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‘That is Insane’: Muni Yields at the Lowest Since Elvis Was King.

- **The bond market’s oldest yield index hits lowest since 1956**
- **Steady influx of cash into market is keeping a rally going**

The last time municipal-bond yields were this low Dwight D. Eisenhower was the president, Elvis Presley released his second studio album and Grace Kelly married Monaco’s Prince Rainier III.

The Bond Buyer’s 20-year index of general-obligation bonds reset at 2.56% this week, the lowest since June 1956, according to Bloomberg’s records. And for some context, that year some $5.4 billion of new long-term bonds were sold, a sum that’s now considered a somewhat slow week.

The 20-bond index is the oldest gauge of yields in the tax-exempt securities market, started by the newspaper in 1917.

“That is insane,” said Nisha Patel, the director of portfolio management at Parametric, an affiliate of Eaton Vance Management. She said the massive amounts of money that have been flowing into mutual funds have driven down absolute yields, most notably for long-dated debt, as investors hunt for bigger payouts.

“One part of me thinks it’s hard to see how this is sustainable,” Patel said. “But another part says if Treasury yields grind lower, you could see this going down to 2%.”

Albert Jalso, a senior portfolio manager for Russell Investments, said the lower yields may increase the pace of new debt sales. “The state can say ‘hey, rates are lower, we can borrow a little more.’”

That’s the consensus view, with analysts forecasting a potentially record-setting year for new bond issues. Such sales have been met with seemingly boundless demand. Investors added another $2.3 billion to municipal-securities mutual funds in the week ended Wednesday, marking the 54th straight week of inflows, according to Refinitiv Lipper US Fund Flows data.

Patel said investors at some point may stop throwing their cash into the funds because of the “sticker shock” of how pricey — and low yielding — tax-exempt bonds have become.

“We started crossing over into taxables because of the richness,” she said, saying that Treasuries look more attractive in this environment. “It’s just extremely rich.”

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By Danielle Moran and Mallika Mitra

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— With assistance by Joe Mysak

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