



R RIEGER
B REPORT®

Municipal Bonds v. U.S. Treasury & Corporate Bonds

June 28, 2019

JR Rieger

JR@RiegerReport.com | **(516) 524-1110** | straighttalkaboutbonds.com



Municipal Bond Market: Not on Sale this Summer

- Highest tax bracket muni investors may find some value in munis but overall investment grade munis are rich relative to other options.
- Compared to the 1.90% dividend yield of the S&P 500 Index, AAA munis remain rich from the short end to about 9 years out on the curve.
- Compared to corporate bonds, such as Apple Inc. bond issues, AAA munis remain rich across the curve with exception of the very long end and only for the higher tax brackets.
- The muni/U.S. Treasury yield ratio on the long end of the AAA muni curve was about 105% of U.S. Treasury yields in December 2018, that ratio is now 94% (up from 88% at mid-month June) illustrating that munis are still pricey relative to U.S. Treasury bonds but beginning to show more value.
- Pension obligation shortfall impact: (Key states to watch: Illinois, Connecticut & New Jersey)
 - Yields for Illinois general obligation bonds have not improved along with the muni market. The [S&P Municipal Bond Illinois G.O. Index](#) is yielding 2.6% and has widened v. the [S&P Municipal Bond State G.O. Index](#) yield of 1.54%. That spread is now 106bps and was 105bps at the beginning of the year and 88bps at mid-month June.
 - Yields for Connecticut general obligation bonds are showing a 32bps penalty (cheaper) to the G.O. index and yields for Illinois general obligation bonds are showing a 25bp spread. Both got relatively cheaper in the last several weeks.

Source: [S&P Dow Jones Indices, LLC](#). Data as 6/28/2019.

June 28, 2019



Select Asset Class Total Returns & Yields Year-to-Date

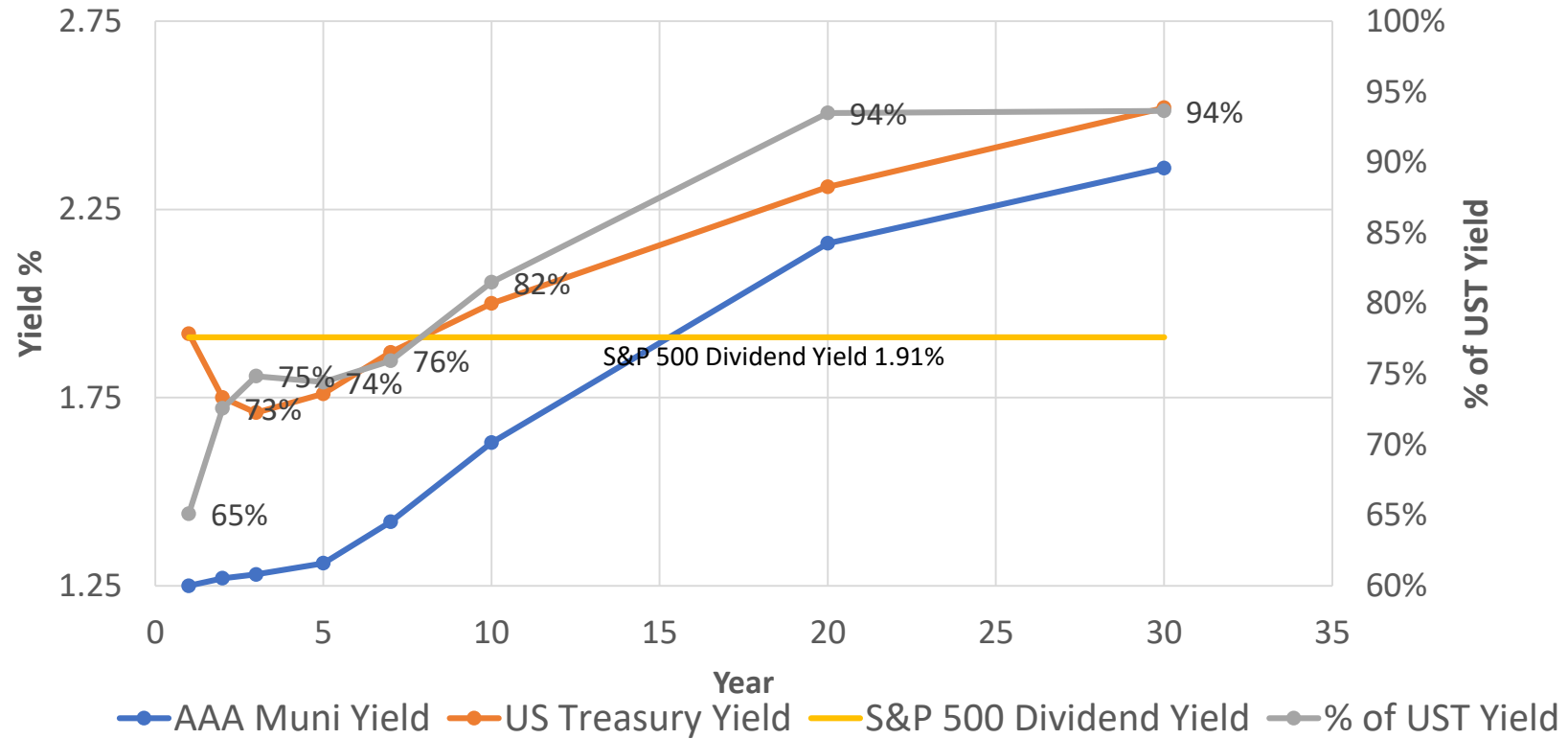
Asset Class	2019 Year-to-Date Total Return	Yield to Maturity	Taxable Equivalent Yield (37% Tax Rate)
iShares National Muni Bond (MUB)	5.04%	1.91%	3.03%
iShares iBoxx \$ Investment Grade Corporate (LQD)	11.86%	3.39%	
SPDR Bloomberg Barclays High Yield (JNK)	10.64%	6.31%	
iShares TIPS Bond (TIP)	6.02%	2.14%	
SPDR S&P 500 ETF (SPY)	18.44%	NA	

