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Closed-End Muni Funds Now Trade at Biggest Discount in 18 Years.

Closed-end municipal bond funds have been hammered during the recent selloff in fixed-income markets and now trade at the widest discounts to their asset value in the past 18 years.

Big funds—such as the $2.8 billion Nuveen AMT-Free Quality Municipal Income Fund (ticker: NEA), at around $9.66, and Nuveen AMT-Free Municipal Credit Income Fund (NVG), at about $10.35—are trading at 16% to 17% discounts to net asset value.

Over the past year, the average muni closed-end fund discount has been closer to 10% and the long-term average is around 5%.

The Nuveen AMT-Free Quality Municipal Income Fund yields 4.3% while the Nuveen AMT-Free Municipal Credit Income Fund, which has a sizable chunk of its assets in bonds with lower credit ratings or none at all, yields 5%. The average muni closed-end fund yields almost 5%.

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Barron's

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