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Munis Approach Cheapest Level of 2014 Relative to Treasury Debt.

Prices in the $3.6 trillion municipal bond market are close to the cheapest relative to Treasuries this year as investors snap up U.S. government debt as a haven from financial turmoil.

Benchmark 10-year munis yield 2.1 percent, about the same rate as the start of the week, compared with 2.05 percent on similar-maturity Treasuries, data compiled by Bloomberg show. The ratio of the interest rates is a measure of relative value between the asset classes. At about 102 percent, it's close to the highest in a year, signaling that tax-free bonds have weakened relative to their federal counterparts.

Ten-year Treasury yields plunged 0.07 percentage point today as falling crude oil prices damp inflation and growing financial turmoil in Russia fuels demand for haven assets from Germany to Japan. Russia's ruble tumbled even as the central bank increased its key rate to 17 percent from 10.5 percent.

"Geopolitical events like we're seeing today don't always affect munis as strongly as they do Treasuries, and this would be a case in point," said David Manges, muni trading manager at BNY Mellon Capital Markets LLC in Pittsburgh. "Treasury riptides have their own dynamic."

Munis have earned 0.5 percent this month through Dec. 15, on pace for an unprecedented 12 straight months of gains in 2014, Bank of America Merrill Lynch data show.

Individuals added $695 million to muni mutual funds last week, the most in two months, Lipper US Fund Flows data show. The increased demand coincides with dwindling supply: States and cities have set $5.4 billion of sales for this week, down from $14 billion in the prior two periods, Bloomberg data show.

Bloomberg

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