Sources: [iShares by BlackRock](#), [SPDRs](#). Table is provided for illustrative purposes only. Past performance is not a guarantee of future results. TEY = Taxable Equivalent Yield calculated at assumed tax rate indicated. Data as 6/28/2019.

June 28, 2019



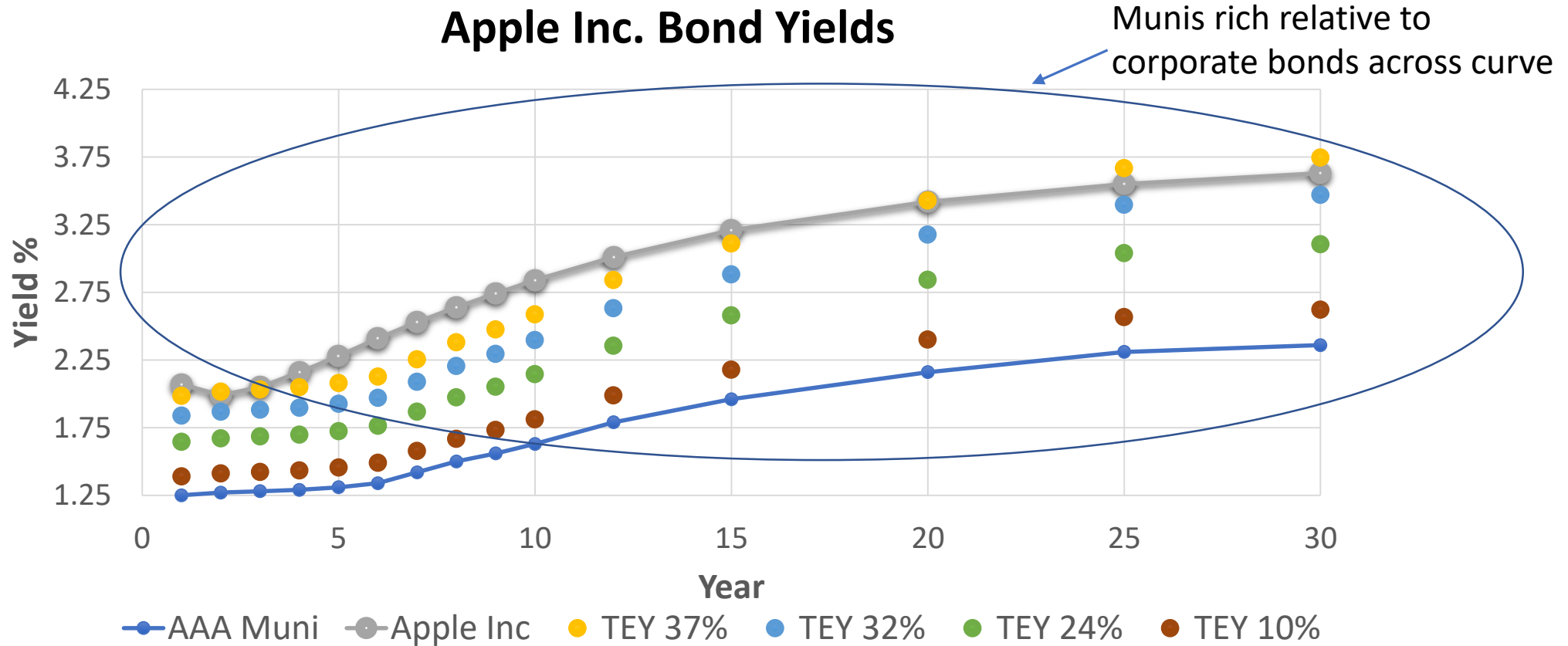
AAA Municipal Bond Yields Relative to UST Yields & S&P 500 Dividend Yield



