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Nasdaq: Why Munis Will Stay Solid.

One of the most popular fixed income assets for wealthy US investors are municipal bonds. Their tax exempt status has made them continually popular, but what will their fate be during a period of rising rates? There are currently fears that tax cuts and rising rates will wound the sector, but one top financial advisor says the muni sector “will retain its rightful position as a place where wealthy Americans protect their wealth”. Despite rising rates there will be lower issuance this year, which will protect the sector. Additionally, tax cuts for the wealthy will be modest, and not really enough to damage munis. “They will still be a relative value compared with other fixed-income, high-grade asset classes”.

FINSUM : We suspect munis will continue to have a high degree of demand, and if issuance stays low, then those are two important supportive factors. However, some municipalities are facing big budget and pension issues, which could pose a risk.

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