

Rising Interest Rates and the Municipal Bond Market

Municipal borrowing costs rose sharply from late July through September 2026. Over this period, the 10-year AAA Municipal Market Data (MMD) yield climbed from 3.14% on July 20 to 4.18% on September 28, an increase of 104 basis points. The 30-year yield rose from 4.33% to 5.20%, an increase of 87 basis points. The municipal bond selloff was already underway entering September, as inflation concerns, higher energy prices, and rising Treasury yields pushed borrowing costs higher.

On September 16, the Federal Reserve raised its target range for the federal funds rate by 25 basis points to 3.75%-4.00%. With the next Fed meeting coming up October 27-28th, the possibility of a second hike remains. However, as of September 30th expectations of another hike are decreasing, going from a high likelihood of an October rate increase projected at 71% just a week ago to a more modest report of a 37% projected probability of a 4.00%-4.25% increase, according to CME's FedWatch Tool. The driving force behind this shift is a positive August personal consumption expenditures (PCE) inflation report. The PCE price index rose 3.4% from a year earlier, below the expected 3.7% increase.

For municipal issuers, higher borrowing costs can put added pressure on borrowers, particularly when financing estimates are prepared using lower interest rates. With the outlook for further Fed action still uncertain, financing decisions should reflect each issuer's funding needs, project

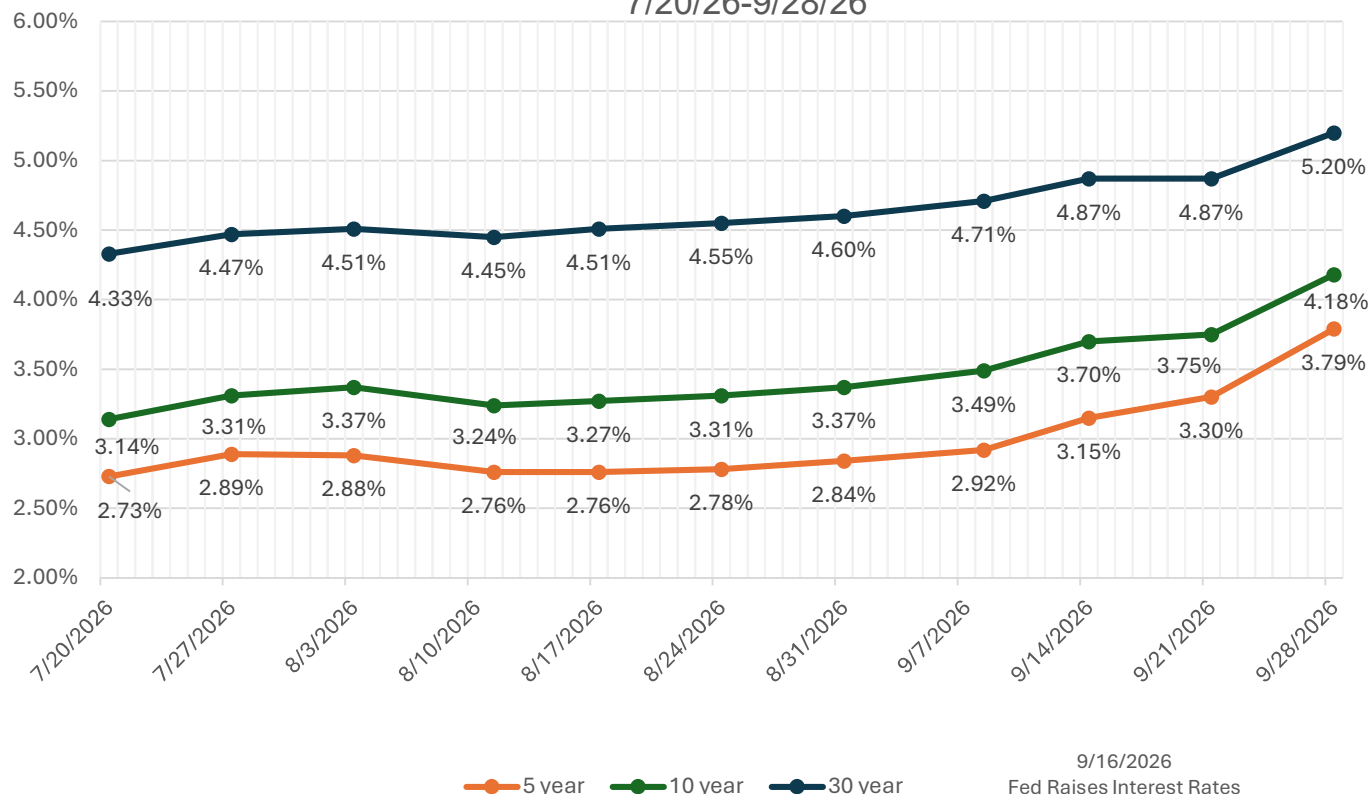
RECENT CMA CLIENT SALE RESULTS

<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>
Kings Park CSD (Aa2)	TAN	\$ 11,225,000	30-September	8 mo.	3.89%	TD Financial Products LLC
Islip UFSD (Aa3)	TAN	21,500,000	29-September	9 mo.	3.77%	Piper Sandler & Co.
Smithtown CSD (Aa2)	TAN	70,000,000	24-September	9 mo.	3.84%	J.P. Morgan Securities LLC
West Babylon UFSD (Aa3)	BAN	750,000	23-September	9 mo.	5.15%	Roosevelt & Cross, Inc.
Grand Island Town (Aa1)	BAN	37,760,166	17-September	1 yr.	3.14%	J.P. Morgan Securities LLC
Jericho UFSD (Aa1)	TAN	13,400,000	15-September	8 mo.	3.25%	Piper Sandler & Co.
Rockland County (AAA)	Bonds	32,825,000	3-September	30 yrs.	4.10%	Oppenheimer & Co., Inc.
Clarence Town (Aa1)	Bonds	9,295,000	2-September	15 yrs.	4.00%	Roosevelt & Cross, Inc.

GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

	October 1, 2026				September 1, 2026			1 Year Ago - October 1, 2025				
<u>Term</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>
1 yr.	3.38%	3.41%	3.45%	3.43%	2.51%	2.54%	2.56%	2.19%	2.30%	2.22%	2.28%	2.66%
5	3.62	3.66	3.76	3.80	2.88	2.92	3.06	2.38	2.54	2.24	2.58	2.97
10	4.04	4.15	4.23	4.33	3.37	3.48	3.66	3.23	3.48	3.24	3.58	4.06
20	4.78	5.01	5.06	5.15	4.11	4.30	4.44	4.40	4.76	4.61	4.84	5.28
30	5.13	5.33	5.38	5.47	4.51	4.71	4.85	4.62	4.99	4.84	5.07	5.52

Weekly AAA MMD Tax Exempt Bond Yields 7/20/26-9/28/26



Questions? Comments?

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