Sources: [IHS Markit](#) (Municipal bond yields), [S&P Dow Jones Indices, LLC](#) and the [U.S. Department of Treasury](#). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as 6/11/2019.

June 28, 2019

AAA Municipal Bond Yields & Taxable Equivalent Yields v. Apple Inc. Bond Yields

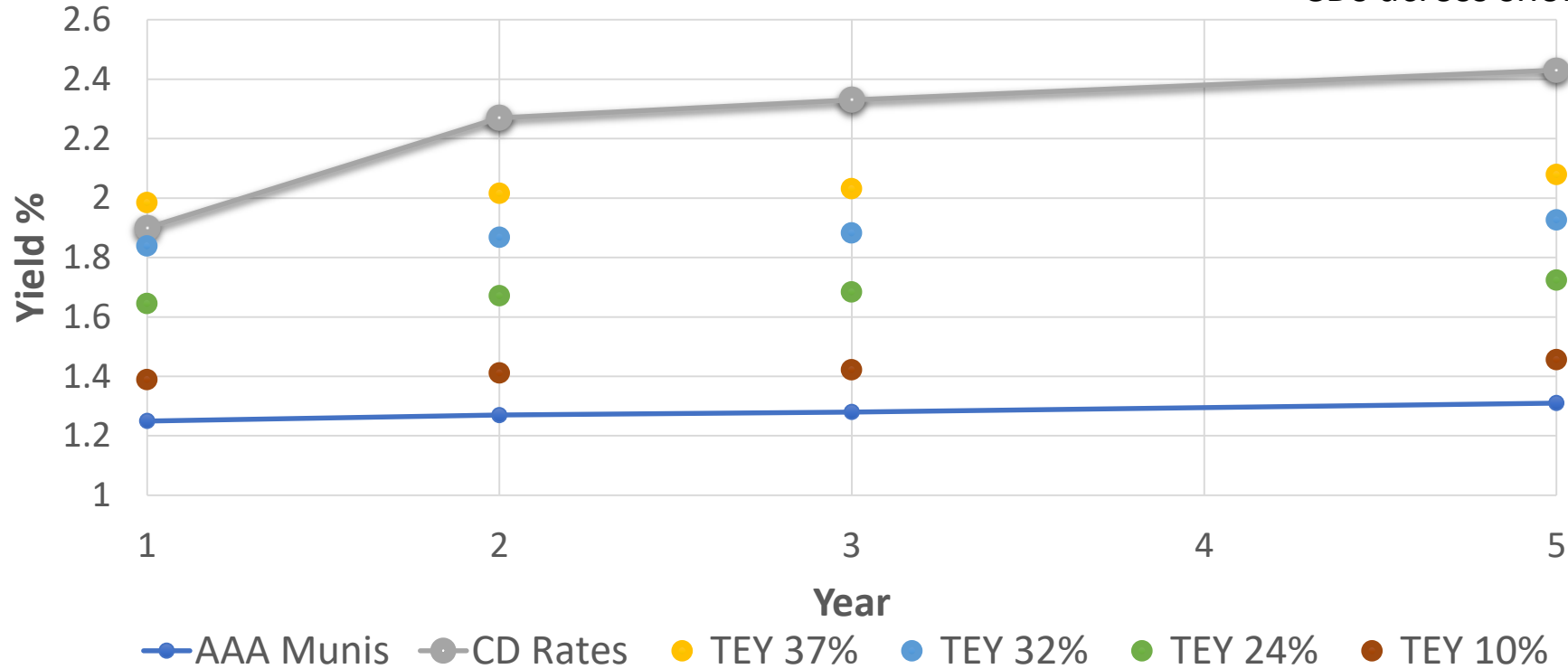


Sources: [IHS Markit](#) (Municipal bond yields) and [Exchange Data International](#) (Apple Inc. bond yields.) Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. TEY = Taxable Equivalent Yield calculated at assumed tax rates indicated. Data as of 6/28/2019.

June 28, 2019

AAA Municipal Bond Yields & Taxable Equivalent Yields v. Certificates of Deposit

Munis rich relative to CDs across short end



Sources: [IHS Markit](#) (Municipal bond yields) and [Crane Data](#) (Crane CD Indexes). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. TEY = Taxable Equivalent Yield calculated at assumed tax rates indicated. Data as of 6/28/2019.

June 28, 2019



Data Resources Used in this Report

- Municipal bond yields: IHS Markit www.ihsmarkit.com
- Apple Inc. bond yields: Exchange Data International Ltd. (EDI) www.exchange-data.com
- U.S. Treasury bond yields: U.S. Department of Treasury <https://www.treasury.gov>
- Certificate of Deposit Yields: Crane Data www.cranedata.com
- Index data: S&P Dow Jones Indices, LLC. www.spindices.com

June 12, 2019



Notes:

- **Taxable Equivalent Yield = Tax Exempt Yield / (1 – Federal Tax Rate)**
- **2019 tax brackets, however not all tax brackets are represented herein**
- **End of day yields are used**

Analyst Disclosure:

- **At the time of this writing, JR Rieger owns individual municipal bonds and a municipal bond fund. JR does not own bonds issued by Apple Inc.**

June 12, 2019



Copyright © 2019 Rieger Report® LLC. All rights reserved. Redistribution in whole or in part is prohibited without written permission of the Rieger Report® LLC. All information provided by the Rieger Report® LLC is for informational purposes only, impersonal, and not tailored to the needs of any person, entity or group of persons. It should not be considered financial advice. The Rieger Report® LLC receives compensation in connection with licensing its research, advertising on its website, speaking and consulting services.

