



Bond Market and Economic Update

October 2024

Who Are We?

Stifel Background

- Founded in 1890 and publicly listed since 1983
- Headquartered in St. Louis, Missouri
- More than 8,300 Global Employees
- More than \$343.7 billion in client assets under management

Stifel Sightings



National Public Finance Locations

23 States; 40 Offices; 250+ Professionals



2023 National Lead Managed Financings

Negotiated Issues (Ranked by # of Issues)

Rank	Firm	# of Issues	Mkt. Share	Par Amount (US\$ mil)
1	STIFEL	632	14.7%	\$17,015.2
2	Raymond James	345	8.0	13,634.6
3	RBC	338	7.9	31,507.2
4	Piper Sandler	288	6.7	11,190.7
5	Robert W Baird	234	5.5	4,680.2
6	BAML	227	5.3	32,754.2
7	D A Davidson	224	5.2	2,459.1
8	J P Morgan	158	3.7	18,788.6
9	FMSbonds	144	3.4	1,505.5
10	Morgan Stanley	130	3.0	19,395.2

History in Michigan

- Stifel opened our first public finance office in 2009 comprised of bankers from A.G. Edwards

—We are the only underwriting firm that has had a continuous presence in the state over the last 15 years

- In each year since 2009, Stifel has been the #1 underwriter of Michigan negotiated K-12 bonds both by number of issues and par amount

2024 YTD Michigan Negotiated K-12 Underwriter Rankings by Issues

Firm	Issues	Par (\$mm)
Stifel	34	\$960.9
Huntington	6	127.7
Raymond James	6	50.9
JP Morgan	2	136.8
Northland	2	17.9
Total	50	\$1,294.2

Source: SDC, Thomson Reuters, as of October 4, 2024.

Recent Michigan K-12 Bond Underwritings

Sale Date	Par Amount (\$mm)	Issuer	Purpose	Final Maturity	True Interest Cost	Stifel Role
08/15/24	\$19.7	Coopersville Area Schools	NM	2054	4.27%	Sole
08/06/24	45.5	Mattawan Consolidated School	NM	2054	4.26%	Lead
07/18/24	11.4	Hemlock Public Schools	NM	2053	4.28%	Sole
07/16/24	17.8	Edwardsburg Public Schools	NM	2045	3.98%	Sole
06/12/24	6.8	Oscoda Area Schools	NM	2051	4.36%	Sole
06/11/24	5.9	Newaygo Public Schools	NM	2044	4.16%	Sole
06/10/24	10.7	Flushing Community Schools	NM	2044	4.12%	Sole
06/04/24	4.5	East Lansing Public Schools	NM	2033	3.70%	Sole
05/14/24	117.4	Utica Community Schools	NM	2039	3.36%	Lead
05/09/24	49.8	Novi Community School District	NM	2049	4.03%	Lead
05/08/24	70.7	Berkley School District	NM	2049	4.11%	Lead
05/07/24	43.6	Birmingham Public Schools	NM	2044	3.77%	Lead
05/30/24	30.4	East China School District	NM	2048	4.15%	Sole

