

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Market Seeing Tremendous Flow Into Muni Bonds: Portfolio Manager**

Part of the investor noise affecting the capital markets in 2018 was rising interest rates. The Federal Reserve didn't show much dynamism in 2018 with respect to monetary policy, obstinately sticking with a rate-hiking measure with four increases in the federal funds rate.

That appears to have changed given the current economic landscape, and especially in the capital markets as Fed Chair Jerome Powell is now preaching patience and adaptability. Powell's latest comments come as U.S. equities finished their worst year in over a decade—the Dow fell 5.6 percent, while the S&P 500 lost 6.2 percent and the Nasdaq Composite fell 4 percent.

This has posed challenges for not only equities, but the fixed income markets—specifically areas that were tried-and-true safe-havens when stock markets go awry.

“Think about investment grade, high duration—that's seen a lot more volatility than many investors had expected,” said Josh Rogers, Beta Specialist at JP Morgan Asset Management. “We believe that not only is that a challenge it's also an opportunity, especially when you look at the ultra short side of the curve where you can actually get paid now. Whereas if we rewound the clock two years ago you weren't getting anything.”

While investors are flocking to safe haven assets like bonds, there's still a need for products that capture the upside potential in U.S. equities. At the same time, however, there's also a need for strategies that offer downside protection built into the product.

One area that has been experiencing an increased interest in the bond markets is municipal bonds. In the video below, Nisha Patel, portfolio manager with Eaton Vance, and Rachael Aiken, vice president and portfolio manager with Rockland Trust.

by ETF TRENDS on MARCH 5, 2019