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Why Wall Street's Muni-Bond Desks Welcome the Tax-th--Rich Push.

- **Presidential hopefuls' plans include higher rates on wealthy**
- **Higher rates would likely boost demand for tax-exempt debt**

Politics aside, one corner of Wall Street is likely welcoming Democrats' talk of raising taxes on the rich.

Higher rates tend to be a good thing for the $3.8 trillion state and local government bond market, a haven for investors looking for income that's exempt from federal taxes. And progressive Democrats looking to define their party's platform ahead of next year's presidential election have made boosting rates on the wealthiest Americans a key part of their agenda, seeking to seize on discontent with rising income inequality.

If history is any guide, that might provide a boost to returns, at least temporarily. Municipal bonds outperformed Treasuries soon after the election of Bill Clinton, who raised the top marginal rate in 1993, according to Bloomberg Barclays indexes. The same thing happened under Barack Obama, when the expiration of previous cuts for the highest earners in 2013 was followed by a run of outperformance.

Continue reading.

Bloomberg Markets

By Danielle Moran and Claire Ballentine

February 4, 2019, 10:28 AM PST