

Bond Investors Largely Unmoved by Supreme Court Tariff Decision

Bond markets reacted calmly after the Supreme Court of the United States struck down the Trump Administration’s use of the International Economic Emergency Powers Act (IEEPA) to impose tariffs, and after President Trump’s reactive announcement of a new 15% global tariff (from an initial 10%) following the court’s decision. Investors largely expected the Administration would find another way to implement tariffs, which explains the muted market response. Following the Supreme Court’s February 20th ruling, treasury yields briefly rose and then settled. Equities initially bounced in response to the court’s decision and municipal bonds remained steady, driven more, by available cash and fund inflows and outflows.

Market participants said the ruling had mostly been priced in and interpreted the decision as bringing clarity rather than disruption. Many believe the Administration will pursue tariffs through alternative trade laws in a more gradual, piecemeal approach, meaning the broader trade policy direction is unlikely to change significantly in the near term. Though the longer-term question of potential reimbursement for some paid, invalidated tariffs remains, some analysts described the immediate impact as slightly dovish for bonds, particularly on the short end of the yield curve. While certain U.S. industries could face marginal negative effects, many will see limited impact. On its face, the ruling might be expected to steer investors towards stability amid ongoing policy uncertainty; however. . .

. . .Iran War Rattles Market

The joint military action involving Israel and the United States against Iran, which began on February 28th, came as something of a surprise given ongoing talks related to Iran’s nuclear program. Both sides were far apart on key issues leading into the weekend and it was reported in the NY Times that President Trump was becoming increasingly skeptical of the diplomatic route.

The 10-year US Treasury had broken through a significant support level, 4%, on Friday, February 27th, indicating potentially lower yields to come. However, as of Monday morning, March 2nd, the 10-year Treasury was back over 4% as the markets responded to the news of attacks by the US and Israel and Iran’s retaliation on regional targets. With war and regime disruption, especially in the oil rich Middle East, comes uncertainty. The capital markets don’t respond well to surprises or uncertainty so we should expect interest rate volatility to persist for a period of time.

RECENT CMA CLIENT SALE RESULTS

<u>Issuer (Rating)</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Bethpage UFSD (Aa2)	BANs	\$ 700,000	26 – Feb	3 mos.	3.36%	Greene County Commercial Bank
Hicksville UFSD (Aa2)	TANs	10,000,000	24 – Feb	3 mos.	2.45%	TD Financial Products LLC
Harrison Village (Aaa)	BANs	14,000,000	24 – Feb	6 mos.	2.34%	TD Financial Products LLC
Rochester City (A1)	BANs	40,593,000	11 – Feb	1 yr.	2.21%	Raymond James & Assoc.
Bay Shore UFSD (Aa3)	Bonds	11,875,000	4 – Feb	10 yrs.	2.44%	FHN Financial Capital Mkts.
Islip UFSD (Aa3)	BANs (Taxable)	400,000	3 – Feb	1 yr.	4.17%	Roosevelt & Cross, Inc.
Garden City Village (Aaa)	Bonds	16,690,000	3 – Feb	20 yrs.	3.36%	UBS Financial Services

GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

<u>Term</u>	<u>March 2, 2026</u>					<u>February 2, 2026</u>					<u>1 Year Ago - March 3, 2025</u>				
	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>
1 yr.	2.02%	2.05%	2.08%	2.06%	2.44%	2.18%	2.21%	2.24%	2.22%	2.60%	2.54%	2.57%	2.65%	2.63%	3.01%
5	2.15	2.19	2.29	2.33	2.72	2.24	2.28	2.38	2.42	2.81	2.54	2.57	2.69	2.67	3.02
10	2.56	2.69	2.77	2.87	3.35	2.64	2.75	2.83	2.93	3.41	2.87	2.98	3.12	3.22	3.70
20	3.88	4.09	4.14	4.23	4.69	3.97	4.18	4.23	4.32	4.78	3.71	3.92	4.07	4.15	4.59
30	4.21	4.43	4.48	4.57	5.05	4.29	4.51	4.56	4.65	5.13	3.93	4.15	4.30	4.38	4.83