Bond Case Briefs

Municipal Finance Law Since 1971

Muni Credit Plays Defense When Rates Rise.

Summary

- Historically, when Fed rate hikes spurred higher yields, BBB-rated municipals beat US Treasuries and AAA-rated munis.
- In our estimation, a five-year, AA-rated muni would see 0% returns if yields were to rise just 15 basis points, while yields would have to rise nearly 50 basis points for the return on a 20-year, BBB-rated muni to drop to zero.
- When economies improve, yields tend to rise. And when yields go on offense, muni credit has offered muni investors a powerful defense.

Continue reading.

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