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Big Bet Made on Largest Municipal-Bond ETF After Powell Speech

- **BlackRock's muni ETF saw \$149 million purchase on Wednesday**
- **Purchase pushed trading in the fund to the most on record**

Federal Reserve Chairman Jerome Powell's dovish comments appear to have led one investor to make a big bet on the largest municipal-bond exchange traded fund.

Around 1:30 p.m. on Wednesday, shortly after Powell's speech raised speculation that the central bank is closer than previously thought to pausing its cycle of interest rate hikes, an investor bought \$149 million worth of shares of BlackRock's \$10.3 billion iShares National Muni Bond ETF. State and local debt, like the rest of the bond market, is highly linked to the direction of interest rates, and went on to gain after the central banker's comments.

The purchase caused the fund, which is the largest municipal ETF, to see the most share turnover on record, with \$313.9 million worth of them traded, according to data compiled by Bloomberg. It also recorded an inflow of \$107.6 million on Wednesday, part of a spate of inflows this month that comes as state and local debt heads for its best performance since May, according to Bloomberg Barclays indexes.

Other funds tracking muni bonds also saw heated trading yesterday. The second-largest muni ETF, the \$3.7 billion SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF, absorbed close to \$82 million worth of trading, more than triple the average daily turnover for the past year. Investors have added bets to the fund for the past three consecutive days, marking the longest streak of inflows since February.

Meanwhile, other investors may be feeling more bearish about the direction of interest rates and the \$3.9 trillion municipal-bond market. Traders have boosted their short positions against the BlackRock ETF, which trades off the ticker MUB, during the first half of the month. And Deutsche Bank and RBC Capital Markets warned that the reaction to Powell's comments on Wednesday may have been overdone.

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By Amanda Albright

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— *With assistance by Carolina Wilson*