



RRIEGER **B**REPORT[®]

Municipal v. US Treasury & Corporate Bonds

November 15, 2020

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AA Municipal Bonds v. US Treasury & Corporate Bonds

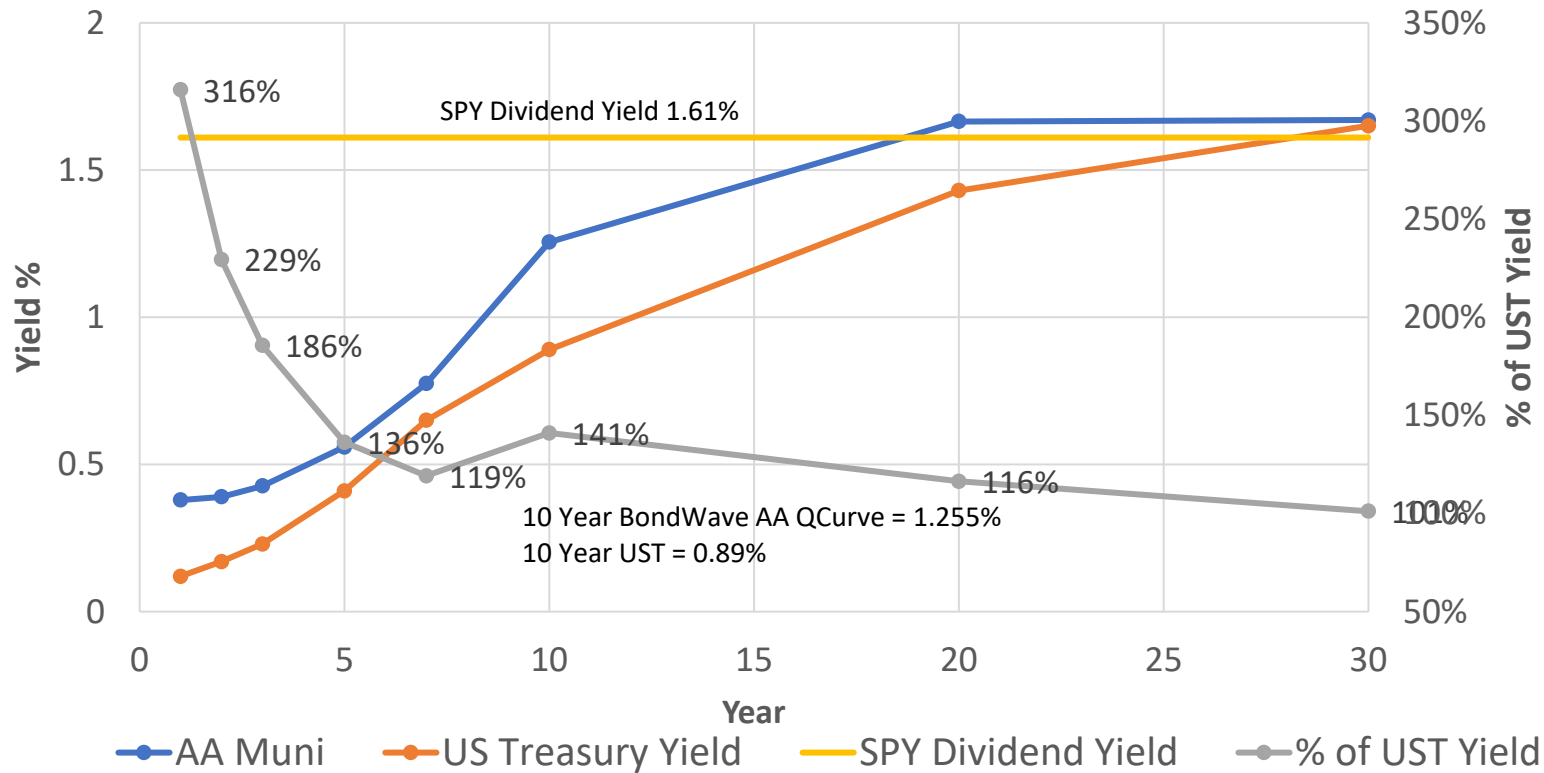
Post election “risk-on” investing has also pushed bond yields down. Municipal bonds have rallied as a result of potential higher taxes in the future fueling demand while there has been a modest drop in supply.

- **Relative value:** At the 37% marginal tax bracket, AA municipal bond yields reflect a strong relative value v. US Treasury and high-quality corporate bonds like Apple Inc. and Microsoft. At the 24% marginal tax bracket, AA municipal bonds are at parity with corporate bonds from a taxable equivalent yield perspective.
- **Bond ETF fund flows tell the story best:** junk bond ETFs saw net tidal inflow in the last 30 days of \$1.67billion and muni ETF inflows have rebounded in the last 30 days to \$1.87billion.
- **Municipal bond ETFs now total over \$60billion in assets.**
- **Duration risk:** The yield shifts impact the duration calculations. The effective duration difference between the largest muni bond ETF, iShares MUB and the iShares LQD (investment grade corporate bonds) has risen from 3.4yrs at month-end October to 3.6yrs at mid-month November.

