



RRIEGER **B**REPORT[®]

Municipal v. US Treasury & Corporate Bonds

July 31, 2020

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AA Municipal Bonds v. US Treasury & Corporate Bonds

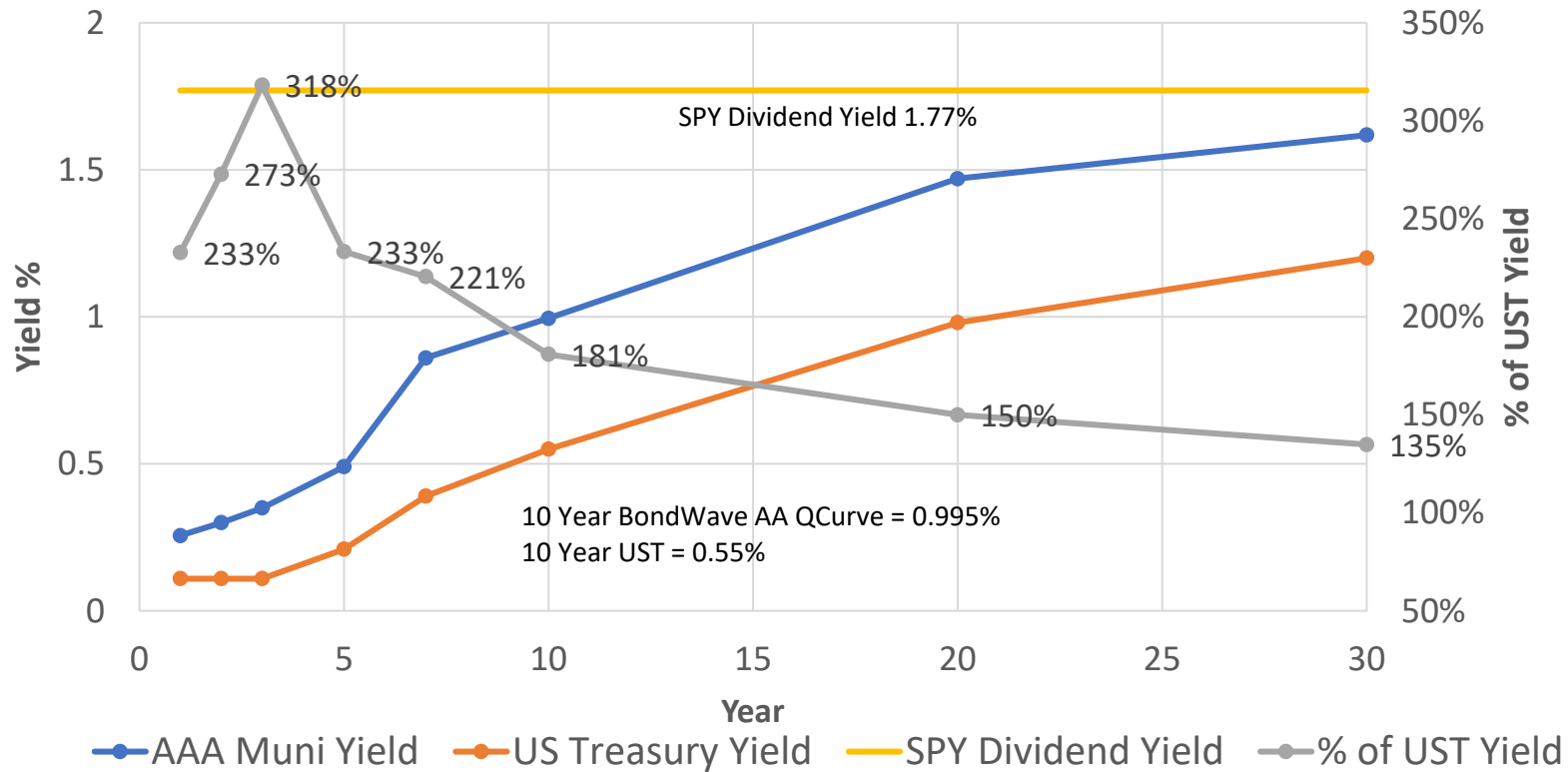
Inflows to muni funds continue to be strong. Municipal bond ETFs have attracted \$2.8billion in assets in the last 30 days, \$7billion year-to-date and now total over \$56.7billion. The pandemic continues to loom large over the muni market putting entertainment, healthcare and transportation related bond issues at elevated risk. In comparison, fixed rate investment grade corporate bond ETFs have gained over \$42billion in assets year-to-date.

- At the highest tax level, the BondWave AA Municipal QCurve show municipal bond yields have become competitive with Apple Inc. and Microsoft bond issue yields. At the next, tax level down, corporate bonds have the edge.
- Comparing AA muni bonds yields v. the SPY 500 Dividend Yield still gives the edge to SPY but the sustainability of those dividends remains in question. The dividend yield has fallen from 1.88% at the end of June to 1.77% as of July 30th, 2020. Keeping a keen eye on this trend as unpredictability in dividend cash flow is a negative.
- The effective duration of the largest muni bond ETF, iShares MUB, ended month-end at 6.09 v. the iShares investment grade corporate bond ETF LQD effective duration of 9.71. This should result in less volatility for MUB as interest rates change.

Sources: [ETF Action, BondWave](#) (Municipal bond yields), [AdvantageData](#) (Corporate 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 7/31/2020 with exception of SPY Dividend yield which is as of 7/30/2020.

