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U.S. Municipal 30-year Bond Extends Record Low Yield for Third Day.

The yield on AAA-rated 30-year U.S. municipal bonds fell for the third consecutive day to an all-time low of 2.27 percent on Thursday, according to Municipal Market Data's benchmark scale.

A surge in municipal bond issuance this week was met by strong demand from investors, many of them foreign buyers being drawn to the market in an attempt to escape negative interest rate policies abroad.

"Munis are the most attractive ugly duck left," said Greg Saulnier, municipal analyst for Municipal Market Data. "Given what foreign money looks like, investors are snapping these up."

Investors this week saw a whopping \$12 billion of new sales enter the market, a high for the year to date.

Municipal market investors have also been encouraged by Federal Reserve Chair Janet Yellen's comments on Monday that rate hikes could be pushed off until later in the year.

The streak of record lows may not be over yet. July is typically the biggest month for principal and coupon redemptions, which will likely again boost demand for municipals.

Over the past two days, the market also saw record low yields on 30-year AAA-rated municipal bonds of 2.36 percent on Tuesday and 2.34 percent on Wednesday.

The yield on AAA-rated 10-year bonds ended Thursday at 1.56 percent, nine basis points above the all-time low of 1.47 percent set in November 2012.

Reuters

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(Reporting By Robin Respaut; Editing by Bill Trott and Dan Grebler)