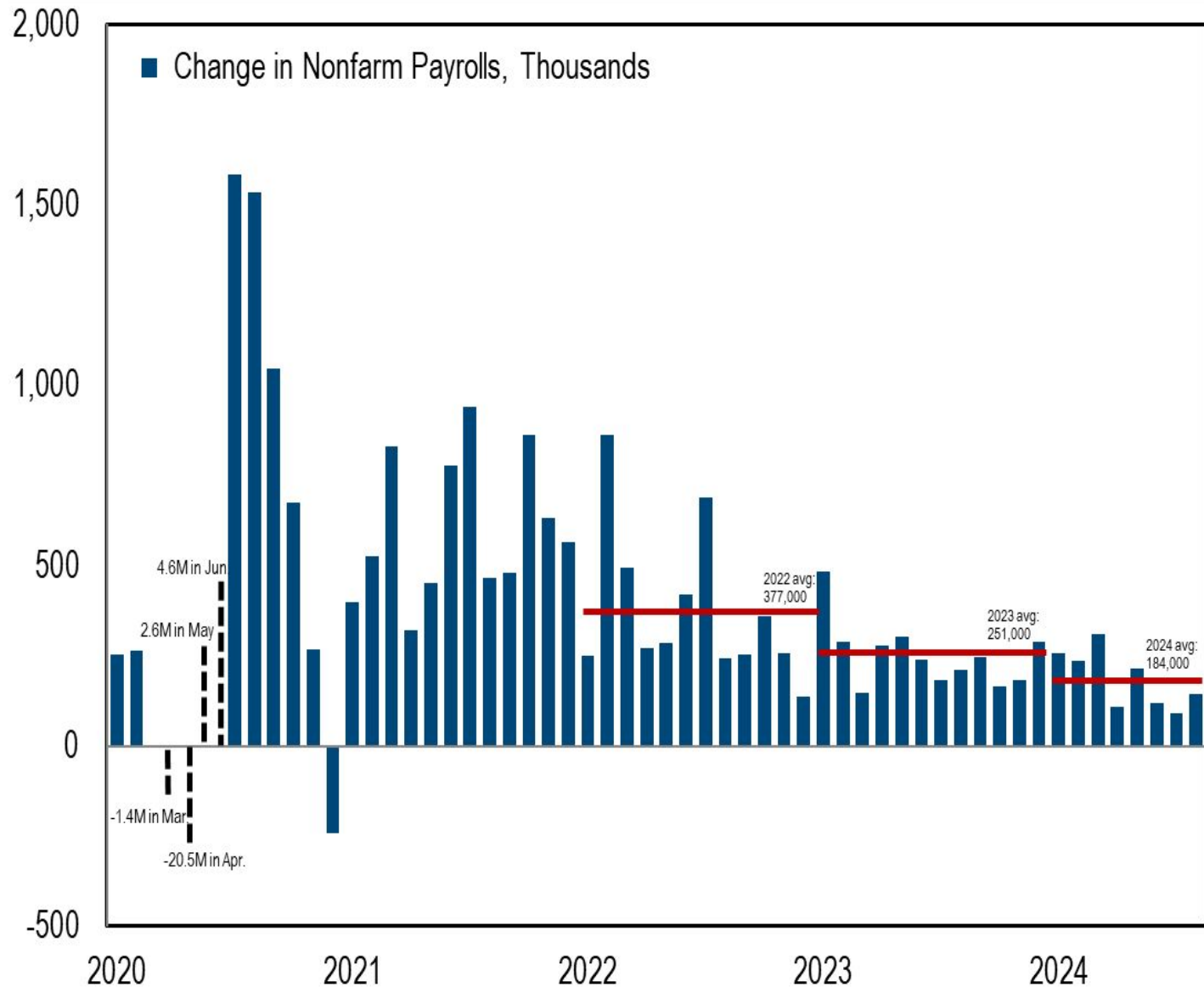
Economic Overview

Labor Market Conditions Cooling but Still Solid

The U.S. economy remains on relatively solid footing with the consumer still proving relatively sound and resilient thanks to decent gains in the labor market

Nonfarm payrolls rose by **142k** in August, and **254k** in September, which have been the strongest increases in three months

For the full year of 2023, U.S. employers added **3.0M** jobs, a solid level of job creation, but down from the **4.5M** jobs added in 2022 and the **7.2M** jobs added in 2021.



Source: Bureau of Labor Statistics/Haver Analytics

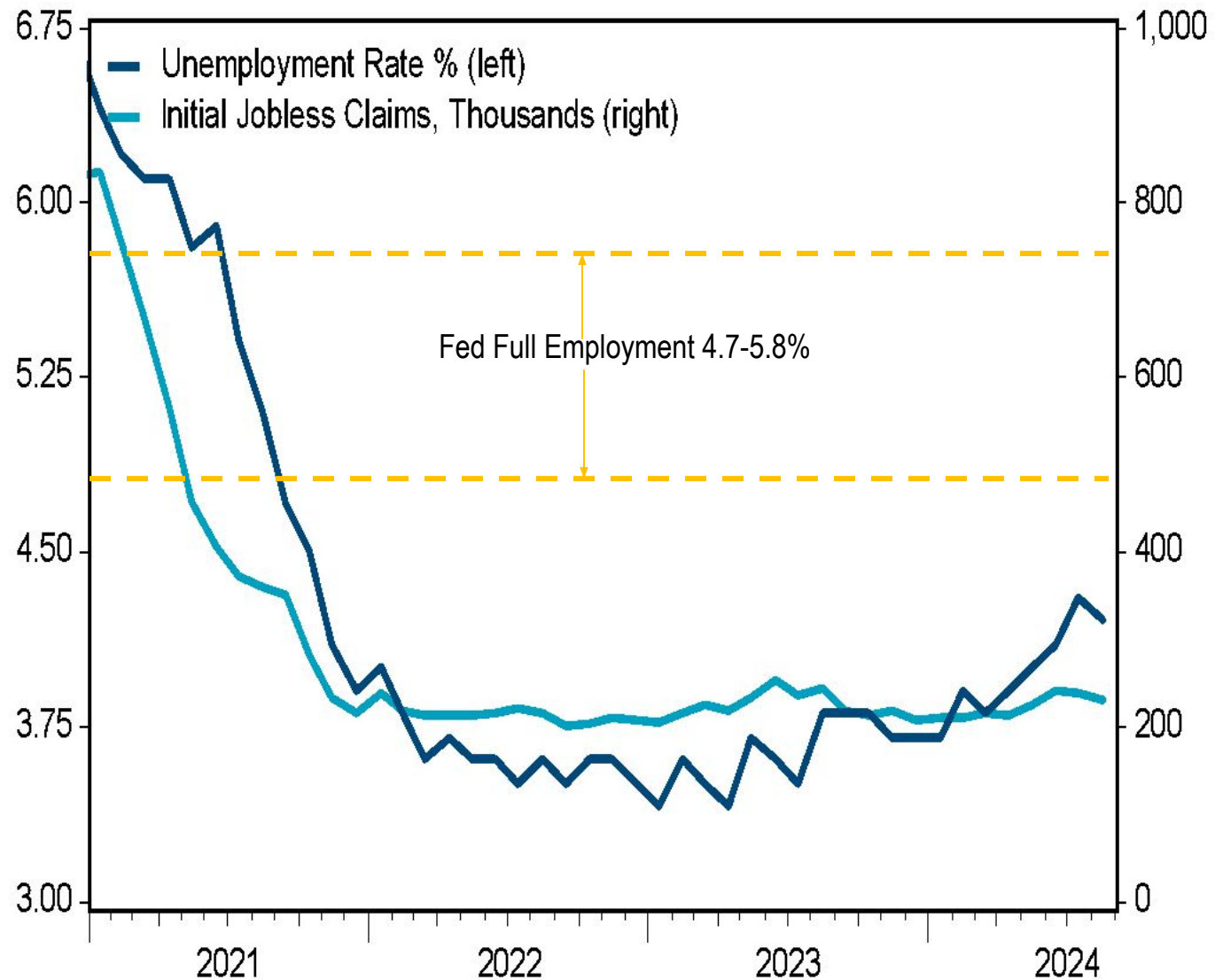
4.1% U.S. Unemployment Rate, Below Full-Employment Range

The unemployment rate has risen from earlier lows, although **labor demand continues to outpace labor supply**

Household employment rose by **168k** in August, and the labor force rose by **120k**, resulting in the unemployment rate falling from 4.3% to **4.2%** in August, a two-month low and well below the full employment range. Household employment rose by an additional **430k** in September bringing the unemployment rate to **4.1%**.