Past performance of any investment product or index referenced in the Rieger Report® is not an indication of or guarantee of future results.

The Rieger Report® LLC is not an investment advisor, and the Rieger Report® LLC makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. A financial advisor should be contacted to determine what may be best for your individual needs. The Rieger Report® LLC is not a financial or tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. No legal relationship is created between you and Rieger Report® LLC.

The Rieger Report® LLC does not act as a fiduciary or investment advisor. While the Rieger Report® LLC has obtained information from sources it believes to be reliable, the Rieger Report® LLC does not perform any audit or undertake verification of any information it receives.

The Rieger Report® Rankings are opinions of relative ranking among the peer group analyzed as of the date expressed and not statements of facts. Rieger Report® model portfolios are intended for illustration only. Any opinion or analysis decisions are not to be construed as recommendations to purchase, hold or sell any securities or to make any investment decisions, and do not address the suitability of any security. The Rieger Report® LLC does not assume any obligation to update the content in this publication in any form or format.

Your use of any information from this document or presentation is at your own risk and without recourse against Rieger Report® LLC, its members, managers, or employees. To the maximum extent permitted by law, Rieger Report® LLC disclaims any and all liability in the event any information, commentary, analysis, and/or opinions prove to be inaccurate, incomplete or unreliable, or result in any investment or other losses.

June 12, 2019