



RRIEGER **B**REPORT[®]

Municipal v. US Treasury & Corporate Bonds

June 1, 2021

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AA Municipal Bonds v. US Treasury & Corporate Bonds

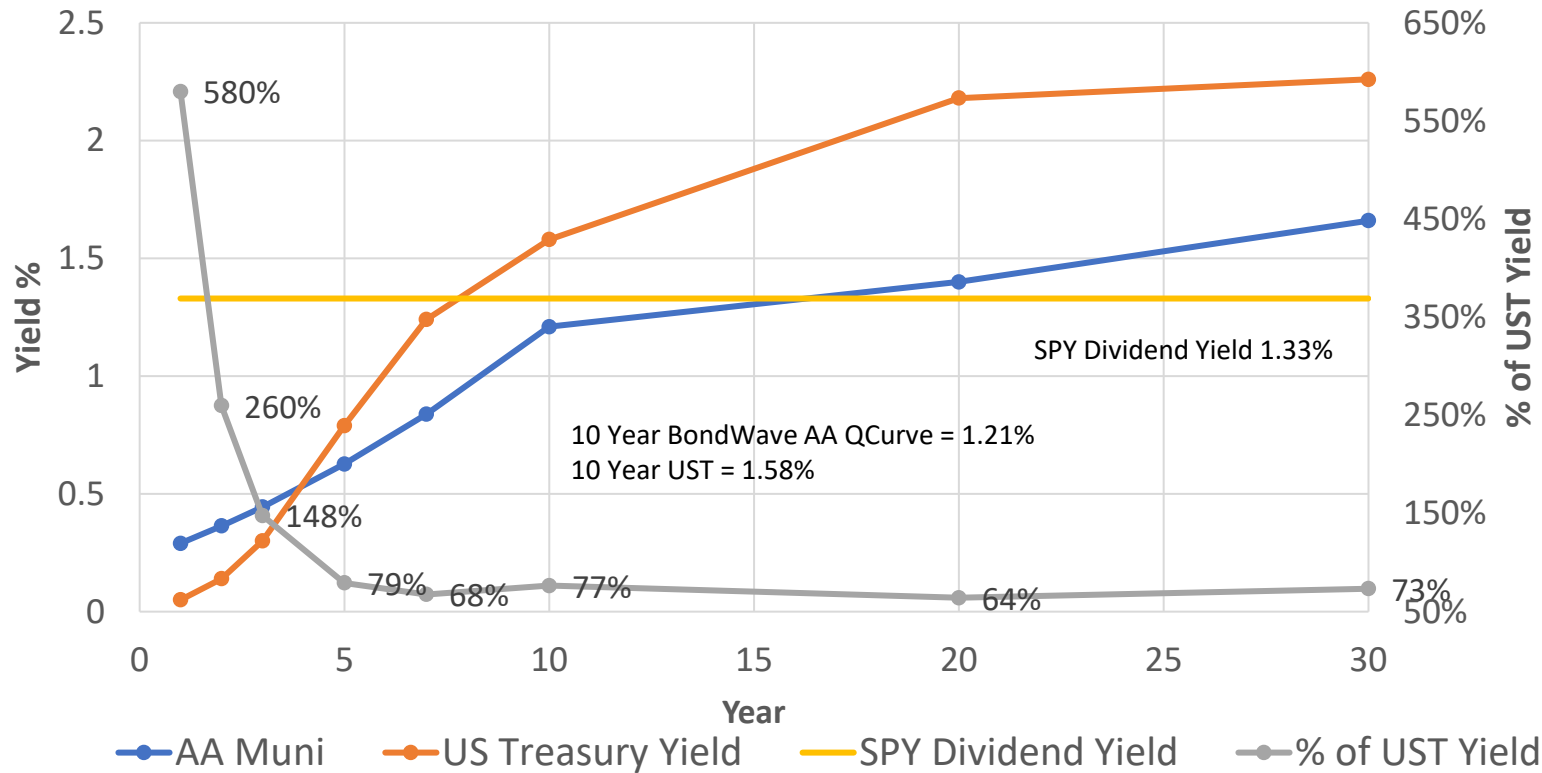
Demand for municipal bonds continues to push yields lower in May. The BondWave AA QCurve at the 10-year mark ended May at 1.21% representing a modest 3bps shift lower since month-end April while the 10-year UST moved lower by 7bps. The relentless supply / demand imbalance has been exacerbated by higher tax expectations helping to hold tax-exempt bond yields low.

