

## Appealing Municipal Market Indicators and Strong Economic Data is Fueling the Golden Age of Municipals Despite Near-Term Uncertainty

- Municipal yields have risen to some of their most attractive levels this year, and relative value indicators are also appealing.
- Housing prices turned positive in July. This, and other stronger than anticipated economic indicators are likely to extend the “Golden Age of Municipals.” Therefore, overall credit quality has the potential to be stronger for a longer period of time despite hints of near-term economic uncertainty.
- Public finance upgrades outpaced downgrades again in the second quarter of 2023. We could see a record number of public finance upgrades in 2023. Upgrades are likely to outpace downgrades in 2024 as well.
- We still like credit-quality, the recovery story, and overall activity in the airport and toll road sectors. We also like Texas local governments.
- There are pockets of the municipal market that still have us concerned. It has been more difficult for select credits in sectors such as higher-education and healthcare with less resources to recover their fiscal balance.

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