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New York Municipal Bonds: A Strategic Entry Point in a Tax-Exempt Gold Rush

Summary

- New York municipal bonds offer 5% tax-exempt yields, translating to 8.45% taxable-equivalent returns for top tax bracket investors, with 30-year muni-Treasury spreads at historic 95% levels.
- Steepening yield curves and \$2.8B in Green Bonds create a 30-basis-point edge over Treasuries, while ESG alignment and competitive pricing reduce risk for long-duration holdings.
- Strong state credit fundamentals contrast with NYC's near-term budget gaps and OBBBA-driven Medicaid cuts, urging focus on AAA-rated GO bonds and avoidance of high-yield, sector-specific risks.
- Strategic allocation (30-40% in 10-30Y bonds) maximizes yield advantages, though rising \$256B issuance and sector vulnerabilities demand caution on spreads and credit quality.

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