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Short-Term Munis Are Paying Highest Yields Since December 2007.

- **One-year muni yields topped 3% last week, highest since 2007**
- **Flat curve reduces benefit to investors of investing longer**

The last time one-year municipal bond yields were this high, Alicia Keys was at the top of the Billboard charts, the New England Patriots were on their way to a perfect regular season and George W. Bush was president.

The Federal Reserve's campaign to stamp out inflation has driven yields on top-rated one-year munis to around 3%, close to the highest since December 2007, and investors should take notice, according to Western Asset Management Co.

Not only are absolute yields close to 15-year highs, the muni yield curve is relatively flat, meaning investors on the short-end can reap the benefits of higher-yields without taking much duration risk. Investors buying longer-maturity debt have to deal with bigger price swings if the central bank keeps raising rates and the yield curve moves higher.

Continue reading.

Bloomberg

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