



May 2026

# Clinton Investment Management – Market Brief and Insights

## What's Happening?

- Municipal bond investors in the highest tax brackets have an opportunity today to lock in taxable equivalent yields approaching **9%\***, compared to taxable corporate bonds. However, this opportunity may be fleeting. Once the Strait of Hormuz is reopened, energy prices are expected to drop, likely easing current inflationary pressures and causing interest rates to fall in the future.
- The municipal yield curve is roughly 100 basis points steeper than the current Treasury curve, indicating municipal investors are very well compensated to extend duration.

## Where Should Municipal Investors Be Optimally Positioned?

- Short duration, passive strategies are likely to continue to underperform, as they have year-to-date and over the past three years, in our view.
- Given low absolute yields offered by short-to-intermediate municipal strategies, we believe investors should be underweight 2 to 8 year maturities.

## Is Now a Good Time to Add to Municipal Bond Allocations?

- Year-to-date municipal new issue supply has been elevated, allowing CIM to expeditiously invest capital and construct new client portfolios effectively.
- The timing is ideal to add to municipal bond allocations, in our view, given stable underlying credit fundamentals, high taxable equivalent yields, and ample supply.
- We expect new issue municipal bond supply to moderate heading into the summer months, however, creating an attractive entry point today. Materially increased reinvestment dollars and continued strong fund flows are expected to result in fewer compelling relative value opportunities.

- Elevated interest rates present investors an opportunity to harvest losses across their municipal bond holdings, positioning portfolios to maximize tax-free cash flow and long-term total return. The [tax alpha](#) we may generate for clients complements the total return we have delivered over time.

## Why CIM?

- CIM's differentiated municipal bond strategies continue to deliver total returns that are among the highest in the municipal SMA industry for the 12-month period ending April 30, 2026, according to PSN Informa.

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\*The taxable equivalent yield (TEY) is calculated by dividing the tax-exempt yield by 1- the maximum federal income tax rate of 40.8% (37% federal + 3.80% NII tax) + the maximum NY income tax rate of 6.85% applicable to a joint filer in the taxable income bracket between \$323,201 and \$2,155,350 + the NYC Local income tax rate of 3.88%. Taxable income above this bracket will result in a higher TEY.