

Yield Book for Municipal Bonds

Bringing together Mergent Terms & Conditions (T&Cs), MMD yield curves, FTSE index data, and Yield Book analytics

For over 30 years, Yield Book has been a trusted source for in-depth fixed income risk analytics and complex portfolio analysis, offering extensive solutions for analyzing municipal bonds to support clients’ needs and help them meet their business critical deadlines. Users can access Yield Book municipal bond analytics, Refinitiv MMD yield curves, and Mergent T&Cs data flexibly and interactively via Yield Book Batch, API or Microsoft Excel® Add-In. Yield Book is also the analytics engine behind the calculation of yield, duration, and option adjusted spread measures for FTSE Municipal bond indexes.

Extensive municipal bond coverage and integrated terms and conditions

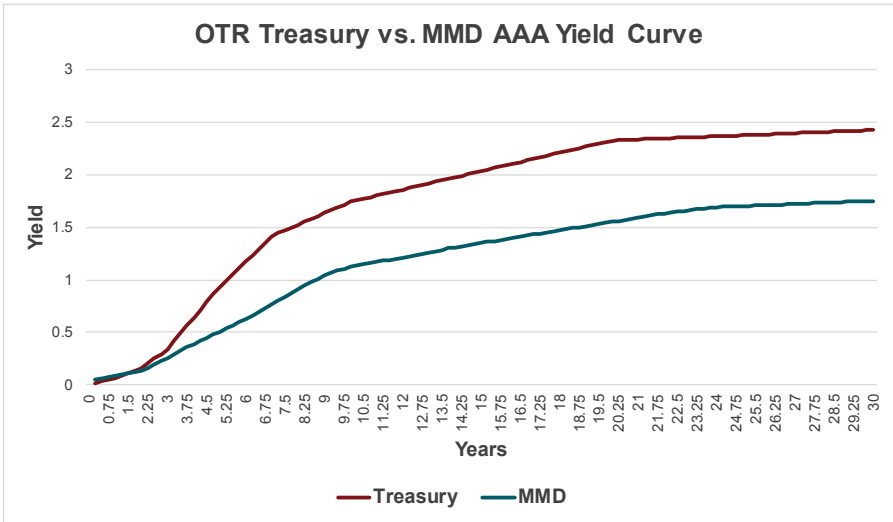
Yield Book offers comprehensive coverage across the global fixed income universe including governments, corporates, municipals, mortgages, cash instruments, and derivatives. Our municipal bond universe is powered by the LSEG Mergent database and provides access to approximately 4 million securities across 62K issuers. It includes issuer information, maturity, coupon, ratings, industry classification and dozens of other data fields for fixed and floating municipal bonds.

Yield Book suite of analytics:
• User defined pricing inputs and settings
• Nominal and Option-adjusted measures
• Tax-adjusted analytics (Yield, OAS, effective and partial durations)
• Flexible scenario and risk analytics

Access integrated Yield Book and Refinitiv municipal market data (MMD)

Refinitiv MMD yield curves, the industry-standard method of municipal bond benchmarking and research, are available within Yield Book for users to access for their analytical needs:

Portfolio indexing	MMD yield curves serve as a proxy for portfolio indexing and are used to gauge performance by ratings, sectors or against specific bonds.
Interest rate risk	Compare municipal bonds to corporate bonds or U.S. Treasury bonds.
Market risk	View day-to-day fluctuations in bond prices/volatilities.



Source: Yield Book, TM3, March 31, 2021

Yield Book for Municipal Bonds

Accurate tax adjusted analytics

Given the tax considerations and unique dynamics of the municipal bond market, traditional bond analytics may not accurately capture market behavior. To improve upon traditional bond analytics for the muni market, Yield Book offers tax-adjusted metrics for improved accuracy in the analysis of your municipal bond universe.

