

# Bloomberg Municipal Indices Monthly

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## Key Performance Highlights

### Bloomberg Municipal Indices

- The Bloomberg Municipal Index, a flagship measure of the US municipal tax-exempt investment grade bond market, wrapped up 2022 with its worst performance in last 40 years. It posted 0.29% this month, bringing its YTD return to -8.53%, which is its worst since 1982.
- Almost every US state and territory posted positive returns this month. Delaware (0.81%) was the top performer, while South Dakota (-0.11%) was the worst performer in December 2022. On a YTD basis, Virgin Islands (5.07%) and Puerto Rico (0.56%) were the only ones in positive territory, while New Hampshire (-17.14%) was the worst performer.
- All sectors posted negative returns for the year. Prerefunded (-3.01%) was the top performer, while Revenue (-9.29%) was the worst performer for the year. Among Revenue subsectors, Resource Recovery (-4.13%) was the top performer, while Housing (-12.97%) was the worst performer in 2022.
- The Bloomberg Municipal Taxable Bond Index, a flagship measure of the US municipal taxable investment grade bond market, posted its worst YTD return since its inception (2006). It returned -0.44% this month, bringing its YTD return to -18.11%. It underperformed both the US Aggregate (-13.01%) and the Global Aggregate (-16.25%), while outperforming the Bloomberg US Large Cap Equity Total Return Index (-19.78%) this year.
- The Bloomberg Municipal Short-Term Index, a measure of the short-term US municipal tax-exempt investment grade market, was the only one with positive returns this year (December: 0.05%, YTD: 0.72%).
- The Bloomberg Municipal High Yield (HY) Index, a flagship measure of the US municipal tax-exempt high yield bond market, posted negative returns as well. It returned -0.16% in December, bringing its YTD return to -13.10%. Within HY, Resource Recovery bonds (12.87%) were the top performers this year, while Lease bonds (-17.95%) were the worst performers.

Figure 1

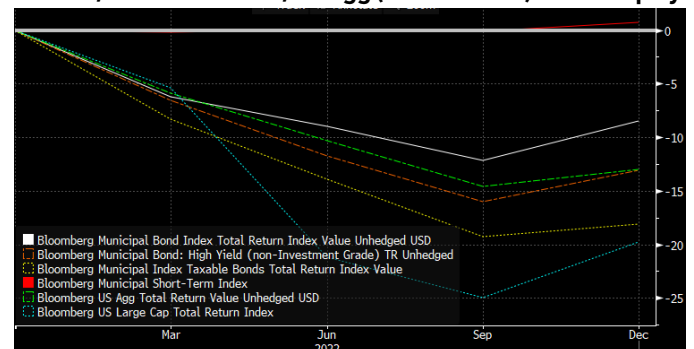
December 2022 returns of Bloomberg Municipal Index

| Index Name                             | Ticker   | 1D Rtn | MTD Rtn | YTD Rtn | Members |
|----------------------------------------|----------|--------|---------|---------|---------|
| Municipal Bond family                  |          |        |         |         |         |
| Main Indices                           |          |        |         |         |         |
| Municipal Bond Index                   | LMBITR   | -0.01% | 0.29%   | -8.53%  | 55,792  |
| Maturity                               |          |        |         |         |         |
| Purpose Type                           |          |        |         |         |         |
| GO Bond Index                          | I00739US | 0.00%  | 0.31%   | -7.74%  | 18,875  |
| Revenue Bond Index                     | I00749US | -0.02% | 0.29%   | -9.29%  | 34,455  |
| Maturity                               |          |        |         |         |         |
| Sector                                 |          |        |         |         |         |
| Electric                               | I00750US | 0.00%  | 0.38%   | -7.37%  | 2,628   |
| Hospital                               | I00751US | -0.03% | 0.35%   | -11.23% | 4,495   |
| Housing                                | I00752US | 0.02%  | 0.29%   | -12.97% | 1,732   |
| IDR/PCR                                | I00753US | 0.02%  | 0.31%   | -10.21% | 730     |
| Transportation                         | I00754US | -0.03% | 0.39%   | -9.05%  | 7,324   |
| Education                              | I00755US | -0.02% | 0.29%   | -9.19%  | 3,981   |
| Water & Sewer                          | I00756US | -0.02% | 0.23%   | -7.95%  | 5,538   |
| Resource Recovery                      | I00757US | 0.04%  | 0.24%   | -4.13%  | 19      |
| Leasing                                | I03197US | -0.01% | 0.31%   | -9.19%  | 3,726   |
| Special Tax                            | I03198US | -0.02% | 0.05%   | -8.62%  | 4,282   |
| Tobacco Index                          | I13964US | 0.02%  | -0.21%  | -8.81%  | 187     |
| Prerefunded Index                      | I00758US | 0.02%  | 0.05%   | -3.01%  | 2,462   |
| Quality                                |          |        |         |         |         |
| Managed Money                          |          |        |         |         |         |
| Managed Money Index                    | LMMITR   | -0.02% | 0.21%   | -10.23% | 20,332  |
| State                                  |          |        |         |         |         |
| Custom                                 |          |        |         |         |         |
| Muni High Yield (non-Investment Grade) | I22329US | -0.06% | -0.16%  | -13.10% | 5,216   |