Sources: [ETF Action, BondWave](#) (Municipal bond yields), [AdvantageData](#) (Corporate bond yields), and the [U.S. Department of Treasury](#). Past performance is not a guarantee of future results. Data as 11/13/2020.

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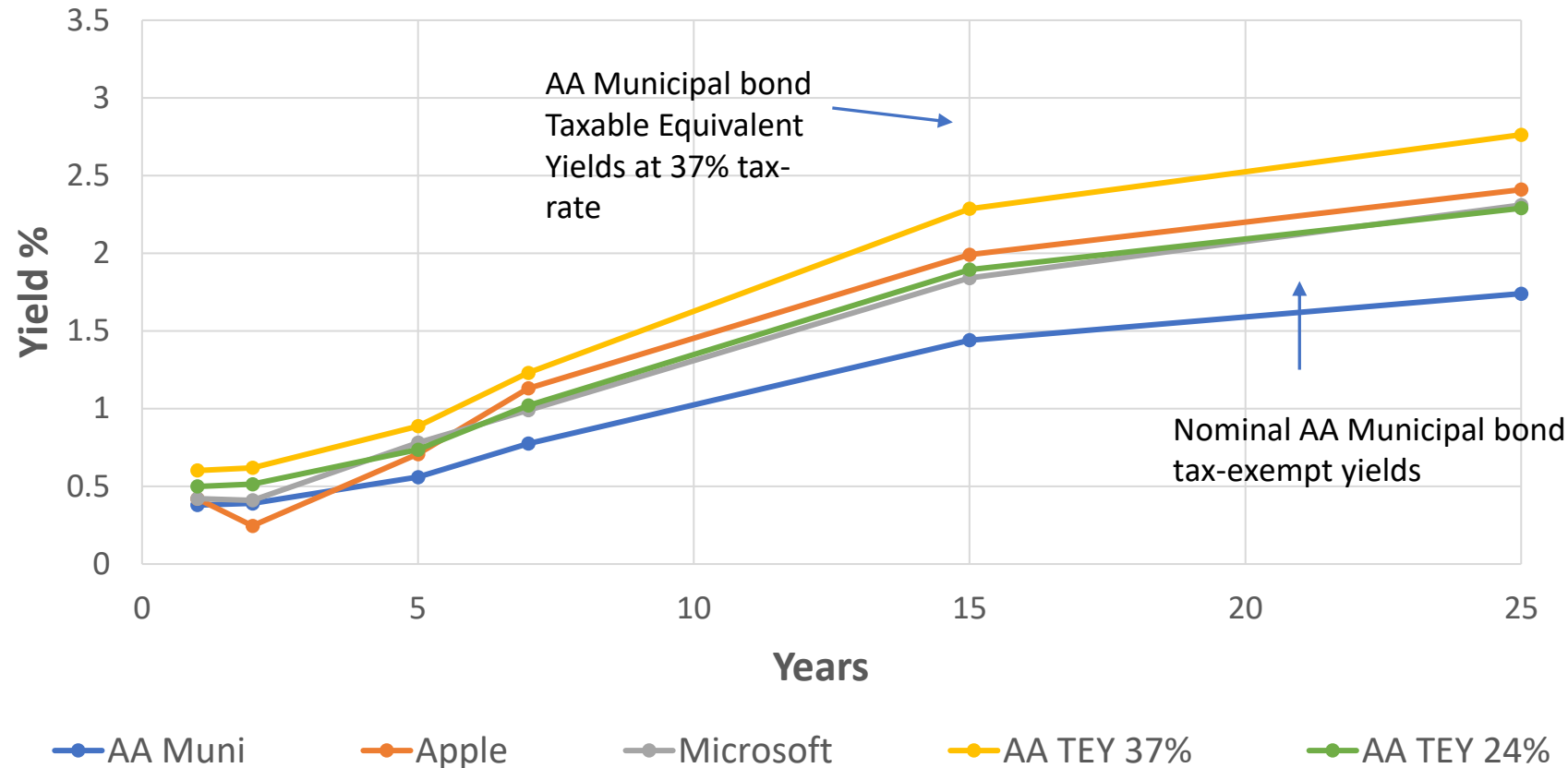
AA Municipal Bond Yields Relative to UST Yields & SPY Dividend Yield



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 11/13/2020 with exception of SPY Dividend yield which is as of 11/12/2020.

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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. Taxable Equivalent Yields (TEY) are calculated using the stated marginal tax-rate. Data as 11/15/2020.

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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)	+3.51%	1.15%	1.83%
iShares iBoxx \$ Investment Grade Corporate (LQD)	+8.81%	2.1%	
iShares iBoxx % High Yield Corporate (HYG)	+1.39%	4.46%	
iShares TIPS Bond (TIP)	+8.73%	0.63%	
SPDR S&P 500 ETF (SPY) TR	+12.77%	1.61%*	

Insight:
MUB has a duration that is approx. 3.6 years shorter than LQD

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 11/13/2020. *S&P 500 ETF Dividend Yield as of 11/12/2020.

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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 SPY dividend yield: SPDR ETFs www.ssga.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 various investment grade & high yield municipal bonds, insured municipal bonds, municipal bond money market funds and a position in the VanEck Vectors High-Yield Municipal Index ETF (HYD)**

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