

Municipal Bond Investor Weekly

High Net Worth Wealth Solutions and Market Strategies // Fixed Income Solutions



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THE WEEK AHEAD

1. The municipal new issue calendar increases to ~\$10 billion this week, which should provide opportunities to invest redemption or accumulated cash balances.
2. Strong reinvestment demand and fund inflows have helped pushed municipal bond yields lower. Maturities of 10-years and shorter continue to trade at historically rich levels compared to taxable bonds – better value can be found in longer maturities.
3. Economic data releases slow this week, with highlights including some inflation related reports – FHFA and Case-Shiller Home Price Indices on Tuesday and Producer Price Index on Friday. Markets will be focused on developments with tariffs and tensions in Iran, which could lead to increased volatility.



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MONDAY'S COMMENTARY

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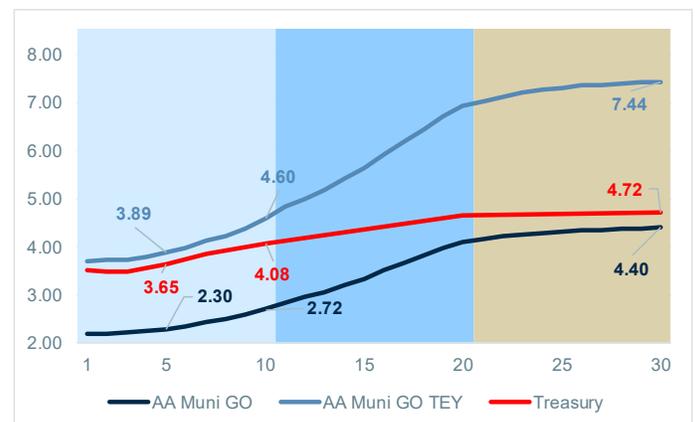
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THE NUMBERS THIS WEEK

Yields were mixed last week. Treasuries sold off, taking prices lower and yields higher. Yields on the short-end of the curve were higher by 8 to 9 basis points while intermediate and longer-term yields rose by 3 to 4 basis points. Municipal yields moved lower across the curve as the benchmark AAA curve ended the week 1 to 4 basis points lower.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2027	3.51	2.05	2.39	3.46	4.03	58%	99%
2	2028	3.48	2.04	2.39	3.45	4.03	59%	99%
5	2031	3.65	2.09	2.53	3.53	4.27	57%	97%
10	2036	4.08	2.49	3.08	4.21	5.20	61%	103%
20	2046	4.66	3.83	4.57	6.47	7.72	82%	139%
30	2056	4.72	4.08	4.78	6.90	8.08	86%	146%

*Taxable equivalent yield @ 40.8% tax rate



WHEN TO CONSIDER OUT-OF-STATE MUNICIPAL BONDS TO PRESERVE SUDDEN WEALTH

Our Fixed Income Private Wealth Team frequently meets with financial advisors and their clients who have experienced sudden wealth. These liquidity events come in a variety of forms: sale of a business, sale of real estate, inheritance, lottery winners, legal settlements, and professional athlete or entertainer contracts, to name a few. With this sudden wealth can come concerns about how to live off of these proceeds and ensure that some of that life changing wealth lasts for their lifetime, and often, for future generations. Custom investment strategies using high quality tax-exempt **municipal bonds can play a key role in just that – helping to preserve wealth and generate reliable income.**

A tailored portfolio of individual bonds offers a predictable stream of cash flow. Individual bonds each have their own defined coupon payments, usually paid semi-annually, and they return principal (face value) at redemption – either a stated final maturity or when called, barring the rare event of default. These known attributes of individual bonds, which are not generally found in other asset classes or other investments that contain fixed income, are how bonds help preserve principal and generate reliable cash flow – regardless of moves in interest rates - that investors can rely on to plan for the future.

One of the reasons municipal bonds appeal to high-net-worth investors is **they are tax efficient**: the interest paid is generally exempt from federal income tax, and if purchasing a bond issued in the investor's state of residence, it may also be exempt at the state and local level. Due to the state tax benefits, many investors choose to purchase bonds from their own state so the bonds are double tax-exempt. However, there are instances it can be beneficial to consider out-of-state bonds.

If an investor can purchase an out-of-state bond at a higher yield than an in-state bond, sometimes the additional yield gained can offset the taxes paid on the interest earned from the out-of-state bond. The chart to the right shows how much additional yield would have to be earned on an out-of-state bond to equal the yield on an in-state bond after accounting for the state taxes that would need to be paid (assuming the highest state tax rate for states that have a graduated tax bracket). The chart assumes a yield of 4% for the in-state bond. For example, the top of the chart shows Alabama at 21 basis points. An Alabama resident could purchase an Alabama bond at a 4.00% yield, or an out-of-state bond at a 4.21% yield and earn the same amount of income after paying taxes. When creating a strategy for an Alabama resident, purchasing a non-Alabama bond yielding at more than 4.21% may make sense from a tax-efficiency perspective.

