



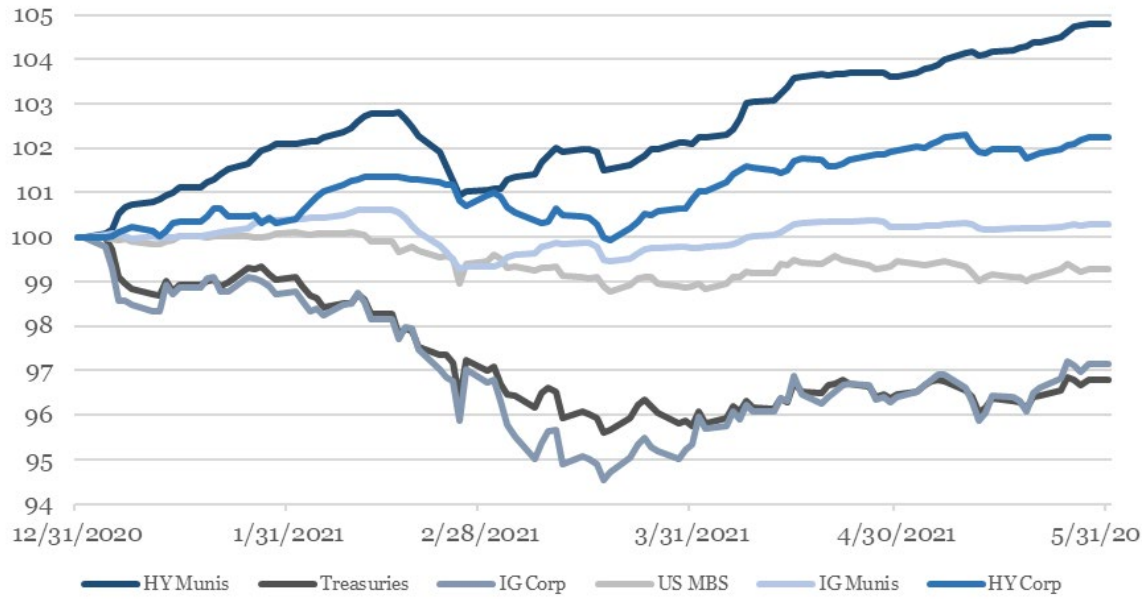
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Market Comment

The Chicago Board of Education¹ (CBoE), the governing unit that oversees Chicago's 638 public schools, is the top high yield municipal bond issuer by market weight. Its \$8 billion of debt (versus a \$7 billion operating budget) accounts for 5.3% of the Bloomberg Barclays Municipal High Yield Index. Of late, the financial standing of CBoE has markedly improved due to a \$1.8 billion infusion of cash from the American Rescue Plan. Combined with the \$1 billion of aid from the CARES Act and December Consolidated Appropriations Act, CBoE now benefits from a substantial amount of insurance against any meaningful reduction in revenues over the near future. As a result, Moody's recently upgraded the issuer's general obligation bonds to Ba3 citing the "very sizable infusion of federal funds from several rounds of pandemic relief aid." The bonds are up +5.2% year to date.

Similar stories are playing out across the high yield municipal universe, with the sector standing out as a bright spot among what is turning out to be an otherwise dismal year for fixed income (Fig. 1). High yield municipal bonds have generated a 7.6%² tax equivalent total return versus Treasuries of -3.2% through May. Record federal aid has boosted the liquidity of these lower rated issuers and financial metrics have strengthened. The supply-demand imbalance has played an equally important role in the rally, as investors facing potential future higher tax rates clamor for juicier, tax advantaged yields. Although spreads have come in, we note that the high yield municipal index's current yield to worst of 3.27% is roughly 2.4x greater than a similar duration investment grade municipal bond, offering attractive relative value. With these dynamics likely to persist near term, we maintain a favorable view on our overweight to the sector within our tax-exempt bond program.

Fig. 1: Select Fixed Income Sub-Sector Year to Date Performance



Sources: Bloomberg, Mill Creek

Reminder: Mill Creek Tax & Public Policy Panel

MILL CREEK

Tax & Public Policy Panel

Tuesday, June 8
10 AM ET

Libby Cantrill, CFA
Managing Director,
Head of Public Policy
PIMCO

Michael James
Principal,
Personal Financial Services
PwC

Tom Chapin, CFA
Chief Investment Officer
Mill Creek

Michael Crook, CAIA
Deputy Chief Investment Officer
Mill Creek

Join us for our tax and public policy panel tomorrow, June 8. We will host industry experts who will weigh in on the Biden Administration's tax policies and discuss how it will impact your portfolio. Guest panelists include Libby Cantrill, Managing Director, Head of Public Policy at PIMCO and Michael James, Principal, Personal Financial Services at PwC.

Moderator:

- **Michael Crook, CAIA**, Deputy Chief Investment Officer, Mill Creek

Panelists:

- **Tom Chapin, CFA**, Chief Investment Officer, Mill Creek
- **Libby Cantrill, CFA**, Managing Director, Head of Public Policy, PIMCO
- **Michael James**, Principal, Personal Financial Services, PwC

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[Register here](#)

Benchmark Performance

Benchmark Performance by Asset Class						
Benchmark Returns	One Week	Year to Date	1 Year	3 Years	5 Years	10 Years
Global Equities	0.8%	11.6%	37.8%	13.6%	14.3%	10.0%
US Equities	0.6%	13.0%	41.1%	17.7%	17.4%	14.8%
International Equities	0.7%	11.2%	32.5%	8.2%	10.0%	6.1%
Emerging Market Equities	1.6%	7.7%	42.6%	9.0%	13.7%	4.3%
US Taxable Bond Market	0.1%	-2.2%	0.2%	5.3%	3.1%	3.3%
US Municipal Bond Market	0.1%	0.4%	2.8%	4.0%	2.7%	3.0%
Hedge Fund Index	0.1%	3.5%	12.8%	4.1%	4.2%	1.7%
Diversified Commodities	2.0%	21.3%	47.3%	3.2%	2.8%	-4.8%
Gold	-0.6%	-0.4%	10.4%	13.5%	8.7%	2.1%

Key Rates (as of stated date)	6/7/21	1/7/21	6/7/20	6/7/18	6/7/16	6/7/11
US 10-Year Treasury	1.6%	1.1%	0.9%	2.9%	1.7%	3.0%
Barclays Aggregate Bond Index	1.5%	1.2%	1.4%	3.3%	2.1%	2.7%
BBarc Muni 1-10Yr Blend (1-12) Index	0.6%	0.6%	1.1%	2.2%	1.4%	2.1%

Sources: Bloomberg, Mill Creek. Returns for periods greater than one year are annualized. Benchmark rates are yield-to-worst.

This week's contributor(s): Nora Pickens, CAIA and Sam McFall, CFA, CAIA

Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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