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Credit Backdrop Adds to Muni ETF Appeal Amid Bank Drama.

As though rising rate volatility and recession fears weren't concerning enough for investors, the last week's bank run drama and instability has all eyes on the risk of contagion to the broader economy. That has investors looking to safer options, and for those investors who are put off by rapidly falling yields in Treasurys, it may be the right time to consider how a muni ETF can play an important role in recession proofing portfolios in 2023.

When talking about munis, market watchers will be well aware of how badly they performed last year — what investors may not know, however, is that municipal bonds have a strong tendency to bounce back after a tough year. Not only do munis tend to rebound, they're also seeing a solid, stable credit backdrop thanks to unspent Federal aid and record reserves.

That may add to munis' strength as a bulwark, less impacted by the bank situation than Treasurys have been while still looking at the financials sector with caution in mind. Three different muni ETF categories ranked in the top fifteen ETF categories on YCharts based on one month returns, as well, suggesting recent strength and durability for the category.

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