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[Municipal Bond Market Starts the Year Strongly.](#)

The municipal bond market is starting 2021 on a strong note amid robust demand, light supply of new issues, and expectations of fiscal relief for state and local governments as well as potentially higher income taxes with full Democratic control in Washington.

A key indicator of tax-exempt bond demand, the yield ratio of 10-year triple-A munis relative to the 10-year Treasury note, stands at 66% and is at its lowest level in 20 years. The ratio began the year at around 75% after peaking at over 200% during the market turmoil last March. It has averaged close to 100% over the past 20 years.

The current ratio means that even investors in the top 37% federal tax bracket are getting little benefit to owning munis relative to Treasuries.

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