

Market Update & 2025 Mid-Year Review

July 2025



Mid-Year 2025 Municipal Market & Interest Rate Outlook

Record-Breaking Issuance In Mid-2025, Despite Persistent Volatility

- Following President Trump's tariff announcements in April, the municipal market experienced high volatility and underperformed compared to Treasury bonds. Despite volatility, supply and demand remained elevated in April.
- In the first week of June, the municipal market saw the largest week of volume since 2017 with State and local governments issuing approximately \$20 billion of debt.
- Through the first 6 months of 2025, weekly average volume of \$10.2 billion is up from \$9.6 billion in 2024, with total first half issuance of \$280.64 billion of supply, up 14% YoY. Supply is projected to remain at these elevated levels for the second half of the year, outpacing 2024's record volume of \$500+ billion.

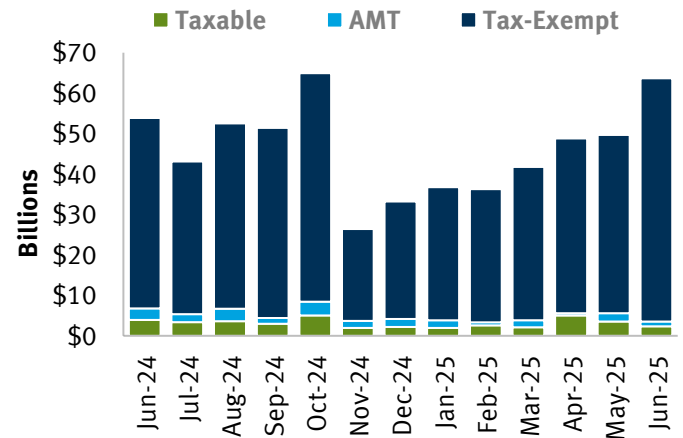
Municipal Bond Funds Record Net Inflows

- In 2025, 22 out of 26 weeks recorded net inflows highlighting resiliency in the municipal markets despite market volatility.
- Net fund inflows have reached \$7.365 billion in total for the first 6 months of 2025 signaling continued investor appetite for municipal bonds.

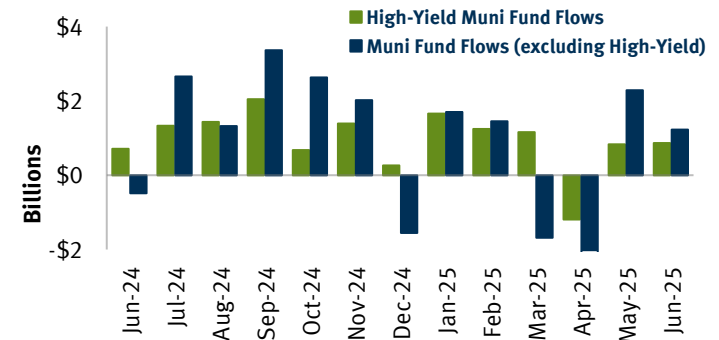
"One Big Beautiful Bill" and Federal Funding

- President Trump's tax and spending cuts bill recently passed in the both the Senate and House, with the President signing the bill into law on July 4th. This bill influences the municipal bond market by reaffirming and expanding federal backing for infrastructure projects such as spaceports and other public projects.
 - After months of anxiety in the Public Finance sector over the potential elimination of municipal tax exemption, **the muni exemption was preserved** as the massive tax bill passed providing the market with stability.
- The final SALT deduction cap was raised to \$40,000 through 2030, which may moderate demand for munis especially in high-tax states.
- The Trump Administration has withheld or frozen billions of federal funding to several U.S. universities due to their DEI policies and their handling of campus protests.
- As federal funding is cut from several Universities and Colleges, many may seek the municipal market to borrow billions to maintain operations.

