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R **RIEGER**
B **REPORT**

Municipal Bonds v. U.S. Treasury & Corporate Bonds

May 1, 2019

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Municipal Bond Market: Bonds in Demand

- April saw continued high demand for municipal bonds driving yields higher. Sporadic increases in supply have been quickly absorbed.
 - Year-to-date the [S&P Municipal Bond Index](#) has returned 3.1% v. the [S&P 500 Bond Index](#) (corporate bonds) returning 5.33%.
- Over the entire curve, municipal bonds have now moved rich relative to U.S. Treasury and corporate bonds.
- The muni/U.S. Treasury yield ratio on the long end of the AAA muni curve was about 105% of U.S. Treasury yields in December 2018, that ratio is now 85 - 88% illustrating that munis have gotten pricey relative to U.S. Treasury bonds.
- Pension obligation shortfall impact: (Key states to watch: Illinois, Connecticut & New Jersey)
 - Yields for Illinois general obligation bonds are showing a penalty in the marketplace with the [S&P Municipal Bond Illinois G.O. Index](#) yielding 3.06%, or a 101bp penalty v. the [S&P Municipal Bond State G.O. Index](#) yield of 2.05%.
 - Yields for Connecticut and New Jersey general obligation bonds are showing no real penalty v. the overall market.

Source: [S&P Dow Jones Indices, LLC](#). Data as 4/30/2019.

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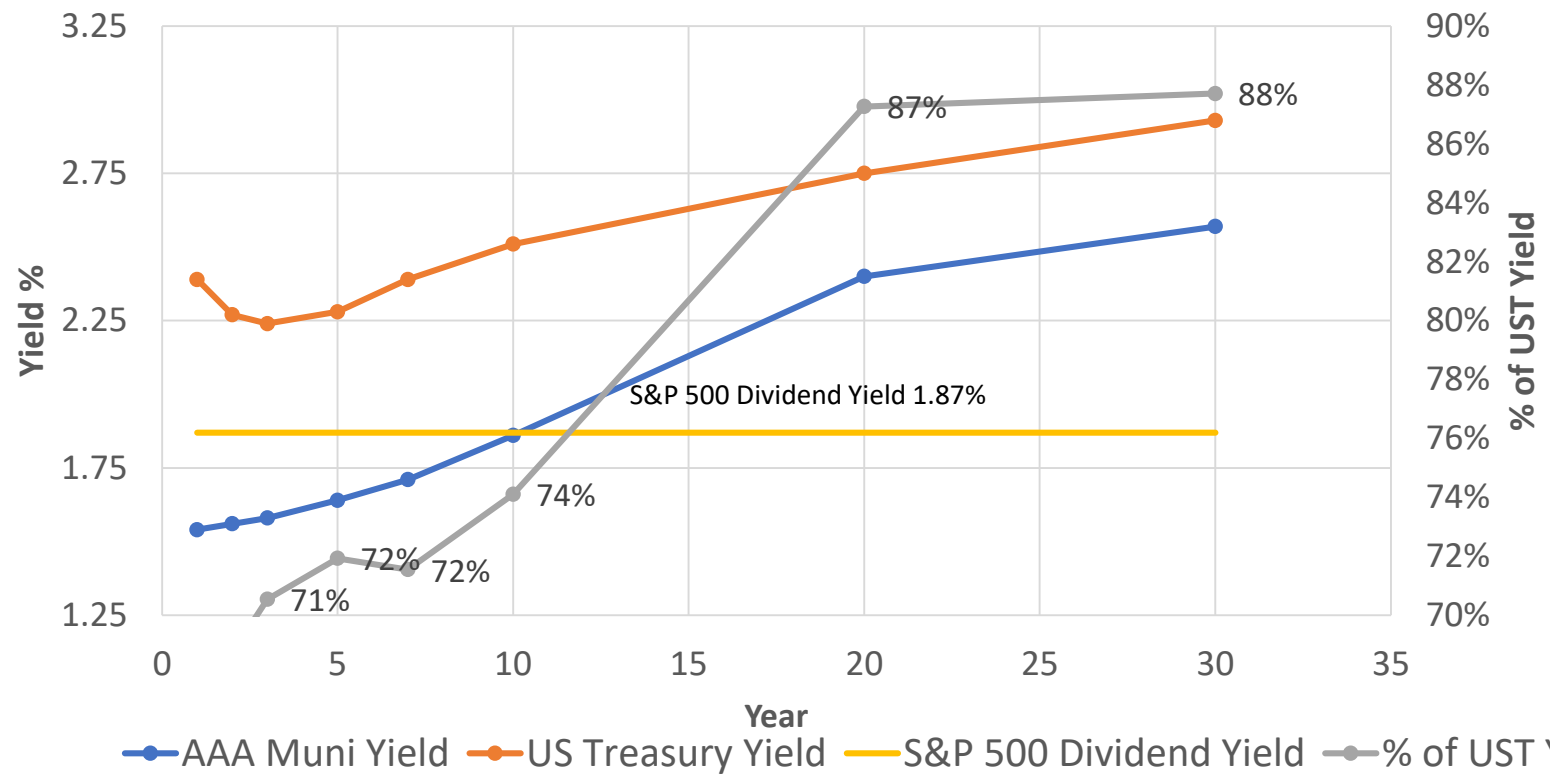
Select Asset Class Total Returns & Yields Year-to-Date

Asset Class	2019 Year-to-Date Total Return	Yield to Worst	Taxable Equivalent Yield (37% Tax Rate)
S&P Municipal Bond Index	3.1%	2.35%	3.73%
S&P 500 Bond Index (Corporate Bonds)	5.33%	3.6%	
S&P U.S. Treasury Bond Current 10 Year Index	2.51%	2.51%	
S&P 500 (TR)	18.25%	NA	

Source: [S&P Dow Jones Indices, LLC](#). 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 4/30/2019.

