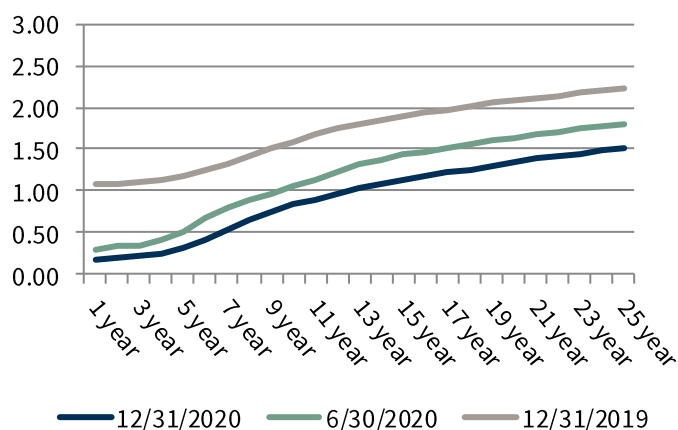


Municipal Bond Market News & Analysis

- In December, Congress passed a second round of Coronavirus stimulus to support the economic recovery from the pandemic. The \$900 billion package includes direct payments to individuals, extended unemployment benefits, small business loans, and funding for education, transportation and healthcare providers. While the legislation is credit positive for municipal issuers, the bill did not include direct aid for state and local governments.
- During the last Fed meeting of 2020, the FOMC left the overnight rate unchanged at 0.0%-0.25% and pledged to continue treasury and mortgage purchases at the current pace of \$120 billion per month. The Fed does not anticipate raising rates until achieving the Committee's dual policy goals of maximum employment and 2% inflation. Most members expect the funds rate to remain unchanged through the end of 2023.
- The municipal yield curve flattened during the 4th quarter as the long-end fell and the short-end remains anchored near the zero bound. Muni/Treasury ratios also fell as the Treasury curve steepened. Muni rates across all maturities are sitting at historic lows and volatility continues to be subdued. The BAML intermediate tax-exempt index gained 4.02% in 2020 and the index yield stood at 0.72% as of year-end.
- According to the Moody's "Back-to-Normal" Index, the Southeast region leads the nation in the resumption of economic activity. The State of Florida is now closest to pre-pandemic levels with an index value over 90%. Tax revenue collections in Tennessee are exceeding expectations thus far in Fiscal Year 2021. As of November month-end, actual collections are 13% ahead of budgeted revenue. [Sources: BofA Global Research, Sycamore Institute]

"AA" G.O. Yield Curves: Recent History



Taxable Equivalent Yield

	Federal Tax	State Tax	Effective Tax	0.72% T.E.Y.
Federal	40.8%	0.0%	40.8%	1.2%
AL	40.8%	5.0%	45.8%	1.3%
AR	40.8%	6.6%	47.4%	1.4%
GA	40.8%	5.8%	46.6%	1.3%
KY	40.8%	5.0%	45.8%	1.3%
LA	40.8%	6.0%	46.8%	1.4%
MS	40.8%	5.0%	45.8%	1.3%
NC	40.8%	5.3%	46.1%	1.3%
SC	40.8%	7.0%	47.8%	1.4%
TN	40.8%	1.0%	41.8%	1.2%
VA	40.8%	5.8%	46.6%	1.3%

*37.0% top tax rate + 3.8% healthcare surtax

**The BAML 1-12 Muni Index had a 0.72% current yield on 12/31/20

Interest Rates

"AAA" G.O. Municipal Bonds

	4Q20	3Q20	4Q20 Change	4Q19	T1yr Change
1 yr	0.13	0.12	0.01	1.04	(0.91)
2 yr	0.14	0.13	0.01	1.04	(0.90)
5 yr	0.22	0.26	(0.04)	1.09	(0.87)
7 yr	0.40	0.50	(0.10)	1.22	(0.82)
10 yr	0.71	0.87	(0.16)	1.44	(0.73)
15 yr	0.97	1.20	(0.23)	1.69	(0.72)
20 yr	1.17	1.41	(0.24)	1.88	(0.71)

"A" Electric Revenue Municipal Bonds

	4Q20	3Q20	4Q20 Change	4Q19	T1yr Change
1 yr	0.24	0.25	(0.01)	1.16	(0.92)
2 yr	0.28	0.29	(0.01)	1.19	(0.91)
5 yr	0.47	0.53	(0.06)	1.35	(0.88)
7 yr	0.68	0.80	(0.12)	1.50	(0.82)
10 yr	1.06	1.24	(0.18)	1.79	(0.73)
15 yr	1.34	1.59	(0.25)	2.06	(0.72)
20 yr	1.54	1.80	(0.26)	2.25	(0.71)

U.S. Treasury - Taxable Yields

	4Q20	3Q20	4Q20 Change	4Q19	T1yr Change
1 yr	0.10	0.12	(0.02)	1.59	(1.49)
2 yr	0.13	0.13	-	1.58	(1.45)
5 yr	0.36	0.28	0.08	1.69	(1.33)
7 yr	0.65	0.47	0.18	1.83	(1.18)
10 yr	0.93	0.69	0.24	1.92	(0.99)
15 yr	n/a	n/a	n/a	n/a	n/a
20 yr	1.65	1.23	0.42	2.25	(0.60)

Important Disclosures

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All investments involve risk and may lose value. The two main risks related to fixed income investing are interest rate risk and credit risk. Generally, when interest rates rise, there is a correlated decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. There may be less information available on the financial condition of issuers of municipal securities than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. A portion of the income may be taxable. Some investors may be subject to the Alternative Minimum Tax. Capital gains distributions, if any, are taxable. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. Past performance is no guarantee of future results.

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