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Munis Top Stocks on Value by the Most in Decades, MacKay Says.

Takeaways

- MacKay Municipal Managers found that after accounting for taxes, muni yields exceed the S&P 500 earnings yield by about 244 basis points, according to a new report.
- The firm said that “a positive spread of this size suggests that municipal bonds are trading at their most attractive relative value to equities in over two decades”.
- David Dowden, managing director and portfolio manager at MacKay Municipal Managers, said that investors can get close to the returns expected from stocks after considering taxes, and he is seeing buying opportunities in the investment-grade sector.

Tax-exempt municipal bonds are offering compelling value compared to equities, according to a new report by MacKay Municipal Managers.

The firm, the muni investment arm of MacKay Shields, found that after accounting for taxes, muni yields exceed the S&P 500 earnings yield by about 244 basis points, a gap not seen since 2001-02. The earnings yield, often used as a proxy for what shareholders earn on stocks, has fallen as equity valuations climb.

Continue reading.

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