

# **Bond Case Briefs**

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## **Nuveen Sees Opportunity In Water Munis.**

Nuveen is touting water utility municipal bonds as an investment opportunity, projecting that water infrastructure will require an investment of about \$1.2 trillion over the next 20 years.

Federal spending cuts will put more pressure on local municipalities to borrow money to fund the projects, according to Margot Kleinman, head of research for Nuveen Municipals and co-author of a new white paper on the topic.

“Of course if you have less money coming from the federal government, or from the states directly to these water utilities ... those utilities will likely need to borrow more money in the muni market,” she said in an interview.

The need for water in drought-prone areas of the West Coast will also add to the demand for more infrastructure, according to Kleinman.

Also, the Environmental Protection Agency (EPA) under the Biden administration limited the concentration of so-called PFAS (per- and polyfluoroalkyl substances, also known as “forever chemicals”) in drinking water, impacting about 15% of U.S. utilities in the Midwest and Northeast, she wrote in the report.

Municipal bonds are enjoying historically high yields, with the Bloomberg Municipal Bond Index yielding around 4% on a yield-to-worst basis.

“If you think about the level of yield for such a safe sector, it’s really something that we believe can be an attractive place for investors to put their money to work right now,” she said. “Water and sewer credits are one of the quintessential muni bond sectors [and] are essential services and monopolistic providers.”

The securities also are resistant to market volatility, she said.

“Water bonds, which are a very safe segment of the muni market, are often elevated yields for a segment of the market where investors can have confidence that these credits are likely to remain stable, have low default rates, and are less likely than some other areas of the market to be impacted by the uncertain economic environment or tariffs,” she said.

### **Financial Advisor**

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