July 31, 2020

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

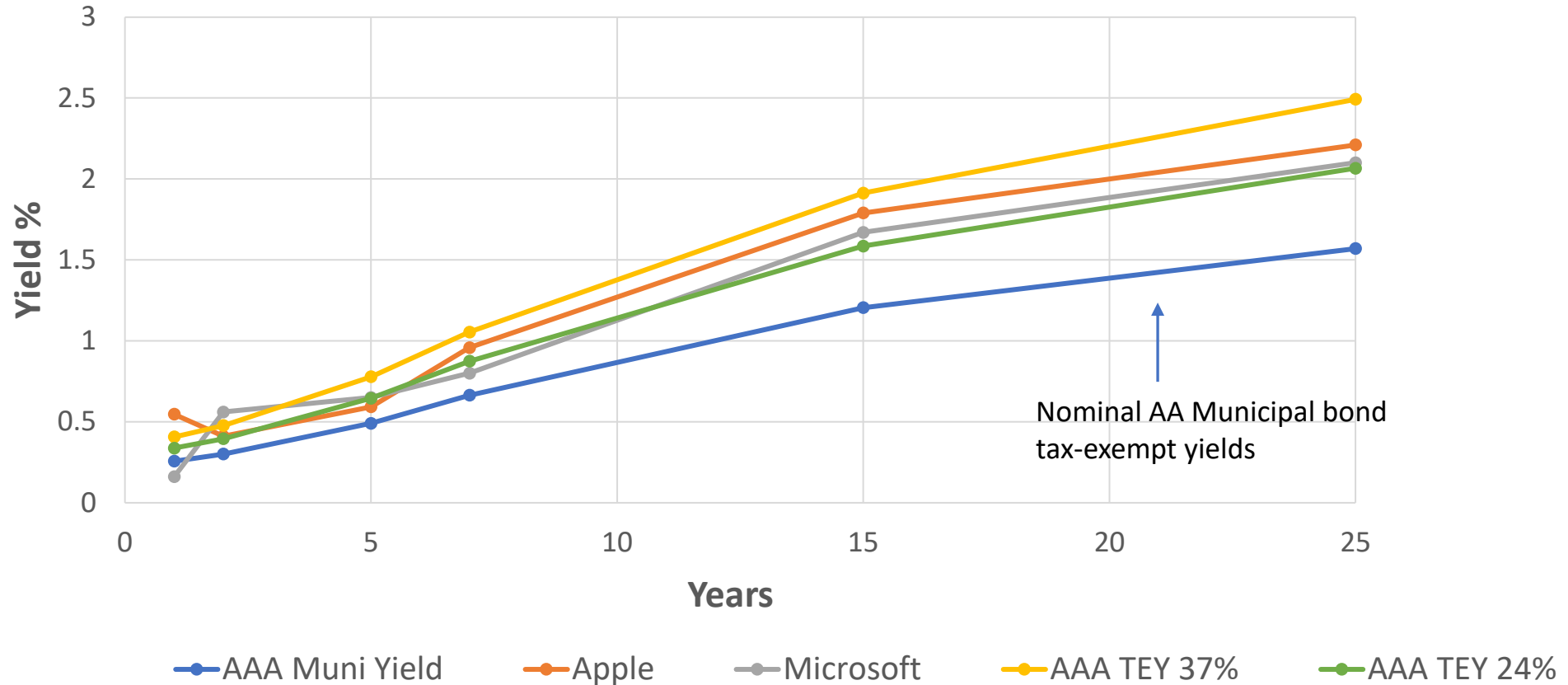


Sources: [BondWave](#) (Municipal bond yields), [AdvantageData](#) (Corporate bond yields), [SPDR](#) and the [U.S. Department of Treasury](#). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as 7/31/2020 with exception of SPY Dividend yield which is as of 7/30/2020.

July 31, 2020



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



Sources: [BondWave](#) (Municipal bond yields), [AdvantageData](#) (Corporate bond yields). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as 7/31/2020.

July 31, 2020

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

Asset Class	2020 Year-to-Date NAV Return	Yield to Maturity	Taxable Equivalent Yield (37% Tax Rate)
iShares National Muni Bond (MUB)	+3.62%	1.1%	1.74%
iShares iBoxx \$ Investment Grade Corporate (LQD)	+9.82%	1.97%	
SPDR Bloomberg Barclays High Yield (JNK)	-4.24%	5.84%	
iShares TIPS Bond (TIP)	+8.48%	0.41%	
SPDR S&P 500 ETF (SPY) TR	-0.32%	1.77% ¹	

Insight:
MUB has a duration that is approx. 3.6 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 7/31/2020. ¹SPDR S&P 500 ETF Yield is Dividend Yield as of 7/30/2020.

July 31, 2020



Data Resources Used in this Report

- Municipal bond yields: BondWave www.bondwave.com
- Corporate bond yields: AdvantageData www.advantagedata.com
- U.S. Treasury bond yields: U.S. Department of Treasury <https://www.treasury.gov>
- iShares ETF data: iShares ETFs www.ishares.com
- Fund flows: ETF Action www.etfaction.com
- SPDR JNK Duration and SPY dividend yield: SPDR ETFs www.ssga.com
- NAV performance: Yahoo! Finance www.yahoo.com

July 31, 2020



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)**

July 31, 2020



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July 31, 2020