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Munis Least Attractive to Treasuries Since 2014 as Payrolls Jump.

Prices in the $3.7 trillion municipal-bond market are the most expensive of 2015 relative to Treasuries after U.S. payrolls increased by the most this year, causing yields to jump on federal government debt on bets that stronger employment data will spur the Federal Reserve to raise interest rates.

Benchmark 10-year munis yield 2.18 percent, compared with 2.31 percent on similar-maturity Treasuries, data compiled by Bloomberg show. The ratio is a measure of relative value between the asset classes. It touched 93.7 percent Friday, the lowest since December 2014, signaling that tax-free bonds are pricey relative to their federal counterparts.

Ten-year Treasury yields jumped as much as 0.1 percentage point after a Labor Department report showed the U.S. gained 271,000 jobs, the most this year and higher than all estimates in a Bloomberg survey of economists. Average hourly earnings climbed from a year earlier by the most since July 2009, signaling Fed officials may move forward with a December rate increase.

Muni yields rose 0.05 percentage point to 2.18 percent on Thursday, the largest increase since July, data compiled by Bloomberg show. The figure, which was little changed as of 9:09 a.m. in New York, is the highest since Sept. 24.

The 10-year muni-Treasury ratio was as high as 111.3 percent in March. Over the past decade, the figure has averaged 97 percent.

Bloomberg

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