



RRIEGER **B**REPORT[®]

Municipal v. US Treasury & Corporate Bonds

May 2, 2021

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AA Municipal Bonds v. US Treasury & Corporate Bonds

Under the weight of tax driven demand, municipal bonds yields moved lower in April. The BondWave AA QCurve at the 10-year mark ended April at 1.24% representing a 13.5bps shift lower since month-end March while the 10-year UST moved lower by 9bps.

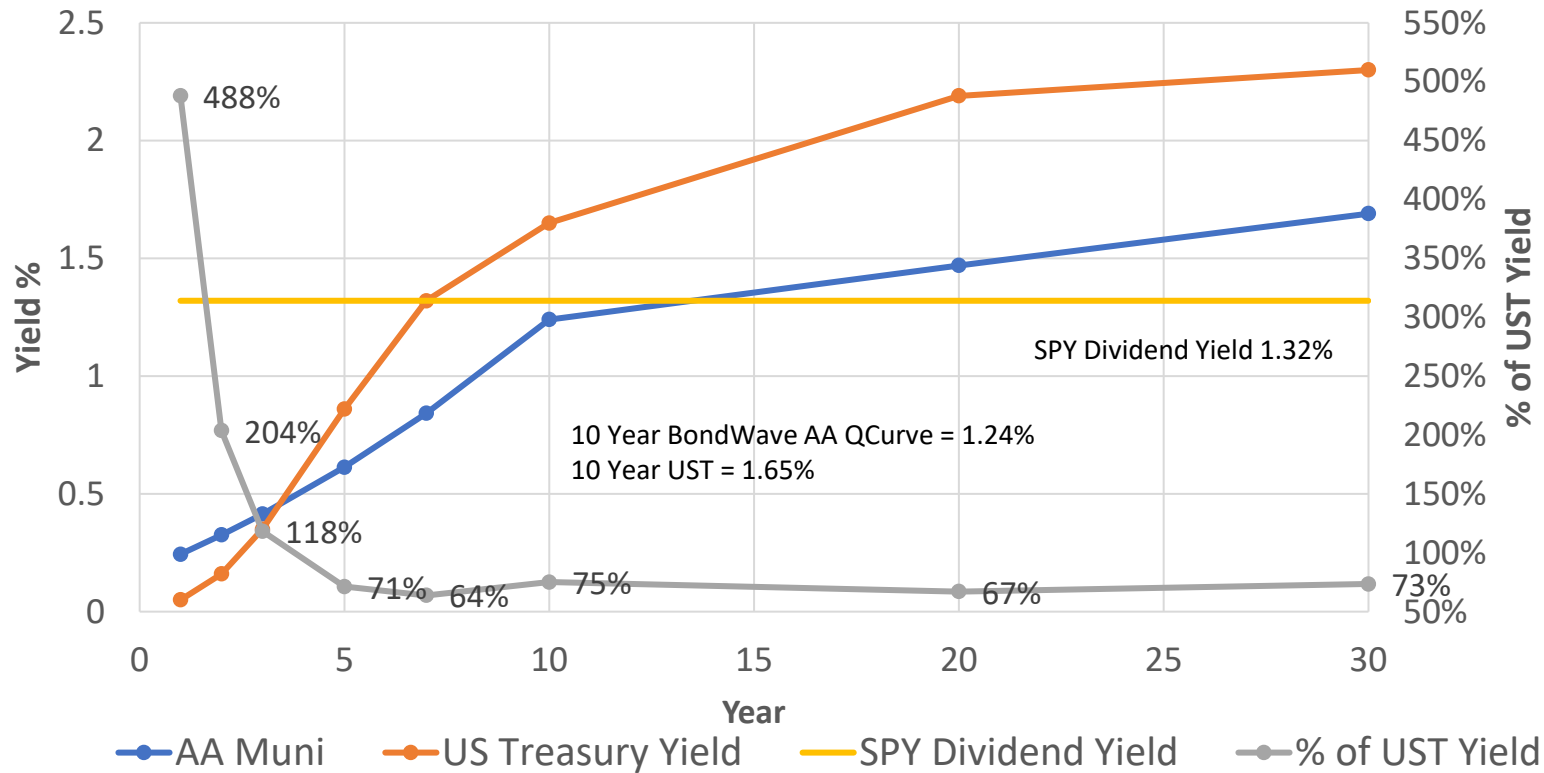
- **Relative value:** Generally, AA municipal bond yields at the 37% marginal tax bracket continue to be rich v. US Treasury and high-grade corporate bonds like bonds issued by Apple Inc. and Microsoft. Taxable bond yields have shifted lower helping to close the gap but demand for munis remains strong.
- **Demand:** Municipal bond ETFs saw positive April inflows bringing the year-to-date inflow total to over \$7.4billion. Assets in municipal bond ETFs now total over \$71billion.
- **Keeping an eye on dividends paid by S&P 500 companies.** The dividend yield of the SPDR S&P 500 (SPY) ETF shifted lower again ending at 1.32% (as of 4/29/2021) making municipal bonds with maturities 10 years and longer attractive relative to dividends.

