



Bonds Have Lost Some Recent Ground

Bonds have lost ground in the past month, meaning that yields have gone up and thus values have gone down. That happens as the economy and news headlines move the values back and forth like a porch swing in a slow breeze. What’s a little unusual is that yields and values usually adjust depending on the maturity, or the year along a 30-year yield curve. A 30-year bond would normally move more in yield than a 2 or 5 year bond.

The extra risk for time usually makes the longer bonds move more. Not this past month. This past month a 2-year AAA Municipal Bond, according to the Bloomberg Value Index, was yielding 0.87% at the lowest point, and today it yields 1.04% or 17-basis points higher. The 30-year Bloomberg Value Index was a low of 2.67% and is today a 2.84% for a 17-basis point move or exactly the same as the 2-year maturity. The yield curve in its entirety rose like boats at high tide.

	AAA Bloomberg BVAI Index			Treasury		
	Low	Today	Change	Low	Today	Change
2-Year	0.87	1.04	17-bsp	1.29	1.41	12-bsp
5-Year	1.19	1.39	20-bsp	1.71	1.95	24-bsp
7-Year	1.43	1.63	20-bsp	1.94	2.21	27-bsp
10-Year	1.82	2.02	20-bsp	2.12	2.37	25-bsp
15-Year	2.27	2.49	22-bsp	<i>there is no 15-year benchmark TSY</i>		
30-Year	2.67	2.84	17-bsp	2.68	2.9	22-bsp

Treasury yields have moved a little higher in yield across the curve than municipals, which has the effect of reducing the percent to Treasuries. As such, allowing municipal bonds to hold their value a bit more. We expect this move to continue for a while into summer, but slowly.

If you remember last summer, all bonds lost value and rather quickly after July 6, as we headed down the home stretch of the presidential election and faced the uncertainty of Brexit, but can we cross those market conditions off our radar now. We’re back more basic economic concerns and Fed watching.

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