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It's Trump, Not Just the Fed, Driving the Short-Term Muni Frenzy.

- **One trader says investments timed for 2020 presidential vote**
- **Democrat victory could trigger rollback to Trump's tax changes**

It's not just rising rates. It's Trump, too.

That's what Jason Ware, head of trading at 280 CapMarkets in San Francisco, offers as an explanation of short-term municipal bond yields, some of which are holding near a four-year low relative to Treasuries.

The high demand for debt maturing within three years is typical at a time when the Federal Reserve is raising interest rates and investors are seeking a refuge from price declines.

But many buyers are timing their investments to what they expect to be the end of Trump's presidency after the 2020 election, Ware said in an interview. They think that Trump's policies affecting municipal bonds, such as the limit on state and local tax deductions and the ban on a type of refinancing, would be vulnerable to rollbacks. The short maturities mean they will get their cash back to invest elsewhere.

"If Trump is out of office and a Democrat is elected, some of this will be reversed," he said, adding that he doesn't necessarily share that view. "There is a thought out there that will take place."

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By Romy Varghese

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— With assistance by Amanda Albright