- **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.
- **Demand:** Municipal bond ETFs saw positive May inflows bringing the year-to-date inflow total to over \$8.5billion. Assets in municipal bond ETFs now total \$72.9billion (as of 5/29/2021).
- I'm keeping an eye on dividends paid by S&P 500 companies. The dividend yield of the SPDR S&P 500 (SPY) ETF held relatively steady during May at 1.33%. Generally, municipal bonds with maturities 10 years and longer remain 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 5/27/2021 except as noted.

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

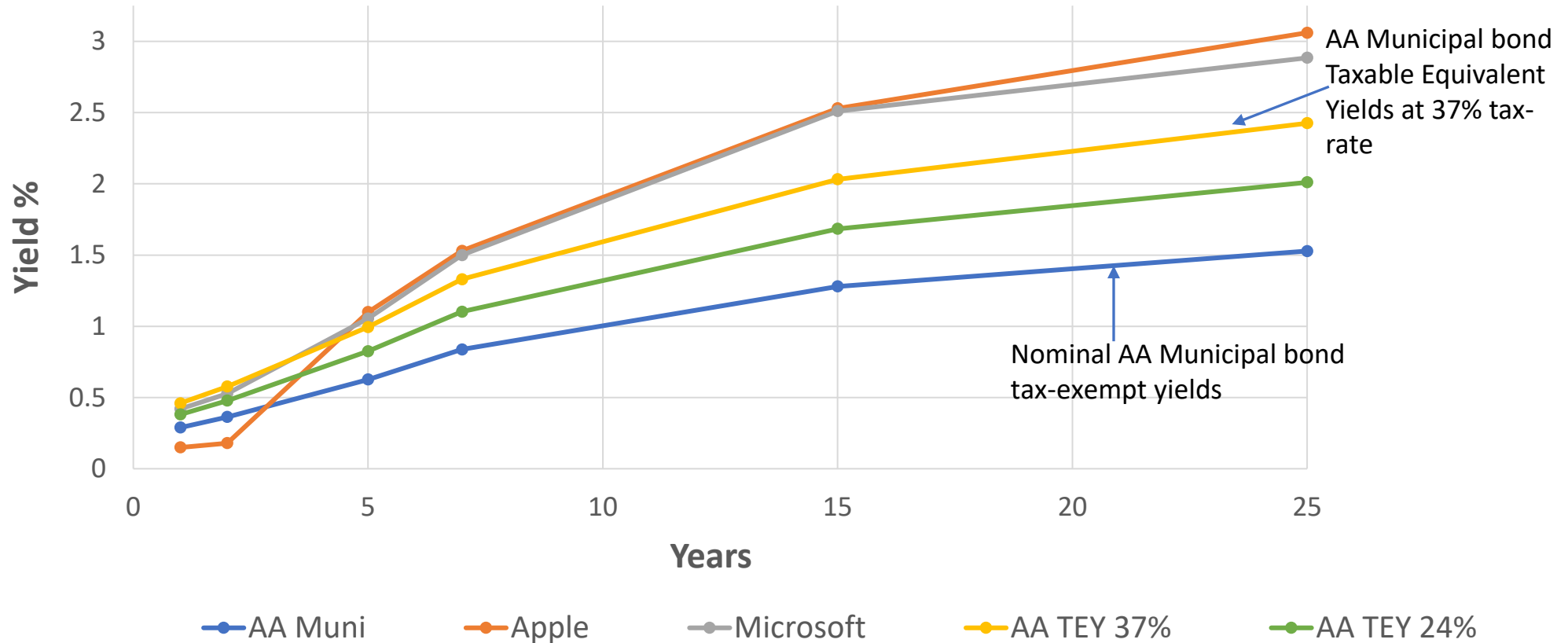


Sources: [BondWave](#) (Municipal bond yields), [AdvantageData](#) (Corporate bond yields), [SPDR](#) and the [U.S. Department of Treasury](#). Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as of 5/28/2021 with exception of SPY Dividend yield which is as of 5/27/2021.

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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 5/28/2021.

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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)	0.59%	0.92%	1.46%
iShares iBoxx \$ Investment Grade Corporate (LQD)	-3.77%	2.36%	
iShares iBoxx % High Yield Corporate (HYG)	1.69%	3.78%	
iShares TIPS Bond (TIP)	0.64%	1.01%	
SPDR S&P 500 ETF (SPY) TR	12.62%*	1.33% Dividend Yield	
iShares Preferred and Income Securities (PFF) TR	2.08%	NA	

Insight:
MUB has a duration that is approx. 3.3 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 5/27/21. ** SPY total return as of 5/28/2021.

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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)**
- **2021 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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