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Muni Yields Tumble Most Since 2012 Amid China Meltdown: Chart

Benchmark 10-year municipal-bond yields extended their steepest decline in almost four years as funds are flush with cash at a time of global market turmoil, boosting the appeal of the U.S. tax-exempt debt's relative safety.



The yield on an index of 10-year AAA rated munis plunged 0.07 percentage point to 1.83 percent on Thursday, data compiled by Bloomberg show. That brings the overall decline in the first four trading days of 2016 to 0.17 percentage point, the steepest drop of any four-day stretch since March 2012.

Individuals added \$2.2 billion to tax-exempt mutual funds in the week through Dec. 30, the most since January 2013, according to Investment Company Institute data. The appeal of munis and other fixed-income assets may grow after concerns that China's slowdown will hamper global growth have wiped \$2.5 trillion off the value of global equities this year.

Munis have earned 0.72 percent already in 2016, outpacing the 0.57 percent return on U.S. Treasuries and 0.58 percent gain on investment-grade corporate debt, Bank of America Merrill Lynch data show. State and local debt outperformed the other assets in 2015.

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