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Quick Shot: Municipal Ratios are Close to the Highest Level of 2024.

Municipal bonds are issued by state and local municipalities, and as such, can provide investors with federal tax-free income. The bonds are backed by taxes, revenues linked to the projects they are funding or as a general obligation of the municipality itself.

Because of their tax-advantaged characteristics, municipal bonds often have yields lower than U.S. Treasury bonds, which are backed by the U.S. government. As such, municipal bonds are often evaluated as a percent of the yield you get on a comparable U.S. Treasury. This is often used by investors as a valuation metric for the asset class: The higher the figure, the “more discounted” municipal bonds are relative to Treasuries.

Recently, municipal ratios have risen to their highest levels of 2024, indicating potential value for U.S. taxpayers. Yields as percent of 10-year Treasuries reached 70% from their tights of 57% in March. Municipal yields get more attractive as supply is increased (more supply = higher yields to entice investors to fund sales). So far this year, municipalities have issued $315 billion, which marks the highest sales at this point of the year in a decade.

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