Claims rose to 249k (Jul. 27) before falling to 218k (Sep. 21) well within the 187k to 261k range established since the start of 2022

This disconnection between labor demand and labor supply continues to support solid wage growth



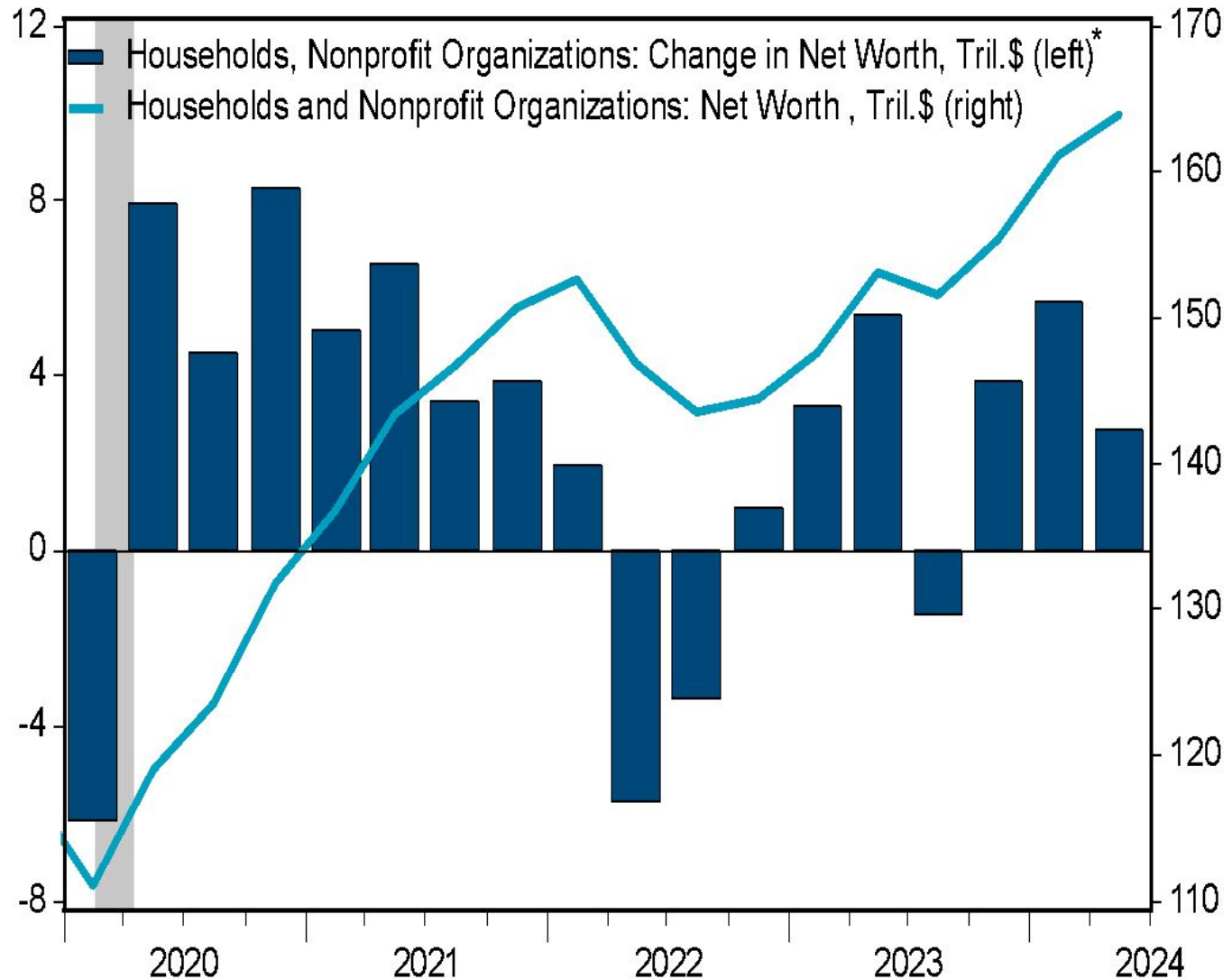
Sources: Bureau of Labor Statistics, Department of Labor/Haver Analytics

A Rise in Household Net Worth (For Some)

Household net worth has grown in the past few years

Net worth rose by \$2.8T in Q2 to a record **\$163.8T**

A net gain of **\$19.5T** in household wealth since the start of 2023 suggests there still is a significant amount of borrowing and spending power in the economy



Source: Federal Reserve Board/Haver Analytics

*Household net worth represents the total value of assets (financial as well as non-financial) minus the total value of outstanding liabilities.