Our coverage of tax-adjusted analytics includes:

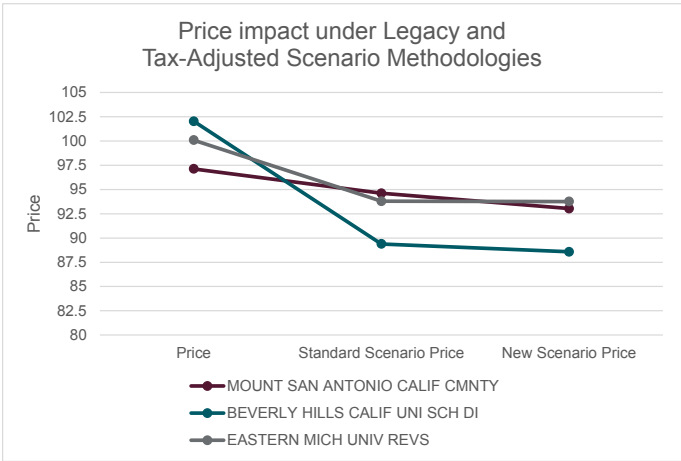
- Tax-adjusted Yield
- Tax-adjusted OAS
- Tax-adjusted Effective Duration
- Tax-adjusted Partial Durations

Tax-adjusted scenario analysis

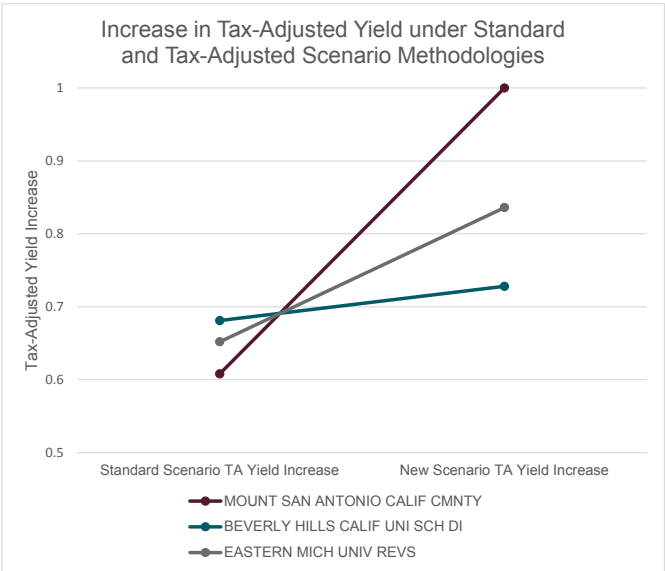
Tax-adjusted scenario analysis allows users to apply granular shocks to interest rate levels, shapes and timing while shifting bond Option Adjusted Spread (OAS) on a tax-adjusted basis. Municipal bonds have greater sensitivities to changes in interest rates than those shown by traditional duration metrics. This is due to a potential tax liability at redemption if the bond price falls beneath par.

For illustration, we increased interest rates by 1% in the charts below to see the impact on the bond prices and tax-adjusted yields under the standard versus new tax-adjusted scenarios methodologies. Note that the standard approach does not always adequately capture the increase in the tax-adjusted yields after an increase in interest rates. The new tax-adjusted scenario methodology does this more accurately and accounts for greater interest rate sensitivity:

Price impact under Standard and Tax-Adjusted Scenario Methodologies (August 2019)



Increase in Tax-Adjusted Yield under Standard and Tax-Adjusted Scenario Methodologies



Source: Yield Book. For illustrative purposes only.

Yield Book for Municipal Bonds

Tax-Exempt Municipal Bond Index

Yield Book analytics supports the FTSE US Municipal Tax-Exempt Investment-Grade Bond Index that measures the performance of the investment-grade tax-exempt municipal bond market. The index includes US Dollar-denominated bonds (semi-annual fixed-rate or zero-coupon) issued by a US state, municipality, territory or county. It includes General Obligation bonds, Revenue bonds and Double-Barrel bonds.

FTSE US Municipal Bond Index Market Coverage						
Sub-index	Market Value (USD, \$bn)	Weighting (%)	Index Credit Rating	Yield to Maturity (%)	Effective Duration	OAS
AAA	237	19.49	AAA	2.52	5.63	43.19
AA	621	51.11	AA	2.76	5.78	54.02
A	277	22.78	A	3.08	5.74	79.06
BBB	80	6.61	BBB	3.57	6.00	139.82
1-3 Years	115	9.42	AA	1.21	1.87	10.20
3-5 Years	114	9.41	AA	1.43	3.41	16.36
5-7 Years	107	8.83	AA	1.81	4.56	21.93
7-10 Years	151	12.38	AA	2.35	5.40	36.43
10+ Years	729	59.96	AA-	3.57	6.99	90.63
General Obligation	354	29.14	AA	2.50	5.38	50.35
Revenue	862	70.86	AA-	2.98	5.91	68.60
FTSE US Municipal Bond Index	1,216	100.00	AA	2.84	5.76	63.29

Source: FTSE Russell. Data as of 05/31/2019

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