

# Bond Case Briefs

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## Kotok: High-Quality 4% Long-Term Munis Are a 'Gift' to Investors.

***David Kotok of Cumberland Advisors is finding high-quality, long-term munis with attractive yields.***

David Kotok of Cumberland Advisors wrote an interesting essay Friday titled "Obstruction of Justice and Markets." It's mostly about market reaction to all the uncertainty in Washington.

But there is a nugget near the end where he lays out his investment strategy in this environment that is of particular interest to muni investors. He writes:

The 4%, high credit quality, tax-free bond is a gift to an investor in any higher tax bracket, whether at its present or future level.

It seems Kotok is talking about buying a muni with a 4% coupon — which would be about a 7% tax-equivalent yield for an investor in the highest tax bracket — a gift indeed.

Truth is, those bonds are hard to find and he isn't saying which ones he has located. The yield for a 10-year A-rated Muni averages 2.5%, points out Thomas Byrne of Wealth Strategies & Management. Go out 30-years gets you to 3.5%, although he doesn't recommend buying longer than 15-year bonds.

But there are higher coupon bonds out there. Byrne writes:

It makes sense to look for higher coupon bonds, relatively speaking, as they provide some cushion versus rising rates, particularly callable bonds.

Munis have risen as turmoil in Washington has led investors to seek safety in high quality bonds. The iShares S&P National AMT-Free Municipal Bond Fund (MUB) rose to \$110 in May from trading between \$108 and \$109 for about the three months prior. Friday at 10:30 a.m., it was at \$110.10.

### **Barron's**

By Amey Stone

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