Source: Bloomberg Index

Figure 2

Comparison of 2022 returns of Muni Index, Muni HY, Muni Taxable, Muni Short-Term, US Agg (Fixed Income) and US Equity



Source: Bloomberg Index

## Bloomberg Municipal Indices

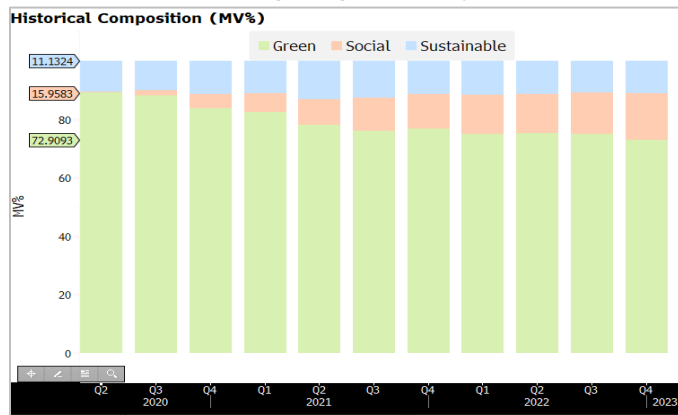
- The Bloomberg Municipal Impact Index, a measure of the US municipal tax-exempt investment grade impact bond market, posted strong negative returns this year. It returned 0.28% this month, bringing its YTD return to -11.96%. Sustainable bonds (-16.21%) drove the negative performance among impact bonds, while Green bonds (-10.72%) were the top performers this year.

## Index Rebalance Highlights

- Market value (MV) of the Municipal Index decreased slightly to \$1.50tn at the December month-end, from \$1.51tn at the November month-end. During this period, bond count decreased to 55,667 from 55,792.
- MV of the Municipal Impact Index increased slightly to \$96bn at the December month-end, from \$95bn at the November month-end. Social bonds make up an increasing sliver of the municipal impact bond-market (by market value), jumping from 4.96% in December 2020, to 15.96% in December 2022. See Figure 3.

Figure 3

### GSS breakdown of Municipal Impact Index (by market value)



Source: Bloomberg Index

- Yield-to-worst for the Muni Index, Muni Impact Index, Muni HY Index and Muni Taxable was 3.55%, 3.69%, 5.83% and 5.23% respectively this month-end, compared to 3.55%, 3.70%, 5.80% and 5.13% at the November month-end.

Figure 4

### December 2022 analytics of Bloomberg Municipal Index

| Index Name                             | Ticker   | YTW (P) | Mod Dur |
|----------------------------------------|----------|---------|---------|
| <b>Municipal Bond family</b>           |          |         |         |
| <b>Main Indices</b>                    |          |         |         |
| Municipal Bond Index                   | LMBITR   | 3.55    | 6.24    |
| Muni High Yield (non-Investment Grad.) | I22329US | 5.83    | 11.22   |
| Taxable Municipal Bond Index           | BTMINT   | 5.23    | 8.97    |
| Municipal Short-Term Index             | I28275US | 3.12    | 0.49    |
| US Municipal Impact                    | I36676US | 3.69    | 8.03    |

Source: Bloomberg Index

For further details on the sub-indices within the Bloomberg Muni Indices, please refer to IN <GO> on the Bloomberg Terminal (screenshot of December performance is in Figure 1 and December analytics in Figure 4). Figure 2 is using COMP <GO> and Figure 3 using G <GO> on the Terminal.

