Bond Case Briefs

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Muni Bonds Winner in 2015; Junk Bonds Big Loser.

Municipal bonds have been the biggest winner in the U.S. fixed-income universe this year, while junk bonds have been the biggest loser.

The report card captures a balancing act among investors during a year of uncertain global growth, punctuated by a sharp decline in oil and other commodities, concerns about a slowdown in China's economy and the Federal Reserve's first interest-rate increase since 2006.

Many investors shed their exposure to corporate bonds sold by lower-rated firms, led by the energy sector that bore the brunt of the bear run in oil.

But with U.S. Treasury yields remaining stubbornly low–contrasting to bond bears' predictions of much higher yields this year–many dabbled into municipal bonds and high-grade mortgage-backed securities, or MBS, to obtain relatively higher income.

U.S. municipal bonds have posted a total return–including price gains and interest payments–of 3.19% this year through Tuesday, according to data from Barclays PLC.

MBS has returned 1.38%, while U.S. government debt has returned 1.03%.

On the losing side: junk bonds posted a negative return of 5.28%. Its sibling–investment-grade corporate debt–had a negative 0.68% return.

Another loser: Treasury inflation-protected securities, with a negative return of 1.8%. Lower oil prices have reduced inflation concerns, which sapped the appeal of financial assets that offer a hedge against higher consumer prices.

The S&P 500 stock index has returned 1.1%–including price gains and dividend payments, this year through Tuesday, according to FactSet.

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