Monthly National Municipal Issuance Volume by Tax Status

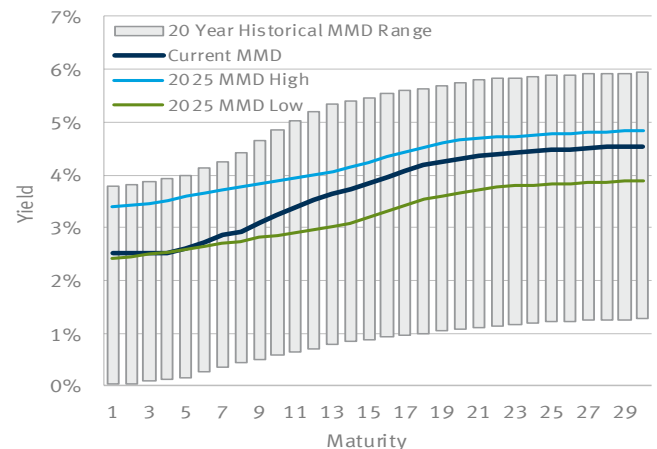


Monthly Fund Flows



Current AAA MMD Yields and Historic Context

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



Sources: Federal Reserve; U.S. Department of the Treasury, Bloomberg, Stifel Economic Insight, The Bond Buyer.

Sources: Bloomberg; Lipper; The Bond Buyer; Thomson Reuters TM3 & SDC as of July 3, 2025.

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Steepening of the Yield Curve

- The 10-YR UST reached a 2025 high of 4.79% in January and a low of 4.17% in April, highlighting Treasury market volatility due to tariff announcements, geopolitical tensions, inflation reports among other factors in the economy.
- The yield curve has steepened and begun to normalize from the extreme levels seen in 2023 and 2024, when the spread between the 2-year and 10-year UST yields reached a peak inversion of -109 basis points.
- The current spread between the 2-year and 10-year UST is +50 basis points highlighting the market's expectations of easing monetary policy in the near term.

Growth of the Tender Market

- Tax-exempt bond tenders have grown exponentially from \$0 in 2019 to \$48 billion in 2024 as a mechanism to replace tax-exempt advance refundings which were eliminated under the 2017 Tax Cuts and Jobs Act.
- Tenders can be complex and nuanced structures; their popularity has prompted GFOA to craft best practices guidelines for borrowers considering tender transactions.

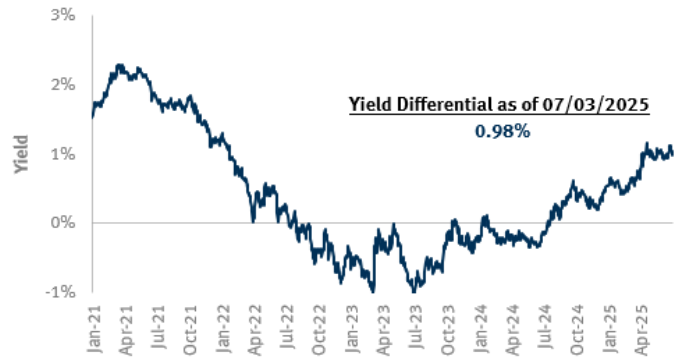
Current Political Landscape

- Tariff announcements and revisions have injected short-term volatility in the municipal and treasury markets week to week.
- Ongoing geopolitical tensions involving the U.S., Iran, and Israel are likely to continue to exert pressure on equity and bond markets through the second half of the year.

Fed Funds Outlook

- In June, Fed Chair Powell announced that FOMC would keep rates the same, with a target of 4.25 to 4.5% due to tariff policy uncertainty, trade policy concerns, and inflation still above the long run target.
- In a recent conference in Sintra, Portugal, Powell suggested the Fed would consider cutting rates in Q3 or Q4 due to the US economy being "well-positioned" but still cautious of tariffs effects on GDP and employment data.
- The current probability of a rate cut at the July FOMC meeting remains low at 5%, reflecting Powell's recent emphasis on a "data-dependent approach" and additional caution surrounding the inflationary impact of tariffs. However, the probability of a cut in September has risen sharply to 69%, indicating growing market confidence that inflation will continue to cool in the near term.

UST Yield Curve Adjusts From Short-End Inversion* Tracking the Gap Between the 2yr and 30yr UST



*As of July 3, 2025.

