



Municipal Yields Inch Higher

- Municipal bonds experienced their first negative week of 2020 as new issue supply pressure and a risk-on background pushed yields modestly higher. Approximately \$7.85 billion of tax-exempt issuance is expected this week, which is well north of the \$4.5 billion year-to-date weekly average.
- The curve remains historically flat at 32 basis points (bps) from one to 10 years compared with 53 bps one year ago and 139 bps three years ago. Credit spreads are extremely compressed as lower-quality bonds have outperformed throughout this rally. Year-to-date, the BBB-rated segment has returned 1.54% compared to 0.88% for AAA-rated. Illinois GO (Baa3/BBB-) spreads are currently 97 bps in 10 years, in from a high of 143 bps in the last three months.
- This week will be the first week of a more normal-sized new issue calendar headlined by a \$1 billion New York City GO (Aa1/AA) deal. This should give us a good idea of how strong demand is given that this is a widely-held credit that historically trades cheaper than other NY credits.

10-Year AAA Municipal Yield



Source: Bloomberg

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