



RRIEGER **B**REPORT[®]

Municipal v. Corporate Bonds

April 16, 2020

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AAA Municipal Bond Yields v. Apple Inc. & Microsoft Corp. Bond Yields

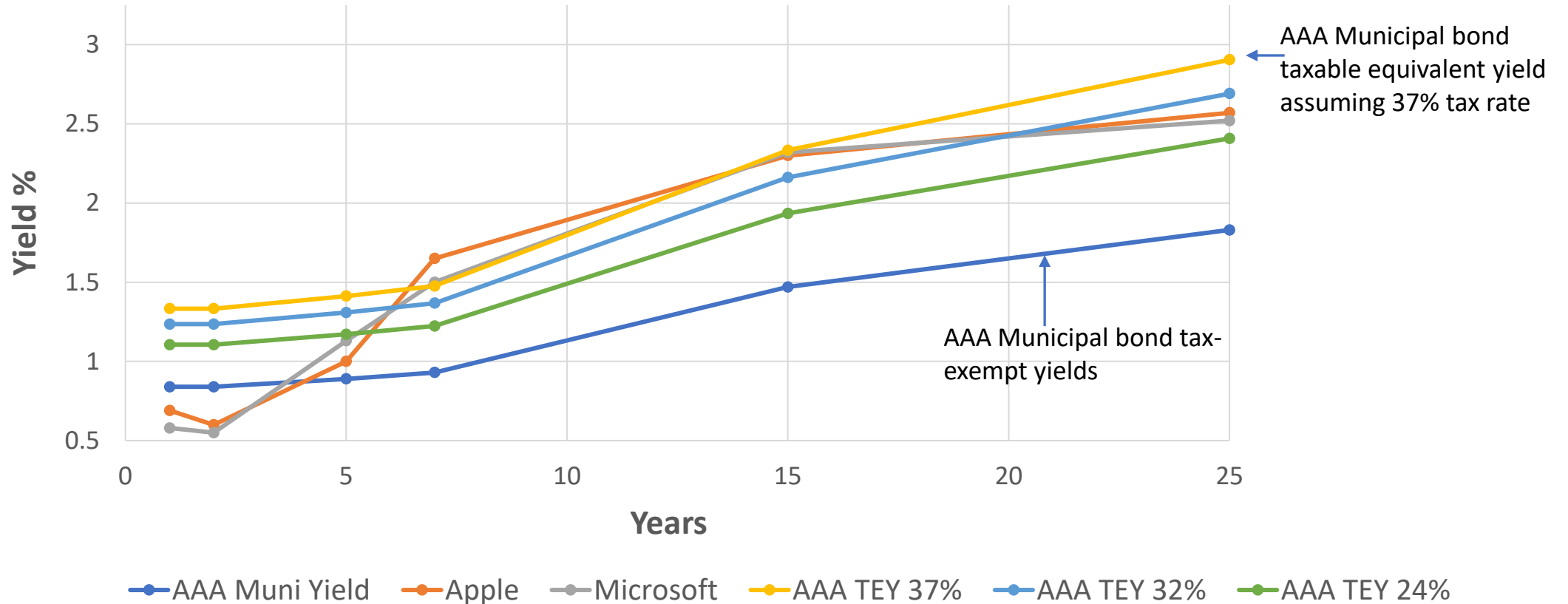
April is showing a bit of a market improvement for high quality municipal bonds as the IHS Markit Municipal Analytics Curve has shifted 15-20bps lower so far. The CARES Act certainly has helped the market get a footing.

- Munis remain relatively cheap when compared to U.S. Treasury bond yields.
- Compared to corporate bonds on the short-end of the curve, AAA municipal bond yields remain attractive for most tax-brackets as their Taxable Equivalent Yields are higher than the corporate bond yields issued by Apple Inc. and Microsoft Corporation.
- The belly of the curve still is rich relative to high quality corporate bonds despite the move lower in yields. Corporate bonds have simply moved more.
- The long end of the curve shows AAA munis are attractive only for the higher tax bracket investors.
- Fund flows tell the picture the best: ETF Action data shows that during the last 30 days over \$2.4billion has flowed out of municipal bond ETFs while investment grade corporate bond ETFs have seen inflows of over \$7billion.

Sources: [IHS Markit](#) (Municipal bond yields and bond prices & yields for Apple Inc. and Microsoft Corporation bond issues) and [ETF Action](#). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. TEY = Taxable Equivalent Yield at stated tax rate. Data as 4/15/2020.

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AAA Municipal Bond Yields v. Apple Inc. & Microsoft Corp. Bond Yields



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Data Resources Used in this Report:

- IHS Markit www.ihsmarkit.com Price Viewer for yields of corporate bonds and the IHS Markit Municipal Analytics Curve for AAA municipal bond yields.
- ETF Action www.etfaction.com Data on fund flows.

Notes:

- Taxable Equivalent Yield = Tax Exempt Yield / (1 – Federal Tax Rate)
- 2020 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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