Household Affordability Near Record Low as Mortgage Rates Remain Elevated

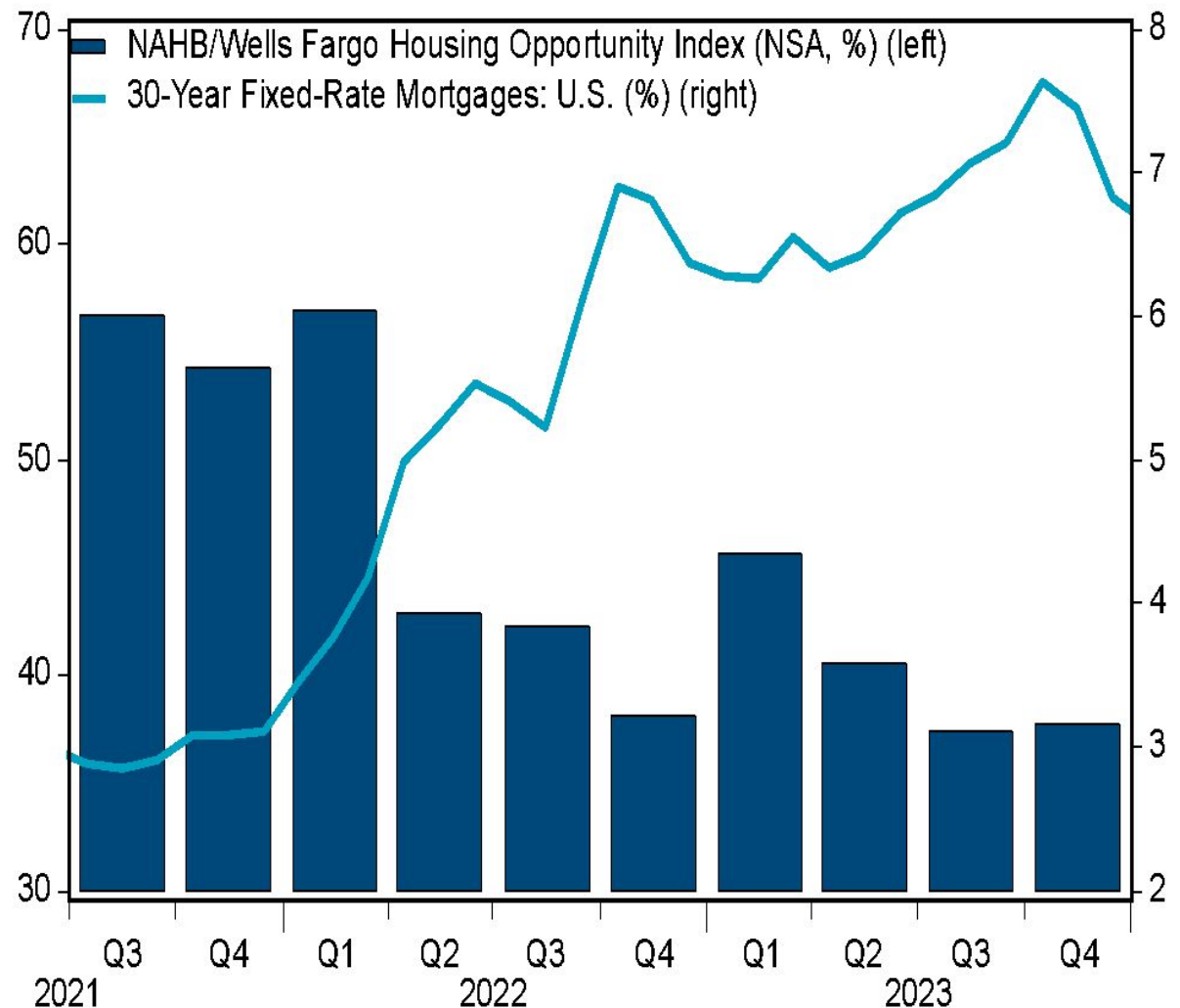
Home prices were up 5.3%, or \$2.4T, in 2023

Higher rates undermine affordability (entrance) and create a lock-in effect (exit)

According to RedFin, more than 90% of homeowners have a mortgage rate below 6%, while 82.4% of homeowners have a rate below 5% and 62% have rate below 4%, resulting in a lock-in-effect

This lock-in effect is precluding would-be-sellers from offloading or replacing current property ownership at the risk of resetting one's mortgage from 3% to just shy of 7%

The 30-year mortgage rate fell to **6.12%** in the week ending October 3, the eighth consecutive weekly drop and a two-year low



Sources: NAHB, FHLMC/Haver

*According to the National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index, just 37.7% of new and existing homes sold between the beginning of October and end of December were affordable to families earning the U.S. median income of \$96,300

U.S. Debt Continues to Increase, Risking Pressure on Inflation, Longer-Term Rates

