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U.S. Muni Bond Funds Post Record Inflows in 2019 - Lipper

Investors seeking to dodge risk and ease their tax burden poured a record $94.05 billion into U.S. municipal bond funds in 2019, according to preliminary data from Refinitiv Lipper on Thursday.

Last year's fund flows beat the previous record set in 2009 when they totaled $81.06 billion, said Tom Roseen, who heads research services at Lipper, which has been collecting weekly net flow data since 1992.

Chris Mier, a managing director at Loop Capital Markets, said a lot of cash was exiting "risky" equity funds in 2019 for "less-risky" muni funds, which hold bonds sold by states, local governments, schools and other issuers.

The federal Tax Cuts and Jobs Act of 2017, which capped deductions of state and local taxes (SALT) at $10,000, has also increased the popularity of tax-exempt municipal debt.

"The (act) stoked demand for tax-advantaged investments given the increased tax burden faced by many taxpayers from the 'SALT states,' which imposed greater tax burdens," Mier said.

In the most recent week, which ended Jan. 1, muni bond funds reported $280.6 million of net inflows, Lipper said. Flows have been positive since the week that ended Jan. 9.

Meanwhile, debt issuance in the U.S. municipal market totaled $406.5 billion in 2019, a 27% increase from 2018, according to Refinitiv data released on Thursday.

Lower interest rates spurred a 54% increase in bond refundings, which totaled just over $155 billion. The state of California was the year's biggest debt issuer, selling nearly $9.49 billion of bonds, followed by the New York State Dormitory Authority with $8.84 billion of bonds.

Bank of America Securities was 2019's top underwriter of municipal bonds, followed by Citigroup, Refinitiv reported.

Reuters

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(Reporting by Karen Pierog in Chicago Editing by Matthew Lewis)