



R RIEGER
B REPORT®

Municipal v. US Treasury & Corporate Bonds

May 1, 2020

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AAA Municipal Bond Yields v. US Treasury & Corporate Bond Yields

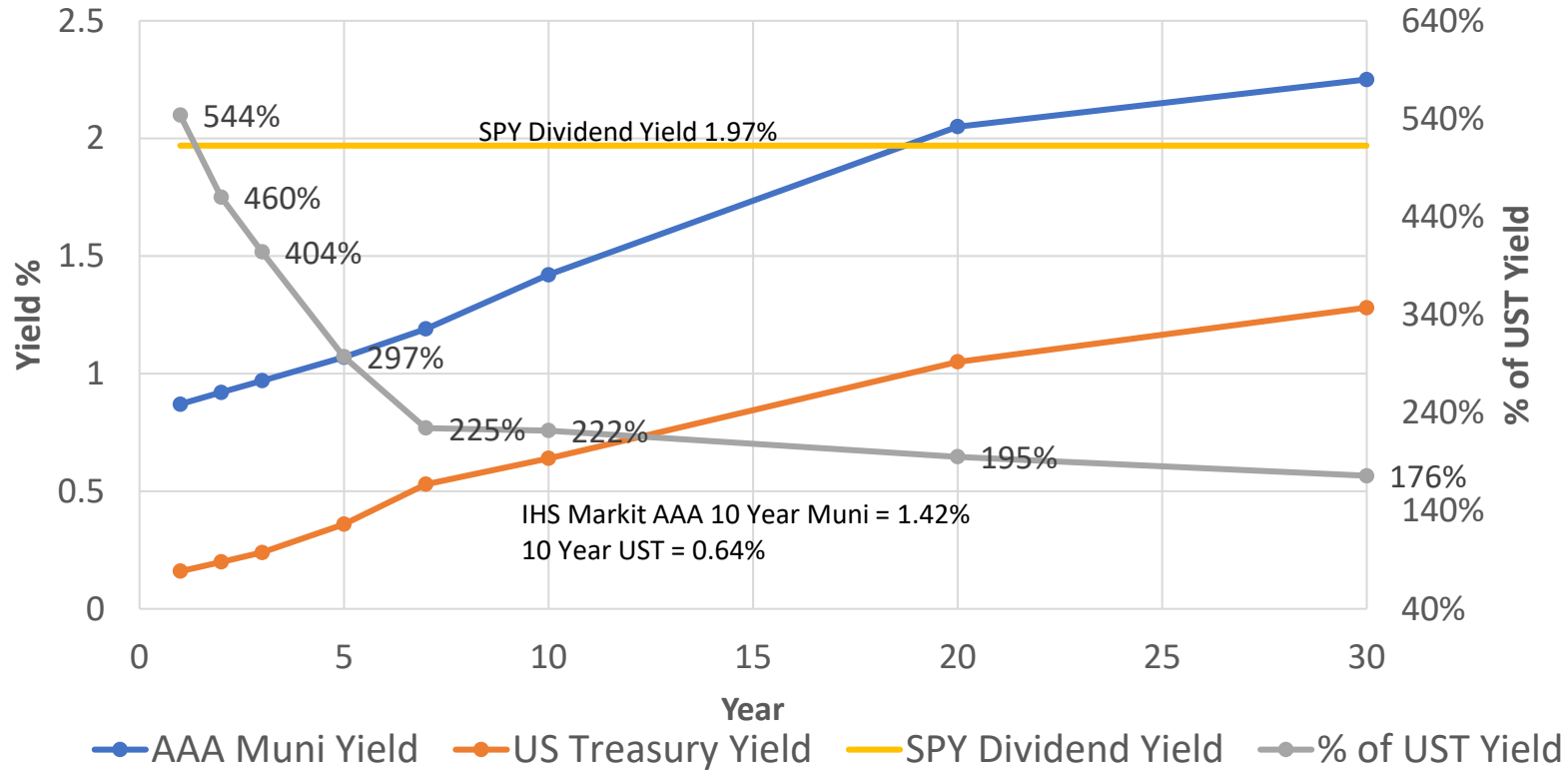
April reflected market volatility as the IHS Markit Municipal Analytics Curve steepened. High grade munis were outpaced from a total return perspective by high quality corporate bonds as concerns mount about the COVID-19 impact.

