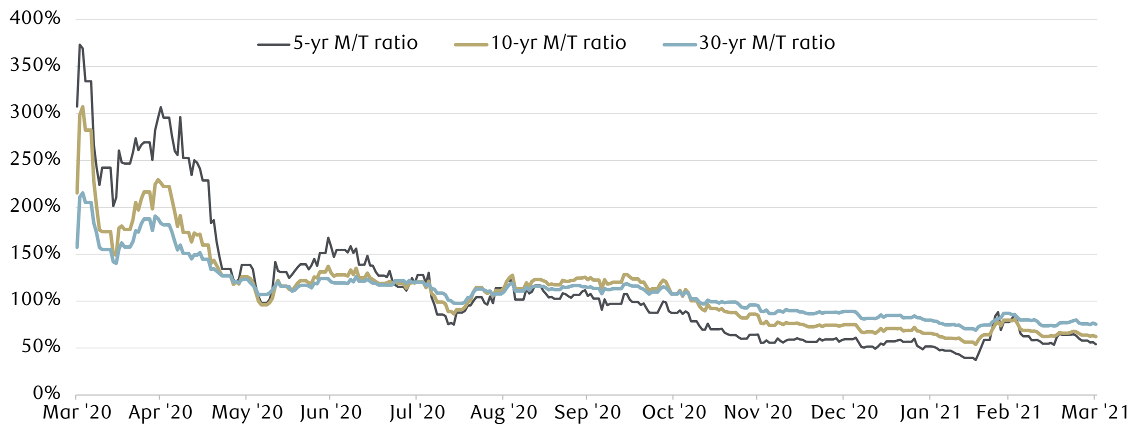
Source - Bloomberg; data through 3/31/21

Muni market data AAA yield curve



Source - RBC Wealth Management, Thomson One Refinitiv,; data through 3/31/21

Muni/Treasury ratio comparison



Source - RBC Wealth Management, Bloomberg; data through 3/31/21

Municipal bond insurers

Insurer	Moody's	Kroll Ratings
ACA	Not rated	Not rated
AMBAC	Not rated	Not rated
Assured Guaranty (AGC)	A3 (stable outlook)	AA (stable outlook)
Assured Guaranty Municipal Corp. (AGM)	A2 (stable outlook)	AA+ (stable outlook)
Berkshire Hathaway (BHAC)	Aa1 (stable outlook)	Not rated
Build America Mutual (BAM)	Not rated	Not rated
FGIC	Not rated	Not rated
Municipal Assurance Corporation	Not rated	AA+ (stable outlook)
National Public Finance (MBIA)	Baa2 (negative outlook)	Not rated
Syncora	Not rated	Not rated

Source - RBC Wealth Management; data through 3/31/21

Authors

Remo Di Re

Senior Municipal Credit Strategist
remo.dire@rbc.com; RBC Capital Markets, LLC

James Mann

Head, U.S. Fixed Income Strategies
james.mann@rbc.com; RBC Capital Markets, LLC

Atul Bhatia

Fixed Income Portfolio Strategist
atul.bhatia@rbc.com; RBC Capital Markets, LLC

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