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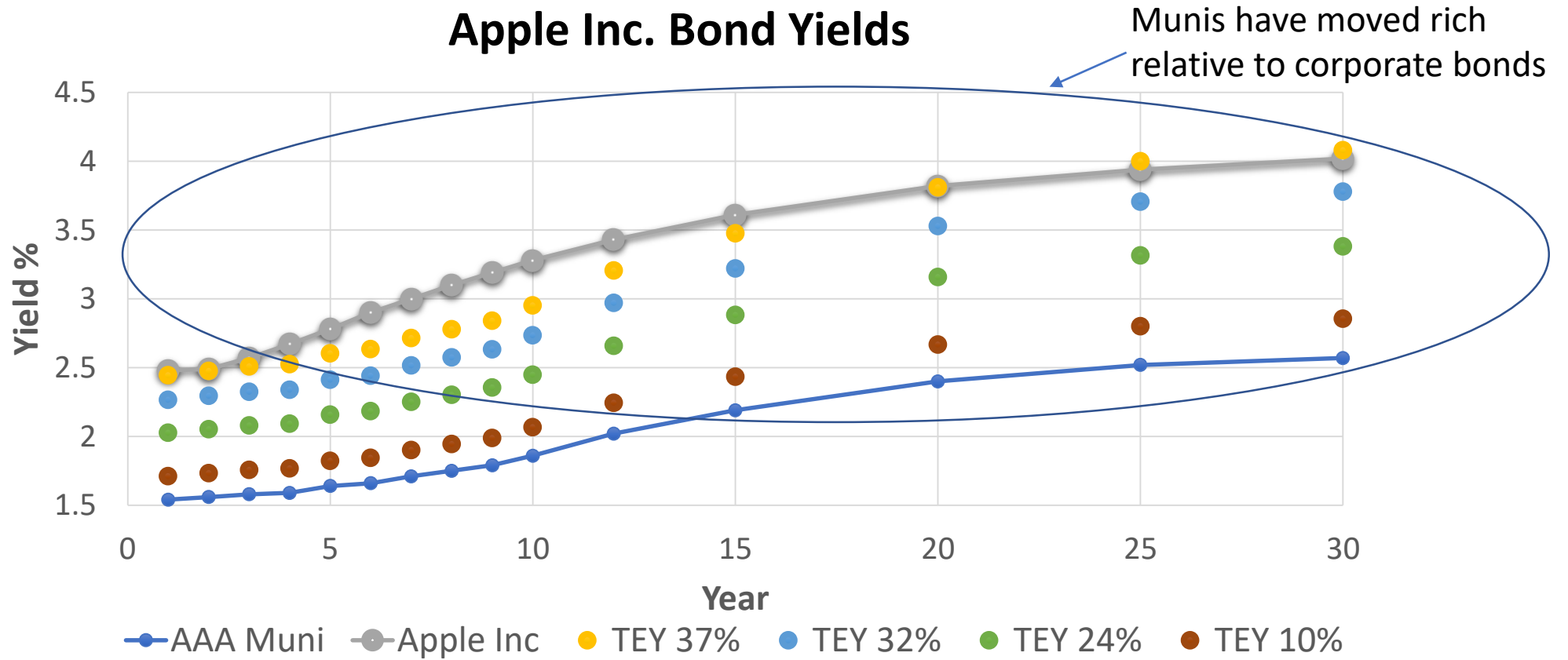
AAA Municipal Bond Yields Relative to UST Yields & S&P 500 Dividend Yield



Sources: [IHS Markit](#) (Municipal bond yields), [S&P Dow Jones Indices, LLC](#) 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 4/30/2019.

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AAA Municipal Bond Yields & Taxable Equivalent Yields v. Apple Inc. Bond Yields



Sources: [IHS Markit](#) (Municipal bond yields) and [Exchange Data International](#) (Apple Inc. bond yields.) Chart is provided for illustrative purposes only. Past performance is not a guarantee of future results. TEY = Taxable Equivalent Yield calculated at assumed tax rates indicated. Data as of 4/30/2019.

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Data Resources Used in this Report

- Municipal bond yields: IHS Markit www.ihsmarkit.com
- Apple Inc. bond yields: Exchange Data International Ltd. (EDI) www.exchange-data.com
- U.S. Treasury bond yields: U.S. Department of Treasury <https://www.treasury.gov>
- Index data: S&P Dow Jones Indices, LLC. www.spindices.com

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Notes:

- **Taxable Equivalent Yield = Tax Exempt Yield / (1 – Federal Tax Rate)**
- **2019 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 owns individual municipal bonds and a municipal bond fund. JR does not own bonds issued by Apple Inc.**

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