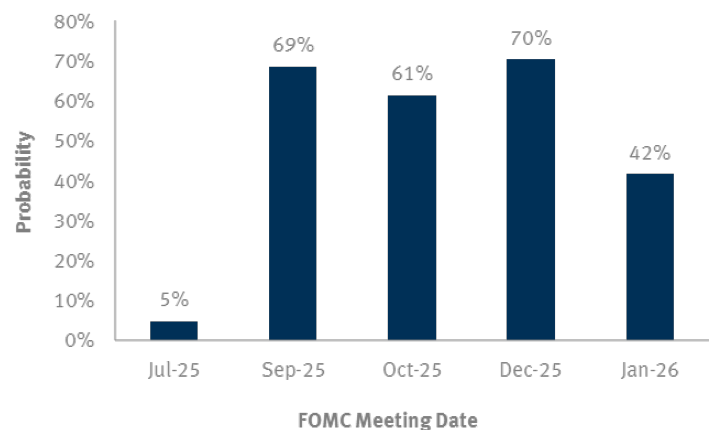
Market Consensus Yield Curve Projections*

Rate	Current	Q3-25	Q4-25	Q1-26
Fed Funds	4.50	4.35	4.05	3.85
2-Yr UST	3.89	3.83	3.70	3.59
10-Yr UST	4.34	4.36	4.29	4.22
30-Yr UST	4.86	4.81	4.70	4.64

Source: Bloomberg.

*As of July 7, 2025.

Market Consensus Probability of a Rate Cut at Upcoming FOMC Meetings*



Calculated Using Fed Funds Futures.

*As of July 3, 2025.

Sources: SIFMA Economic Advisory Roundtable; Federal Reserve; U.S. Department of the Treasury, Bloomberg, Stifel Economic Insight, The Bond Buyer.

Stifel 2025 Mid-Year Review

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Stifel Public Finance News

Stifel Leads National Negotiated Rankings for the first half of 2025

- Stifel led 384 negotiated issues thru the 2nd Quarter, ranking #1 by number of issues (13.19% market share) and ranking 10th by par amount (5.34% market share).

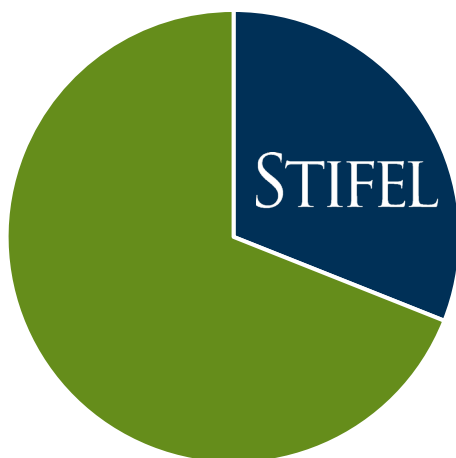
National Lead Managed Financings

Mid-Year 2025 Negotiated Issues (Ranked by # of Issues)

Rank	Firm	# of Issues	Mkt. Share	Par Amount (US \$mil)
1	STIFEL	384	13.19%	\$12,143.02
2	Raymond James	257	8.83	12,766.02
3	RBC	251	8.62	27,317.73
4	Piper Sandler	240	8.24	8,929.98
5	DA Davidson Co.	185	6.35	3,672.62

Stifel Mid-2025 Overall Participation*

	Transactions	Par Volume (Billion)
Total Market	5,701	\$296.2
STIFEL Participation	1,629	\$91.9
Percentage of Total Market	28.6%	31.0%



\$91.9 billion
in par

\$296.2 billion
in par

Sources: Thomson Reuters TM3, SDC, The Bond Buyer as of July 7th, 2025.

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Stifel Mid 2025 National, Negotiated Ranking Highlights

New Issues

1st Ranked by # of issues

K-12 Bonds

1st Ranked by # of issues
2nd Ranked by par amount

Development District Bonds

3rd Ranked by par amount
3rd Ranked by # of issues

Multi-Family Housing

1st Ranked by # of issues
2nd Ranked by par amount

Taxable New Issues

2nd Ranked by # of issues

Tax Increment Bonds

1st Ranked by # of issues

Bank Qualified Bonds

2nd Ranked by # of issues
1st Ranked by par amount

Water/Sewer Bonds

1st Ranked by # of issues

Land Secured Bonds

4th Ranked by par amount
3rd Ranked by # of issues

Sources: Thomson Reuters TM3 & SDC as of July 2, 2025.

*Note: Includes all issues, negotiated, competitive or private placement. Stifel role: sole, lead, co-manager, placement agent or municipal/financial advisor.

Stifel Public Finance Offices

