



Chart of the Month

We are rolling into Spooky Season, and the bond market is showing some signs of fright with rates continuing to rise. Investors should not be tricked into fear, but rather, consider how this changing environment may be a treat for their long-term wealth objectives!

As our Investment Team detailed in *The Bond Market Awakens* website article, there has been a resurgence in rates throughout 2026. As we watch this development continue to unfold, one asset class that has moved alongside climbing rates is municipal bonds (“munis”). Just as the U.S. government issues debt via treasuries, state and local governments issue debt commonly referred to as “munis.” The key differences between federal debt (treasuries) and state/local debt (munis) are the taxability, risk of default, and supply and demand dynamics.

Key Attributes	Treasuries	Munis
Taxability	Federally taxable; state tax-exempt	Generally, federally tax-exempt; state tax treatment varies (in-state or out-of-state)
Default Risk	Generally considered free of default risk; often termed “risk-free”	Credit risk varies by issuer, revenue source, security structure, and/or the project being financed
Supply	Federal government borrowing needs	Infrastructure and capital projects, refinancing, and other needs; issuance can be seasonal
Demand	Broad global buyer base	Primarily U.S. investors; heavily influenced by tax rates, valuations, and sentiment

This leads us to our Chart of the Month, leaning into the rising rates narrative to illustrate just how far high-quality muni yields have risen. While muni and Treasury yields do not move 1-for-1 with one another, movements in treasury yields can have an important influence on the direction of muni yields. As was illustrated in *The Bond Market Awakens*, treasury yields are near their two-decade highs, dating back to the time before the Global Financial Crisis in 2008. The same can be said for longer-term municipal bond yields.

20-Year AAA Municipal Bond Yields



SOURCE: Bloomberg, L.P. Data as of 9/30/2026. Yields based on Bloomberg's BVAL baseline curve for AAA tax-exempt munis with a rating of AAA.

The chart shows the prevailing yield on a 20-year AAA Muni, recently surging to a new post-GFC high that briefly touched 5%. AAA is simply a reference to the credit quality of the bond, with AAA being considered the highest quality. As investors look further down in quality, the yields available to them would generally be higher in order to compensate for the greater credit risk.

Because interest from muni bonds is exempt from federal income taxes, one common way to gauge their attractiveness is to put their yields on equal footing with taxable assets. For an investor in the top 37% federal income-tax bracket who is also subject to the 3.8% Net Investment Income Tax (NIIT), a 4.92% tax-exempt municipal yield equates to an 8.31% taxable yield. Because individual tax circumstances vary, tax-equivalent yield can be calculated at other federal tax rates using: $\text{Current Yield} / (1 - \text{Tax Rate})$.

The changing dynamics across the bond market are worth monitoring as yields have reached levels not seen consistently for nearly 20 years. Munis are only one area to consider, but today's higher yields may warrant a fresh look at your financial plan with your advisor to determine whether they can play a role in supporting your broader wealth objectives.

SOURCE: BLOOMBERG 2026

		September	YTD	2025	ETFs/Benchmarks
Stocks	UNITED STATES	-0.4%	12.7%	17.8%	SPDR S&P 500 ETF (SPY)
	INTL DEVELOPED	-3.3%	10.0%	31.4%	ISHARES MSCI EAFE ETF (EFA)
	EMERGING MARKETS	-0.4%	22.8%	33.3%	ISHARES MSCI EMERGING MARKETS ETF (EEM)
Bonds	US INVESTMENT GRADE	-2.6%	-2.8%	7.2%	ISHARES CORE U.S. AGGREGATE BOND ETF (AGG)
	US MUNICIPALS	-3.8%	-3.7%	3.7%	ISHARES NATIONAL MUNI BOND ETF (MUB)
	INTL INVESTMENT GRADE	-0.9%	-0.4%	3.1%	ISHARES COARE INT'L AGGREGATE BOND ETF (IAGG)
	GLOBAL HIGH YIELD	-3.1%	-1.4%	14.6%	ISHARES GLOBAL HY CORP BOND UCITS ETF (HYLD)
	EMERGING MARKETS \$	-3.6%	-2.1%	13.4%	ISHARES JP MORGAN USD EM BOND ETF (EMB)
Other	COMMODITIES	5.2%	48.0%	6.3%	ISHARES GSCI COMMODITY DYNAMIC ROLL ETF (COMT)
	GOLD	-6.3%	-3.7%	64.6%	GOLD NEW YORK SPOT (\$/OZ)
	OIL	5.4%	57.5%	-19.9%	CRUDE OIL WTI/GLOBAL SPOT NYMEX

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