# Bloomberg

Eric Kazatsky - US Municipals, Strategist

## Bloomberg Economics

- After one of the worst-returning years for munis, it's important to remember that 2022 could have been much worse given the volume of mutual fund outflows. The year's saving grace was November's outsized returns. Though mutual funds had large outflows, the same wasn't true for other municipal vehicles, such as exchange-traded funds and separately managed accounts. For example, the Vanguard Tax-Exempt Bond Index ETF (VTEB) took in about \$11 billion.
- In 2023, the forces of supply and demand should again gain importance. January will likely be a strong month, with almost \$28 billion coming back to investors and just \$3 billion on the 30-day calendar (SPLYTOT).

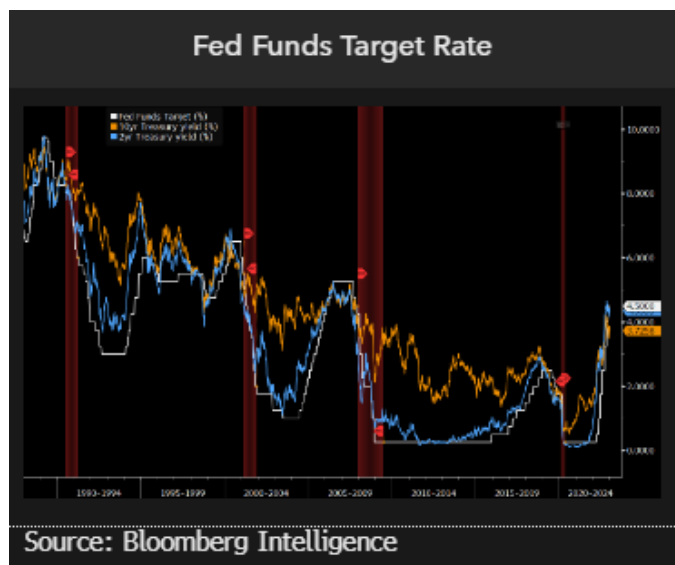
| Breakdown of Maturities |                           |                          |                         |
|-------------------------|---------------------------|--------------------------|-------------------------|
| Month                   | Total Debt Service (\$MM) | Principal Payment (\$MM) | Interest Payment (\$MM) |
| Jan-2023                | \$27,593                  | \$13,616                 | \$13,977                |
| Feb-2023                | \$37,161                  | \$23,070                 | \$14,091                |
| Mar-2023                | \$26,924                  | \$18,363                 | \$8,561                 |
| Apr-2023                | \$19,898                  | \$10,350                 | \$9,548                 |
| May-2023                | \$27,628                  | \$15,810                 | \$11,818                |
| Jun-2023                | \$45,396                  | \$30,898                 | \$14,498                |
| Jul-2023                | \$41,341                  | \$27,095                 | \$14,246                |
| Aug-2023                | \$44,174                  | \$30,279                 | \$13,895                |
| Sep-2023                | \$23,190                  | \$14,887                 | \$8,302                 |
| Oct-2023                | \$26,171                  | \$16,767                 | \$9,404                 |
| Nov-2023                | \$28,589                  | \$17,066                 | \$11,523                |
| Dec-2023                | \$40,311                  | \$26,437                 | \$13,874                |
| <b>Total</b>            | <b>\$388,375</b>          | <b>\$244,638</b>         | <b>\$143,737</b>        |

Source: Bloomberg Intelligence

## Bloomberg Intelligence

- As expected, the Federal Reserve eased off the gas in terms of rates and opted for a 50-bp hike in December vs. the previous 75 bps. Yet eyed more holistically, US Treasury rates appear to have bounced higher off the mid-December lows of 3.44% for the 10-year and 4.18% for the two-year. If fear of the economy rolling over was more palpable, rates would have stayed in a lower range. Some of the rise could be attributed to light staffing around the holidays and bad Covid news from China.
- Starting off 2023, jobs data will be at the forefront as the Labor Department gets ready to publish December's report. Accompanying the jobs numbers will be the readout of the December Fed policy meeting.

## Bloomberg Municipal Indices



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