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New York City Debt Offering Shows Attractiveness of Munis.

The 2023 bond comeback is rife with opportunities for fixed income investors. New York City's recent issuance, in particular, highlighted the attractiveness of municipal bonds.

"The City of New York ("the City") announced the successful sale of approximately \$1.56 billion of General Obligation Bonds, comprised of \$1.41 billion of tax-exempt fixed rate bonds and \$151 million of taxable fixed rate bonds," a public <u>press release</u> stated. "Proceeds of the bond sale will be used to refinance outstanding bonds for savings. The transaction achieves over \$108 million in total debt service savings, spread primarily across Fiscal Years 2024 through 2027."

Munis receive praise for their ability to offer fixed income investors with a tax-free alternative. When you combine that with the high yields of today, along with quality debt with low rates, it's a win-win.

"The Big Apple — rated AA by two ratings companies — sold 30-year debt that was priced to yield 4.35%," a Wealth Management article said. "It sounds modest, but with tax adjustments, the richest New Yorkers snapping up the securities earned yields equivalent to 10% taxable debt, an online tool from Eaton Vance Management shows."

That combination of high yield and quality makes munis even more appealing for high-net-worth individuals. The higher the tax bracket, the more beneficial munis become.

"The \$4 trillion municipal bond market is offering elevated yields not seen in years," the article added. "But the state and local debt market has an added allure that other asset classes don't: the income is tax-exempt. That means that the yields on muni bonds are even higher after adjusting for taxes. And the higher your tax bracket, the more attractive the bonds look."

Access to Munis in One ETF

Rather than sifting through countless muni options available on the U.S. market, the Vanguard Tax-Exempt Bond ETF (VTEB) is an easier way for all-encompassing exposure. With a 0.05% expense ratio, the fund offers low-cost exposure to municipal debt. It also offers a 3.45% 30-day SEC yield as of August 10.

VTEB tracks the Standard & Poor's National AMT-Free Municipal Bond Index, which measures the performance of the investment-grade segment of the U.S. municipal bond market. This index includes municipal bonds from issuers, primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes, and the federal alternative minimum tax (AMT).

ETF TRENDS

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AUGUST 16, 2023

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