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Evaluating Municipal Debt Instruments Using Muni Bond Indices.

Like other capital markets, municipal debt markets are made up of a wide array of debt instruments and serve investors from all walks of life. Whether you are a conservative investor looking for principal protection while earning enough to keep up with inflation or a moderate risk taker who might be looking for high returns on your municipal debt portfolio, you'll find many debt instruments to fit your profile.

Similarly, these various debt issues are unique in their own way with differing characteristics like the risk profiles associated with their credit quality and the duration of their potential returns. To help investors compare and evaluate their potential investments, these characteristics are summed up into benchmarks and market indices.

These benchmarks are quite helpful for issuers and investors in evaluating a debt instrument's yield and comparing that to a particular sector or the municipal debt markets as a whole.

In this article, we will take a closer look at a bond index, its composition, its uses and how it can provide a competitive edge to an informed investor.

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