There are a few variables to consider when determining what bonds are the most tax-efficient based on each client's specific situation. The additional yield required by out-of-state bonds varies by state depending on the income tax rate - the higher the investor's state income tax rate, the more additional yield is required to buy an out-of-state bond. Some states have a graduated or progressive tax bracket. Clients that reside in these states that are NOT in the highest state tax bracket may not need as much additional yield in an out-of-state bond for it to be more tax-efficient than an in-state bond. In addition to the

How much additional yield do you need from an out-of-state bond?*

State	Basis Points
Alabama	21
Alaska	0
Arizona	10
Arkansas	16
California	61
Colorado	18
Connecticut	30
Delaware	28
District of Columbia	48
Florida	0
Georgia	22
Hawaii	49
Idaho	25
Illinois	21
Indiana	12
Iowa	16
Kansas	24
Kentucky	15
Louisiana	12
Maine	31
Maryland	28
Massachusetts	40
Michigan	18
Minnesota	44
Mississippi	17
Missouri	20
Montana	24
Nebraska	19
Nevada	0
New Hampshire	0
New Jersey	48
New Mexico	25
New York	49
North Carolina	17
North Dakota	10
Ohio	11
Oklahoma	19
Oregon	44
Pennsylvania	13
Rhode Island	25
South Carolina	27
South Dakota	0
Tennessee	0
Texas	0
Utah	19
Vermont	38
Virginia	24
Washington	0
West Virginia	20
Wisconsin	33
Wyoming	0

* Assuming a 4.00% yield for an in-state bond that is state tax-exempt and the investor is in the top marginal tax bracket for their state of residence.

Source: Raymond James

potential yield benefits, incorporating out-of-state bonds can provide geographic diversification which provides its own risk benefits.

As you prepare for your one-time windfall event, consider allocating a portion of your hard-earned or newfound wealth to municipal bonds to help preserve principal and create a stream of high quality, tax-efficient cash flow. For some investors, staying within your home state may make the most sense; others may benefit from out-of-state bonds. Regardless of where you live, your financial advisor can work with our team of fixed income specialists to create a **customized tax-efficient municipal bond portfolio** designed to meet your wealth preservation and cash flow needs.

Raymond James is not a tax advisor and does not give tax advice. Please consult a tax professional prior to making any investment decisions.

ILLUSTRATIVE PORTFOLIOS

- ✓ **Looking to maximize yield?** The 20-to- 30-year range offers an **additional ~80 basis points** (over 10 – 20 years), without significantly increasing volatility (average modified duration ~4.9 on 10-to-20-years vs 6.4 on 20-to-30-years).
- ✓ The **current yield is ~4.78%**.
- ✓ A 20-to 30-year portfolio rated A or better can produce a federal tax-free yield to worst of ~4.30%, which equates to a **taxable equivalent yield to worst of ~7.30%** for an investor in the top federal tax bracket and subject to the net investment income tax. If the callable bonds are not called, the yield to maturity increases to ~4.70%, which equates to a **taxable equivalent yield to maturity of ~7.95%**.
- ✓ An investment with \$1 million par value (~\$1,055,338 market value with accrued interest) will generate a federally tax-exempt **annual coupon cash flow of approximately \$49,875**.

National Municipal Bond Illustrative Portfolios
Week of February 23, 2026

1 – 10 Years

10 – 20 Years

20 – 30 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,073,481
Accrued Interest	\$10,085
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,083,566
Next 12mo Cpn Cash Flow	\$44,500
Generic Annual Cpn Cash Flow	\$44,500
Weighted Averages	
Coupon*	4.450%
Maturity**	5.91 yrs
Duration	3.43
Yield to Worst	2.431%
Yield to Maturity	3.040%
Market Price*	107.348
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,057,344
Accrued Interest	\$11,536
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,068,881
Next 12mo Cpn Cash Flow	\$45,669
Generic Annual Cpn Cash Flow	\$46,625
Weighted Averages	
Coupon*	4.663%
Maturity**	15.77 yrs
Duration	4.93
Yield to Worst	3.515%
Yield to Maturity	4.143%
Market Price*	105.734
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
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Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,043,668
Accrued Interest	\$11,671
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,055,338
Next 12mo Cpn Cash Flow	\$49,146
Generic Annual Cpn Cash Flow	\$49,875
Weighted Averages	
Coupon*	4.988%
Maturity**	25.75 yrs
Duration	6.44
Yield to Worst	4.314%
Yield to Maturity	4.691%
Market Price*	104.367
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

