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The Strategic Case for Extending Duration in Municipal Bonds Amid Escalating Treasury Volatility and Trump-Era Uncertainty

Summary

– Municipal bonds offer 4.73% tax-exempt yield (6.1% effective return) via NMI ETF, outperforming Treasuries by 200 bps in 10–20-year durations.

– Declining Treasury bid-to-cover ratios (2.35–2.53) and flattening yield curves highlight structural fragility, pushing investors toward short-duration assets.

– Duration extension in munis leverages 50 bps steeper yield curves and inflation hedges, with lower equity correlation (0.35) amid Trump-era policy risks.

– Strategic blends of long-duration munis (3.96% yield-to-worst) and short-maturity ETFs like MEAR (3.30%) balance yield capture with risk mitigation.

Continue reading.

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