- Muni yields remain relatively cheap when compared to U.S. Treasury bond yields. (An old school metric that has limited relevance in this market)
- Compared to corporate bonds across the curve, AAA municipal bond yields have moved cheaper for the higher tax brackets as their Taxable Equivalent Yields are higher than the corporate bond yields issued by Apple Inc. and Microsoft Corporation.
- AAA muni bonds only become more attractive than the SPY dividend yield on the longer end of the curve.
- Fund flows tell the picture the best: ETF Action data shows that during the last 30 days over \$984million has flowed out of municipal bond ETFs while investment grade corporate bond ETFs have seen inflows of over \$15.5billion.

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 4/30/2020.

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

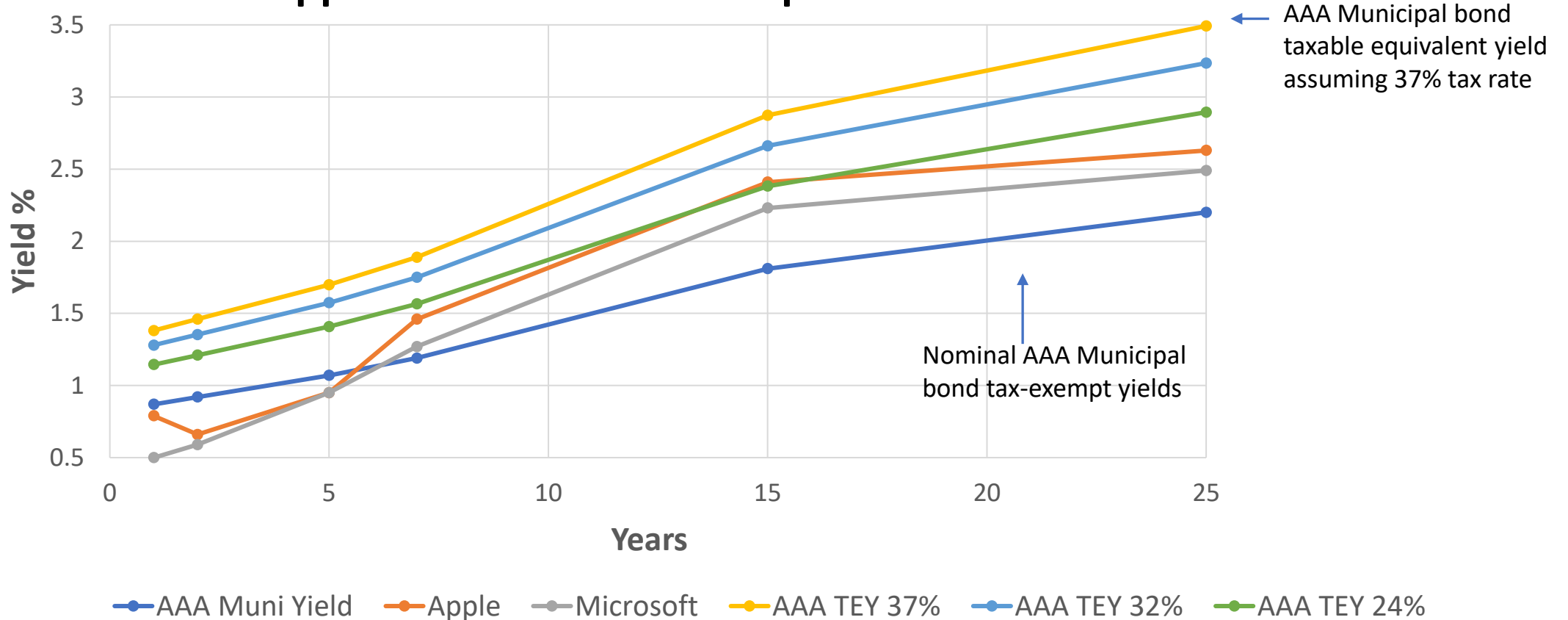


Sources: [IHS Markit](#) (Municipal bond yields), [SPDR](#) and the [U.S. Department of Treasury](#). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as 4/30/2020 with exception of SPY Dividend yield which is as of 4/29/2020.

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



Sources: [IHS Markit](#) (Municipal bond yields and bond prices & yields for Apple Inc. and Microsoft Corporation bond issues). 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 4/30/2020.

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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)	-1.77%	2.1%	3.33%
iShares iBoxx \$ Investment Grade Corporate (LQD)	2.03%	2.73%	
SPDR Bloomberg Barclays High Yield (JNK)	-9.85%	7.72%	
iShares TIPS Bond (TIP)	4.59%	0.53%	
SPDR S&P 500 ETF (SPY) TR	-8.6%	1.97% ¹	

Insight:
MUB has a duration that is approx. 3 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 4/30/2020. ¹SPDR S&P 500 ETF Yield is Dividend Yield as of 4/29/2020.

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Data Resources Used in this Report

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

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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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