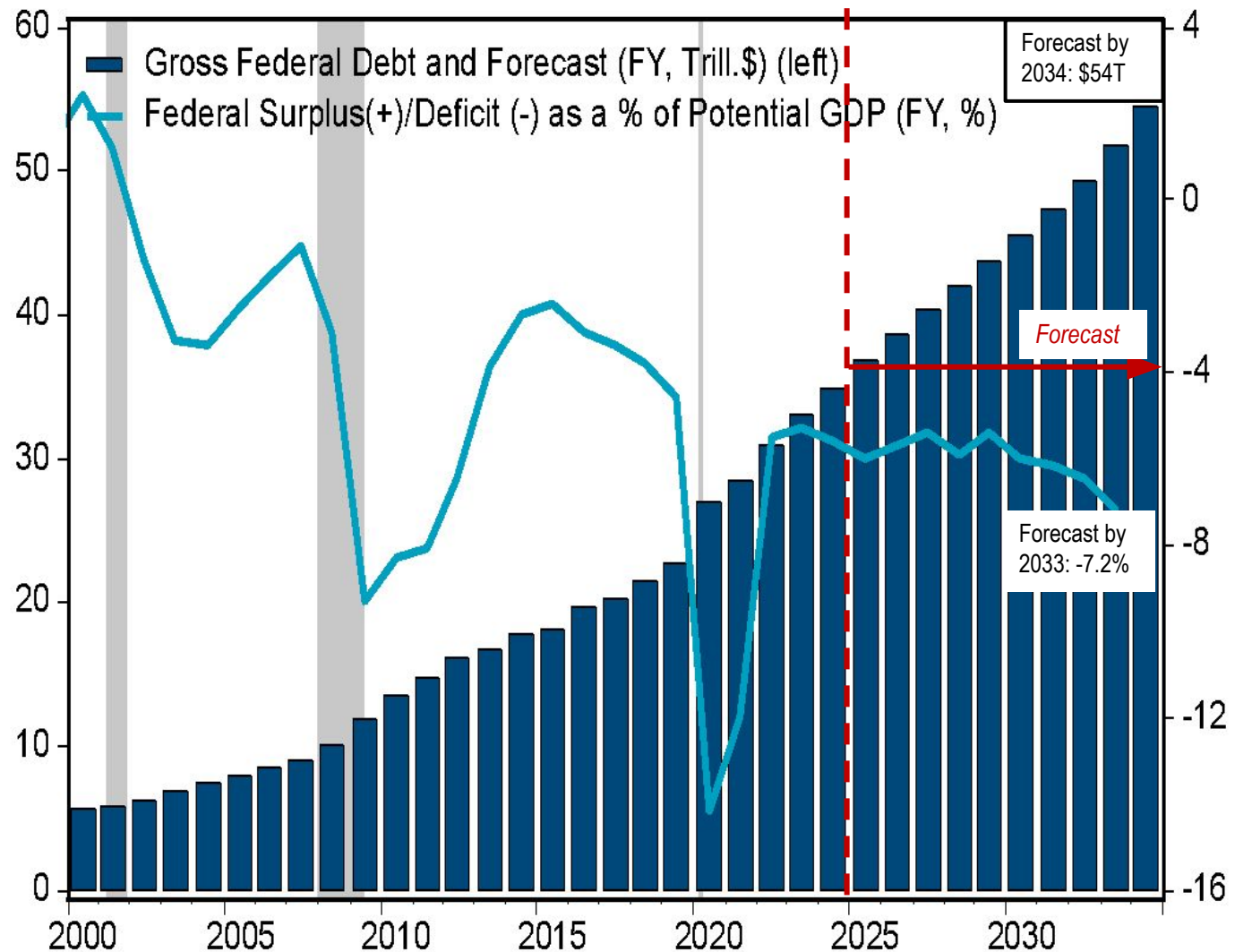
Deficits matter and will continue to reshape expectations for higher longer-term rates, complicate the Fed's pathway, and risk inflation

In FY 2023, the federal deficit was **\$1.6T**, and 6.2% of GDP

The deficit is expected to remain elevated at 6.1% of GDP, **almost two times the historical norm**

The government balance sheet has grown to over **\$34T** as of late

In March, Congress passed a \$1.2T government funding package to fully fund the government through September



Source: Congressional Budget Office/Haver Analytics

Fed Likely to Move at a Controlled, Tempered Pace

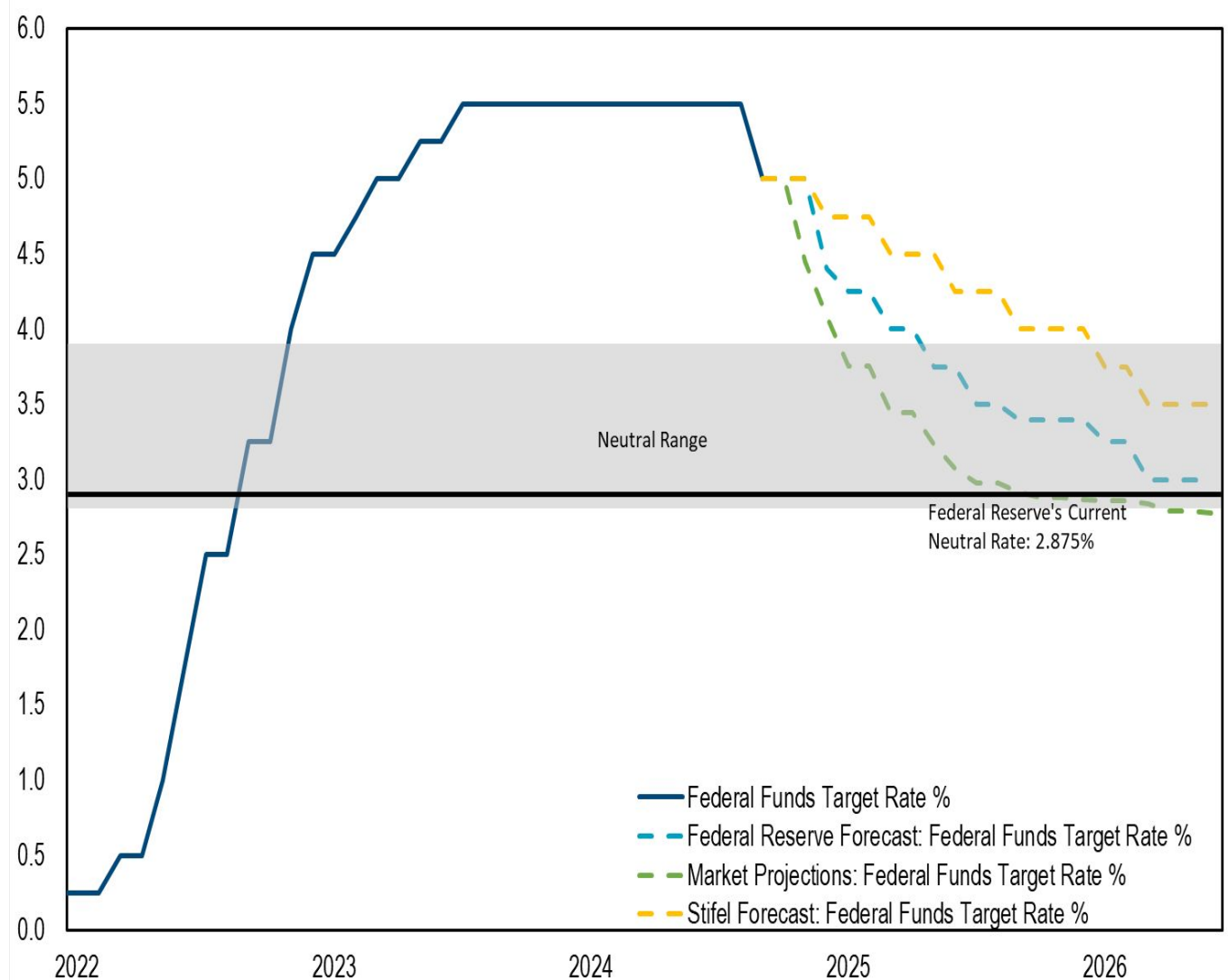
Investors continue to anticipate **71bps of cuts by year-end, and 122bps more in 2025**

