

# **Bond Case Briefs**

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## **Muni Funds Get First Cash Inflow Since April as Bonds Rally.**

Investors added money to municipal-bond mutual funds for the first time since April, snapping an 11-week streak of outflows, as state and local debt leads a rally in the fixed-income market.

Individuals poured \$125 million into muni funds in the week through Wednesday, Lipper US Fund Flows data show. The stretch of withdrawals that began May 6 had been the longest in 18 months. The last inflow was in the week ended April 29.

The \$3.6 trillion municipal market has gained 0.6 percent in July, on track for the strongest return since January, Bank of America Merrill Lynch data show. It's outpacing the rally in U.S. Treasuries and investment-grade corporate debt, which have earned 0.5 percent and 0.3 percent this month, respectively, the data show.

Bond prices have gained amid speculation that the Federal Reserve will begin to raise interest rates at a gradual pace.

Even with the gains, the 2.34 percent yield on benchmark AAA munis compares with 2.25 percent for similar-maturity Treasuries, data compiled by Bloomberg show. The ratio of the two yields, at about 104 percent, is the highest since June 1.

Investors are frequently willing to accept lower yields on municipal bonds because their interest payments are exempt from the federal income tax.

### **Bloomberg**

by Brian Chappatta

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