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Muni-Bond Yields Jump Over Treasuries for First Time Since 2016.

- **10-year benchmark tax-free debt yields more than Treasuries**
- **'Munis have hit this wall — they just can't go much further'**

Treasuries have rallied so hard that they're breaking their usual link with municipal bonds.

The yield on 10-year Treasuries tumbled 14 basis points Thursday to about 0.92%, pushing it below those on top-rated tax-exempt debt for the first time since late 2016, according to data compiled by Bloomberg. Thirty-year state and local government bonds are yielding 1.54%, roughly the same as Treasuries despite the tax break that usually leaves investors willing to accept far lower payouts.

Those ratios — a closely watched gauge of relative value — show how much the concern about the toll of the coronavirus has upended the dynamic in the bond market. As recently as mid-January, municipal bonds were trading at near record high prices when compared with Treasuries as cash flooded in and governments didn't sell debt fast enough to keep up. But that has shifted dramatically this week, as Treasuries kept rallying and municipal debt held relatively steady — in part because absolute yields may have tumbled so much that the individual investors who are the major buyers may be resisting.

"Munis have hit this wall –- they just can't go much further because it's a retail dominated market," said Nisha Patel, a director of portfolio management at Parametric Portfolio Associates who shifted out of munis in January but is now wading back in. "Given the ratio level we would rather be in munis than Treasuries because munis are so much cheaper right now."

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By William Selway and Danielle Moran

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