The risk to a 50bps cut is/was sending a signal of the Fed's intentions to rush back to an accommodative stance as opposed to unwinding policy firming toward neutral

Amid a policy pivot, the pathway is still likely to disappoint investors looking for a rapid descent back to neutral or below

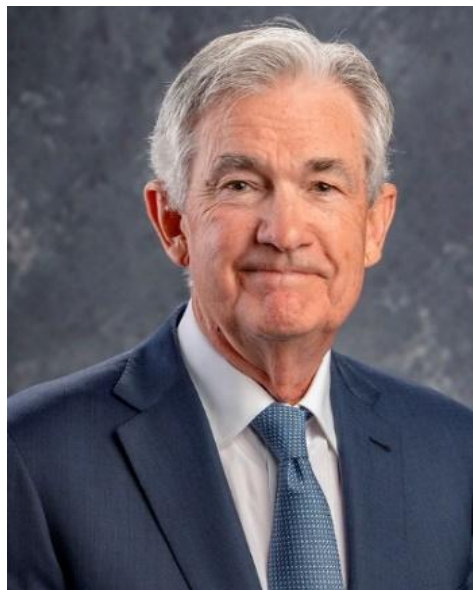
Even if inflation resumed a disinflationary trend, the pace of rate reductions will expectedly be slow and tempered, keeping the federal funds rate well above neutral through 2025

Fed officials expect the neutral rate to be 2.875%



Source: Bureau of Economic Analysis/Federal Reserve

Powell Notes Economy is “Strong Overall”



*“We made a good, **strong start** to this and that's really, frankly, a sign of our confidence.”*

*“Our economy is **strong overall** and has **made significant progress toward our goals** over the past two years.”*

*“...if you look back over the sweep of the year, that's a low, that's a **very healthy unemployment rate.**”*

*“...the labor market is actually in **solid** condition”*

*“I **don't see anything** in the economy right now that **suggests that the likelihood of a recession, sorry, of a downturn is elevated.**”*

Federal Reserve Chairman Jerome Powell Speaking at FOMC Press Conference

September 18, 2024

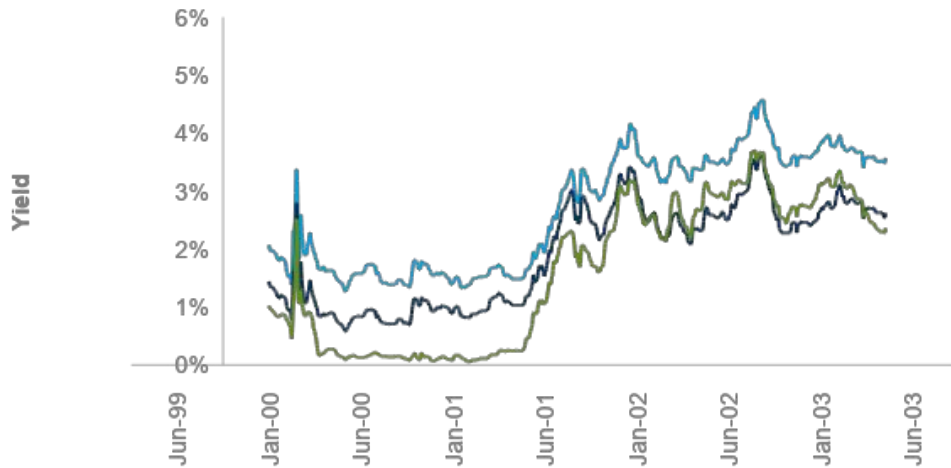
Bond Market Update

Tax-Exempt Interest Rate Movement

AAA MMD recorded mixed movement along the curve.

