



# **R**RIEGER **B**REPORT<sup>®</sup>

## **Municipal Bonds v. U.S. Treasury Bonds**

**April 1, 2020**

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## Municipal Bond Market: March 2020

- Coronavirus driven market continue to skew risk-off/risk-on asset class results.
- Yields on investment grade munis softened (rose) as concerns about the impact of COVID-19 on municipal issuers has risen.
- The 10-year IHS Markit AAA Muni Yield at month-end was 1.38% a marked shift cheaper than month-end February.
- Compared to the 2.21% dividend yield of the SPDR S&P 500 ETF, the IHS Markit Municipal Bond 10 Year AAA yield of 1.38% continues to be very rich from an income generation perspective relative to the equity market dividend yield. However, this assumes dividends will flow in the same amount as pre-Covid-19 markets.
- The old school muni/U.S. Treasury yield ratio on the long end of the AAA muni curve was about 94% of U.S. Treasury yields in December 2019, that ratio for longer dated munis is currently about 150%. If the old school measure is still reflective of actual rich/cheap trends then this indicates munis have moved cheaper relative to Treasury yields. There is true across the muni yield curve.

Sources: IHS Markit. Data as 3/31/2020.

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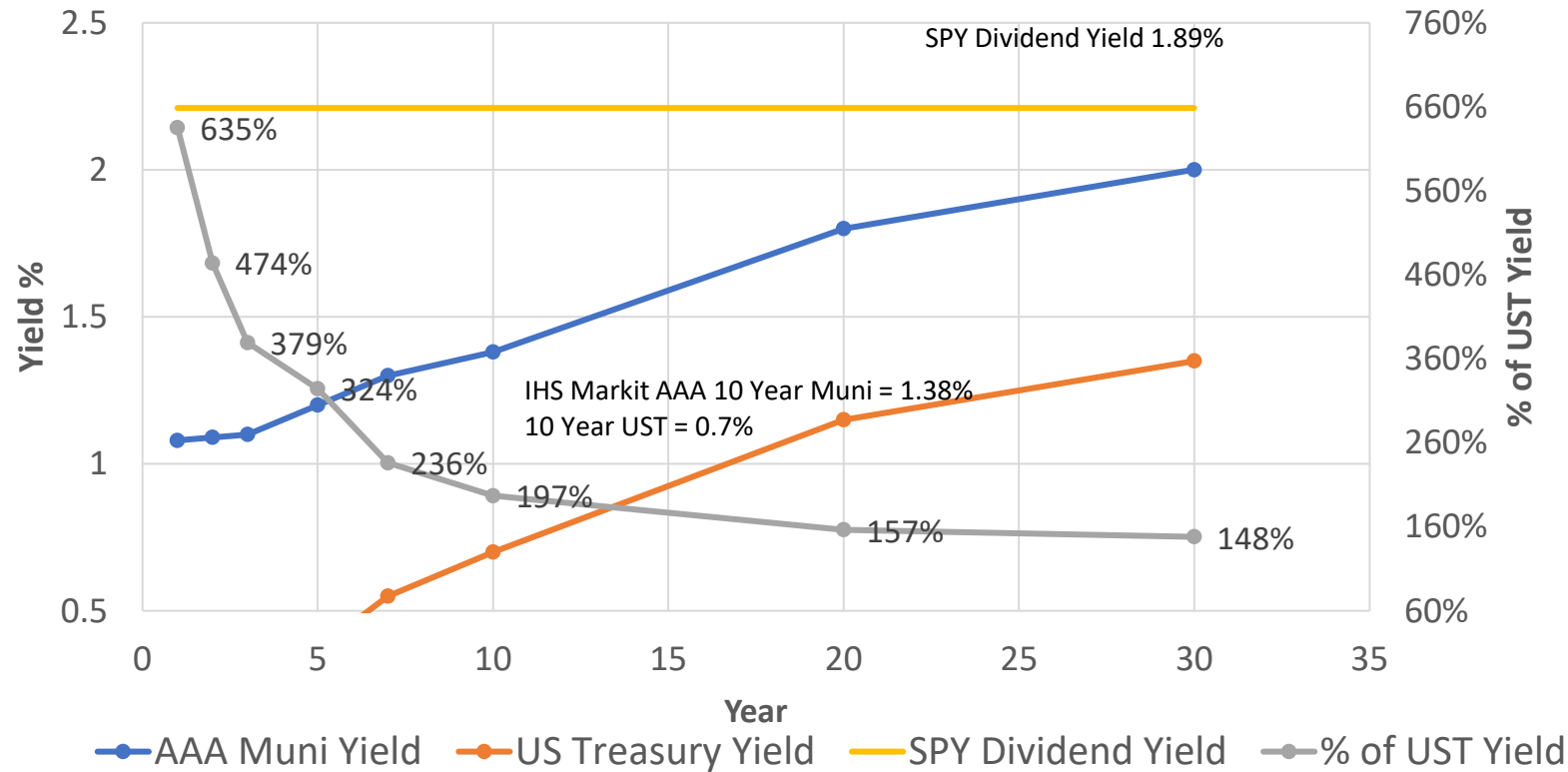
## Select Asset Class Total Returns & Yields Year-to-Date

Asset Class	2020 Year-to-Date Total Return	Yield to Maturity	Taxable Equivalent Yield (37% Tax Rate)
iShares National Muni Bond (MUB)	-2.38%	1.88%	2.98%
iShares iBoxx \$ Investment Grade Corporate (LQD)	-3.24%	3.44%	
SPDR Bloomberg Barclays High Yield (JNK)	-13.22%	8.61%	
iShares TIPS Bond (TIP)	1.68%	0.72%	
SPDR S&P 500 ETF (SPY) TR	-18.2%	2.21% <sup>1</sup>	

Insight:  
MUB has a duration that is approx. 4 years shorter than LQD

Sources: [iShares by BlackRock](#), [SPDRs](#) and Yahoo.com. 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 3/31/2020. <sup>1</sup>SPDR S&P 500 ETF Yield is Dividend Yield as of 3/30/2020.

## AAA Municipal Bond Yields Relative to UST Yields & SPY Dividend Yield



**Sources:** [IHS Markit](#) (Municipal bond yields), [SPDR](#) 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 3/31/2020 with exception of SPY Dividend yield which is as of 3/30/2020.

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## Data Resources Used in this Report

- Municipal bond yields: IHS Markit [www.ihsmarkit.com](http://www.ihsmarkit.com)
- U.S. Treasury bond yields: U.S. Department of Treasury <https://www.treasury.gov>
- iShares ETFs: [www.ishares.com](http://www.ishares.com)
- ETF Action: [www.etfaction.com](http://www.etfaction.com)
- SPDR ETFs: [www.ssga.com](http://www.ssga.com)
- Yahoo Finance [www.yahoo.com](http://www.yahoo.com)

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### 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’s fixed income related holdings include investment grade individual municipal bonds, insured municipal bonds, a municipal bond money market fund and a position in the VanEck Vectors High-Yield Municipal Index ETF (HYD)**

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