NAVIGATING TODAY'S MARKET

New issuance is expected to come in at around \$10 billion this week according to The Bond Buyer. Some of the larger deals include: Regents of the University of California (Aa2/AA/AA) is selling \$1.93 billion of general revenue

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bonds; Lee County, FL (A2/-/A) is bringing a \$681 million airport revenue bond deal to market; the Arizona Board of Regents is issuing \$269 million of revenue bonds for the Arizona State University System; and the New York State Environmental Facilities Corp. (Aaa/AAA/AAA) is selling \$234 million of State Clean Water and Drinking Water Revolving Funds revenue bonds. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount (\$millions)	Issuer	ST	Description	Ratings	Maturity
02/23/2026	16	Kaufman County	TX	UNLIMITED TAX REFUNDING BONDS,	--/AA-/AA	2027 - 2038
02/23/2026	976	Univ of California R	CA	2026 SERIES CF	Aa2/AA/AA	2026 - 2048
02/23/2026	962	Univ of California R	CA	2026 SERIES CE	Aa2/AA/AA	2026 - 2047
02/24/2026	150	Montgomery Co Hsg Op	MD	HOUSING OPPORTUNITIES COMMISSION	Aaa/-/-	2031 - 2071
02/24/2026	10	Upper Darby School District	PA	Upper Darby School District, Delaware	--/AA--	2027 - 2055
02/24/2026	159	Orlando	FL	CAPITAL IMPROVEMENT SPECIAL	NR/AA+/AAA	2043 - 2055
02/24/2026	107	Cuyahoga Comm Coll D	OH	CUYAHOGA COMMUNITY COLLEGE	--/AA+/-	2026 - 2038
02/24/2026	126	Pittsburgh Wtr & Swr	PA	THE PITTSBURGH WATER & SEWER	A2/A+/NR	2028 - 2056
02/24/2026	19	Grandview ISD	TX	Grandview Independent School District,	--/AAA--	2028 - 2051
02/24/2026	10	Riverdale Jt USD	CA	General Obligation Bonds	--/AA--	2026 - 2047
02/24/2026	41	Orlando	FL	CAPITAL IMPROVEMENT REFUNDING	NR/AA+/AAA	2026 - 2046
02/25/2026	198	Corsicana Independent School	TX	Unlimited Tax School Building Bonds	Aaa/-/-	2028 - 2056
02/25/2026	23	Lawton Industrial Dev Auth	OK	Sales Tax Revenue Bonds (Federally	--/A+/-	2035 - 2040
02/25/2026	69	Lawton Industrial Dev Auth	OK	Sales Tax Revenue Bonds, Series 2026A	--/A+/-	2036 - 2055
02/25/2026	8	East Lebanon Co SD	PA	Eastern Lebanon County School District	--/AA--	2027 - 2038
02/25/2026	14	Derry Area SD	PA	General Obligation Bonds, Series of 2026	A1/AA--	2027 - 2045
02/26/2026	14	Coffee County Board of Education	AL	Coffee County Board of Education,	--/AA--	2027 - 2046
02/26/2026	9	Trumbull County	OH	Trumbull County, Ohio	--/SP-1+/-	2027 - 2027

*Moody's/S&P/Fitch. This offering calendar is for information purposes only, and is not intended as an offer for solicitation with respect to the purchase or sale of any securities. For more information on the new issues go to www.raymondjames.com.

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Sourced from Bloomberg: Treasuries: US Fed H15 CMT Curve - The H15 curve is comprised of the constant maturity treasury rates as published daily by the Federal Reserve in the H15 report. Municipal (AAA): BVAL Municipal AAA Yield Curve (Callable) - The curve is populated with high quality US municipal bonds with an average rating of AAA from Moody's and S&P. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board, new issues, and other proprietary contributed prices. The curve represents 5% couponing. The 3 month to 10 year points are bullet yields, and the 11 year to 30 year points are yields to worst for a 10-year call. Municipal (AA): US General Obligation AA Muni BVAL Yield Curve - The BVAL curve is populated with pricing from uninsured AA General Obligation bonds. Municipal (A): US General Obligation A+ A A- Muni BVAL Yield Curve - The BVAL curve is populated with pricing from uninsured A+, A, and A-rated General Obligation bonds. Fed Funds (Upper Bound): The federal funds rate is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee as part of its monetary policy. US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance.

The illustrative portfolios are intended as a starting point for a conversation on individual bonds. They are not intended as specific recommendations and bonds are shown for illustration purposes only. The bonds listed in the illustrative portfolios are rated A or better, with average ratings from Moody's and Standard and Poor's of Aa2 / AA. The yields shown in the proposals are based on pricing models, not current market offers. Yields shown are indicative of general market levels but are not a guaranteed result. Prices and yields are not inclusive of any fees or commissions.

US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance.

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