AAA MMD Yields Since 2021

Comparing 2-, 10- and 30-Year AAA MMD

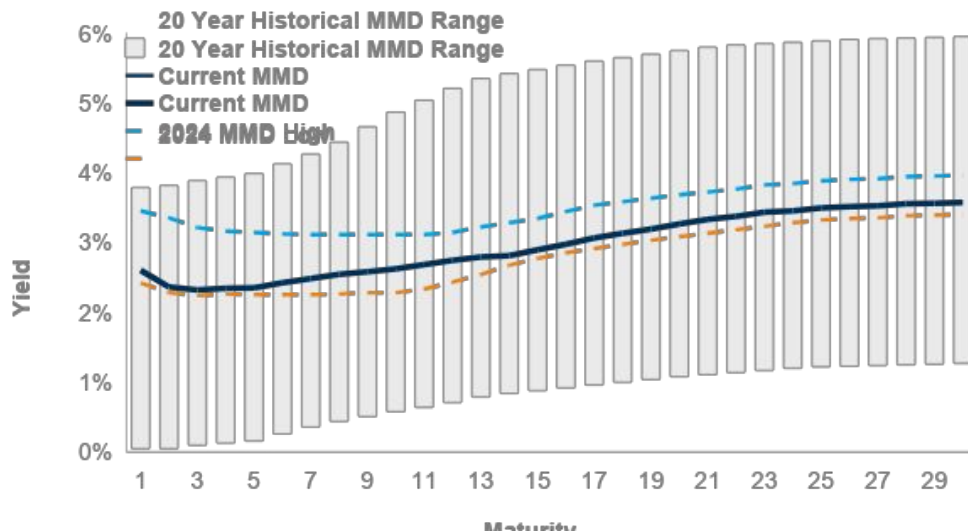


10-Year and 30-Year Muni to Treasury Ratios Since 2021



Current AAA MMD Yields and Historic Context

20-Year Historical AAA MMD Range vs. Current AAA MMD



Sources: TM3, US Treasury. As of October 4, 2024.

AAA MMD Summary Statistics

	5-Year	10-Year	30-Year
Current	2.35%	2.62%	3.57%
Weekly Change	+4 bps	+2 bps	+5 bps

2024 Year-to-Date

YTD Change	+7 bps	+34 bps	+15 bps
High	3.14%	3.11%	3.96%
Low	2.25%	2.28%	3.40%
Average	2.59%	2.64%	3.66%
Beginning of 2024	2.28%	2.28%	3.42%

AAA BVAL Summary Statistics

	5-Year	10-Year	30-Year
Current	2.36%	2.62%	3.54%
Weekly Change	+1 bps	+1 bps	+5 bps

2024 Year-to-Date

YTD Change	+17 bps	+37 bps	+20 bps
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New Issue Supply and Demand

Municipal Issuance Volume

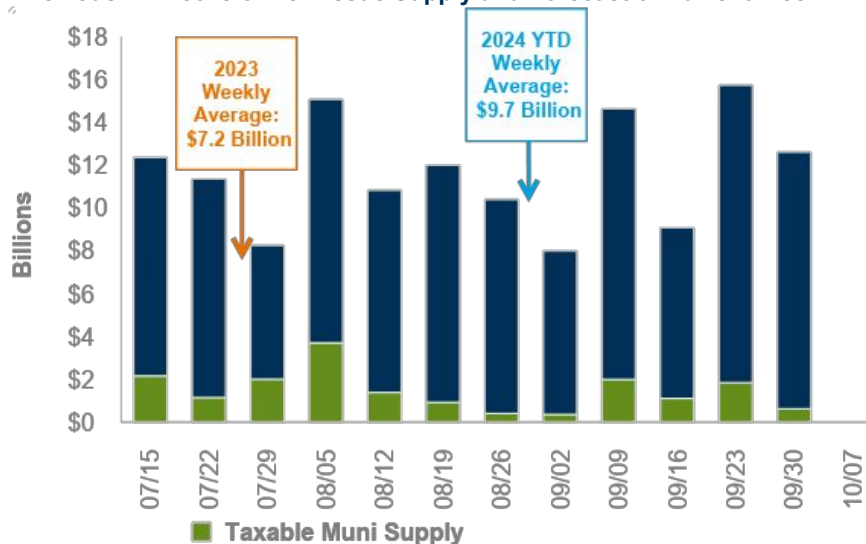
- 2024 YTD weekly volume has exceeded recent averages:
 - \$9.7 billion in 2024 vs \$7.2 billion, \$7 billion, \$8.8 billion in 2023, 2022 and 2021, respectively.
- Total municipal issuance is on track to reach \$450 billion in 2024, but may decline as election approaches
- Last week, municipal supply totaled \$12.6 billion, of which approximately \$630 million was taxable.
- During the week of October 7, municipal supply is expected to be \$9.9 billion of which \$2.1 billion is expected to be taxable.

Municipal Bond Funds Record Net Inflows

- Net fund flows totaled \$1.9 billion during the week of September 30, following inflows of \$592.1 million the week prior.
- The four-week moving average of flows increased to \$1.1 billion of net inflows vs \$877.1 million the prior week.
- 2023 average weekly net outflows from muni bond funds were \$301.6 million, compared to 2022 average weekly net outflows of \$1.5 billion.
- YTD inflows total \$15.9 billion vs outflows of \$15.6 billion in 2023 and \$80.4 billion in 2022.

