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Muni Market Holds Up Well During Hurricane Onslaught.

The municipal bond market actually rose last week, even as Hurricane Irma fears and the reality of Hurricane Harvey's path of destruction gripped the country.

The iShares National Muni Bond ETF (MUB) rose 0.38% last week bringing its total return to 4.8% year-to-date.

Much of that gain came because interest rates fell as investors rushed to safe haven government bonds. The The iShares 7-10 Year Treasury Bond ETF (IEF) rose 0.82%.

On Monday morning, when Irma passed through Florida without wreaking as much havoc as feared, the pattern was reversed. Rates were rising and munis were down, but by less than Treasuries.

IEF was down 0.5% to $108.13 at 12:30 p.m. ET, while MUB was down 0.13% to $111.51.

CreditSights' Pat Luby highlights these points Monday:

- Munis rallied last week, but underperformed Treasuries.
- On a relative basis, munis are cheap to Treasuries in the 5, 10 and 30 year spots.
- Muni trading volume last week was the slowest since the week of July 4th.
- The new issue calendar has picked up, with $7.4 bn scheduled for this week, including 20 long-term issues of $100 mn or more.
- Last week was the 9th week in a row with positive muni fund flows, but YTD flows are down 53% versus the same period last year.

And here's how Wilmington Trust summed up last week's muni market action:

> Despite worries over the potential damage caused by hurricanes Harvey and Irma, the tax-exempt municipal bond market forged ahead over the holiday -shortened week, to deliver the best return in seven weeks. In fact, last week ranked twelfth of thirty-six thus far in 2017. Certainly the risk-off tone prompted by the goings on in North Korea, and the consequent rally in the benchmark 10-year U.S. Treasury note helped move municipal interest rates lower. Per se, we think it entirely reasonable for domestic fixed income markets to begin the upcoming week with a positive tone. The new issue calendar for the next five days is heavier than last week's, as we would expect, but supply is running behind 2016 year-to-date levels, and demand appears strong enough to absorb it.

Barron's

By Amey Stone

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