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 4/30/2021 with exception of S&P 500 SPY dividend yield as of 4/29/2021.

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

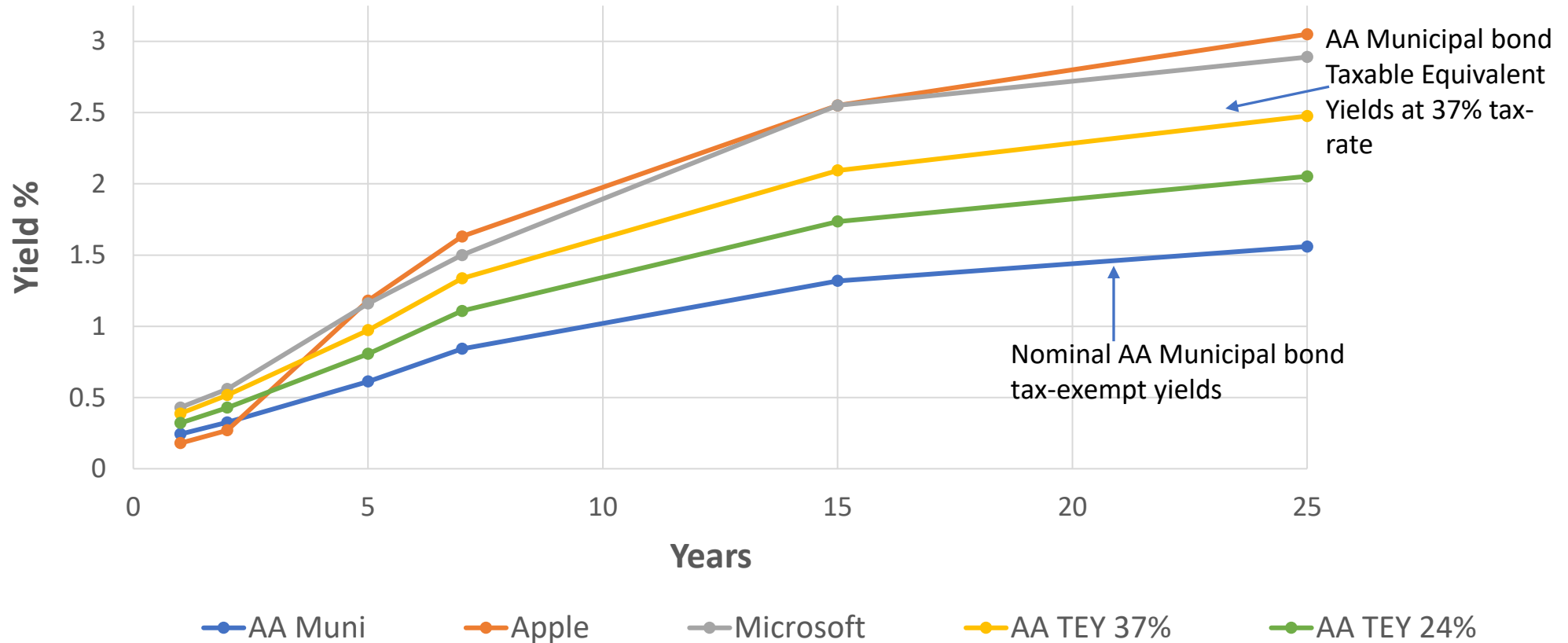


Sources: [BondWave](#) (Municipal bond yields), [AdvantageData](#) (Corporate bond yields), [SPDR](#) and the [U.S. Department of Treasury](#). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as of 4/30/2021 with exception of SPY Dividend yield which is as of 4/29/2021.

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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 of 4/30/2021.

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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)	0.28%	0.95	1.51%
iShares iBoxx \$ Investment Grade Corporate (LQD)	-4.53%	2.45%	
iShares iBoxx % High Yield Corporate (HYG)	1.6%	3.68%	
iShares TIPS Bond (TIP)	-0.26%	1.06%	
SPDR S&P 500 ETF (SPY) TR	11.84%	1.32% Dividend Yield	
iShares Preferred and Income Securities (PFF) TR	2.14%	NA	

Insight:
MUB has a duration that is approx. 3.2 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 4/30/2021. *Yield to Maturity and SPY dividend yield as of 4/29/2021.

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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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