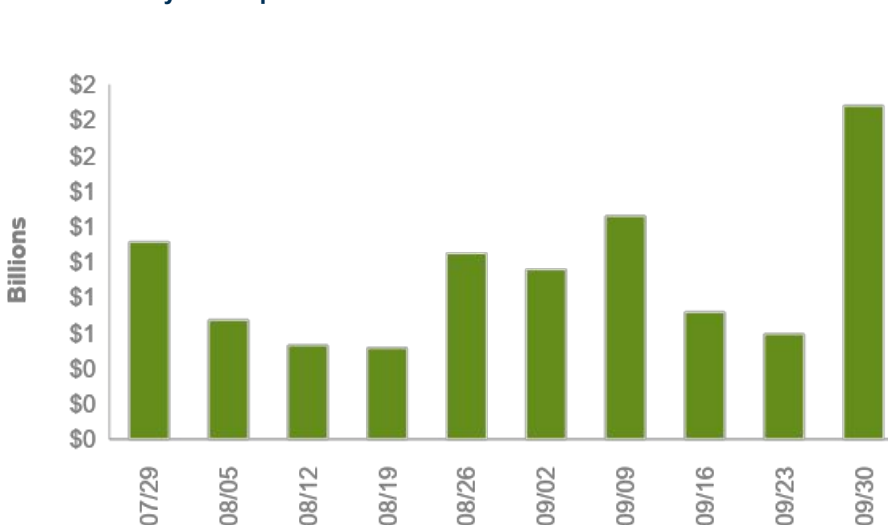
2024 YTD Weekly Supply

Previous 12 Weeks of New Issue Supply and Forecast of Current Week



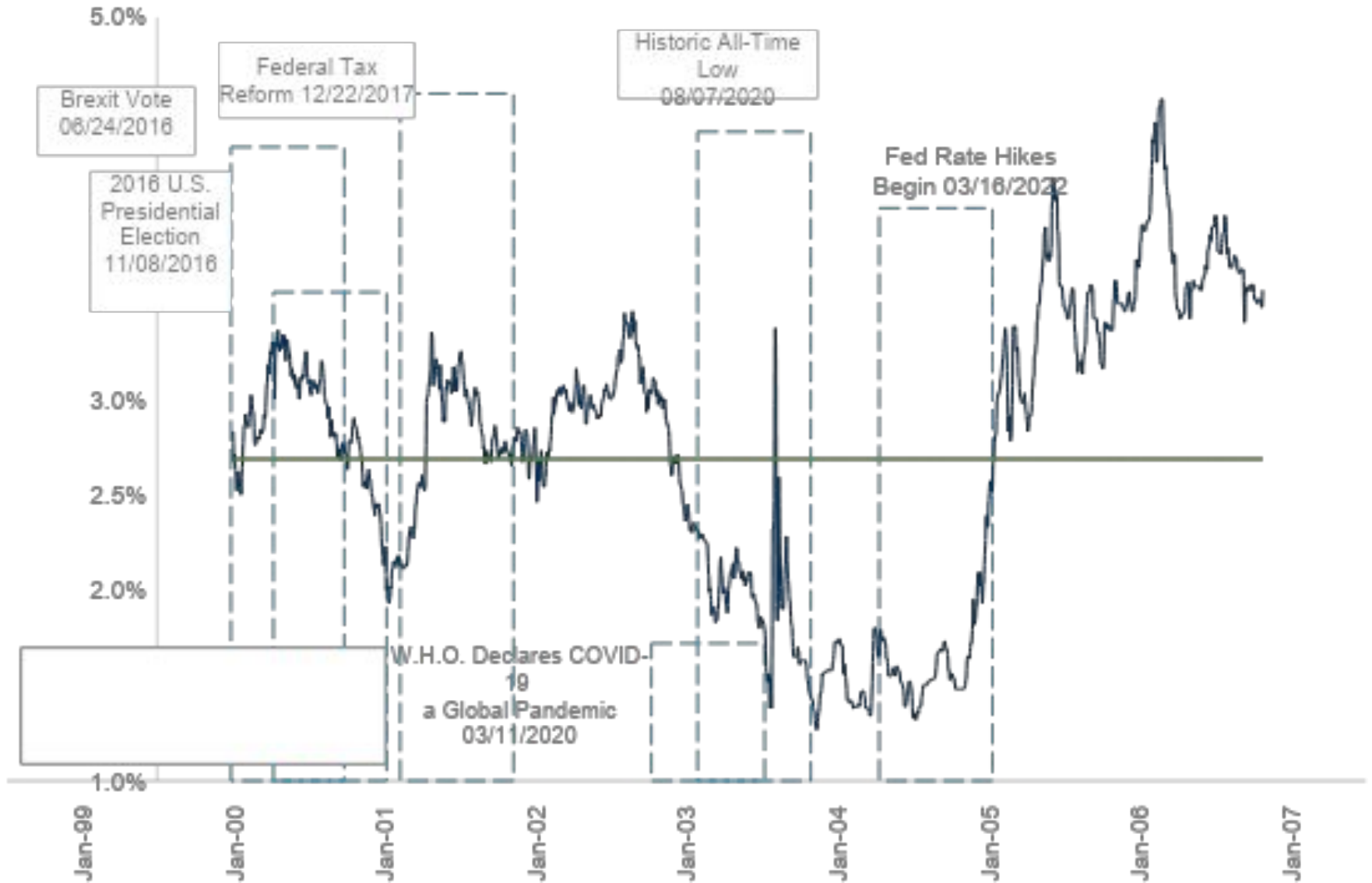
Municipal Bond Funds Record Net Inflows

Recent Weekly Municipal Bond Fund Flows



Market Volatility: A Defining Characteristic

30-Year AAA MMD Since 2016



Source: Thomson Reuters. As of October 4, 2024.

Historical Bond Buyer 20 Index 1994 to Present



Definitions of the Bond Buyer Index:

- The 20-Bond GO Index is the average yield of 20 selected GO bonds maturing 20 years from now, with an average credit rating equivalent to S&P's "AA".

Declining Rates = Opportunity?

What is a Bond Refinancing / Refunding?

- The reissuance of bonds for the purpose of potentially (1) saving on interest costs or (2) restructuring debt payments.
- There may be other particular purposes or multiple purposes. It's case by case.
- The words refinancing and refunding can be used interchangeably.

Similar to yet Different from a Home Mortgage

- Municipal bonds are usually not callable until 10 years after issuance, unlike a home mortgage that is callable at any time.

Ask your Financial Advisor if an outstanding bond is a good candidate for a Refunding.

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