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Municipal-Bond Week in Review: Mixed News for Yields.

NEW YORK (AP) — Municipal bond yields jumped in the early part of this past week, only to give back some of the gains after reports showed weakness in U.S. economic growth.

The 10-year yield on the AP Municipal Bond index sat at 1.875 percent, as of 5 p.m. Eastern Time on Friday, up from 1.811 percent a week earlier, but down from its mid-week high of 1.886 percent. That peak represents the highest yield on the 10-year since early June.

Yields on 30-year municipal bonds, meanwhile, rose steadily through the week, climbing to 2.425 percent from 2.307 percent. Yields on muni bonds maturing in two years also tracked higher, to 0.794 percent from 0.741 percent.

The 10-year yield pared its gain after reports showed that U.S. retail sales and industrial production last month were both weaker than expected. That raised expectations even higher that the Federal Reserve will hold off on raising interest rates at its upcoming policy meeting.

Since bond prices fall when yields rise, investors who already own munis took a slight hit this week: The iShares National Muni Bond ETF, the largest municipal-bond exchange-traded fund, saw a one-week loss of 0.4 percent.

In other muni bond news:

— A wider gap

Long-term bonds generally see greater price drops when interest rates rise, so investors typically reap higher yields for owning 10-year versus two-year bonds. That gap, or spread, between two and 10-year munis widened early in the week, hitting 1.1 percentage points, then narrowed as yields fell, ending the week at 1.081 percentage points. That's still a wider gap than it was a week earlier, 1.070 percent.

— A win for active managers

According to a new report by S&P Dow Jones Indices, New York and California muni bond fund managers had some of the best track records when it came to beating their benchmark indexes for the 12 months through June.

Only 28 percent of California municipal debt funds and 30 percent of New York municipal debt funds failed to match the performance of their benchmark index. That compares with 85 percent of fund managers atop large-cap U.S. stocks. The numbers are even worse for other kinds of U.S. stocks, with 88 percent of mid-cap managers and 89 percent of small-cap managers falling short of their indexes.

Associated Press

By Cybele Weisser, For The Associated Press | Fri, Sep 16, 2016 22:11 BST