

# **Bond Case Briefs**

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## **Citigroup Sees Election as Bullish for Munis No Matter Who Wins.**

- **If market sells off, 'back up the truck and load up'**
- **Echoes call to buy during March's record-setting rout**

If the uncertainty surrounding America's presidential election triggers a rout in the municipal-bond market, analysts at Citigroup Inc. said it will be a good time to buy.

The advice echoes the bullish call the bank's analysts made in March, when they suggested investors swoop in as a panic about the coronavirus sent the \$3.9 trillion market into its biggest crash on record. That proved prescient: prices rallied back, delivering big gains, after Congress enacted the \$2.2 trillion economic stimulus measure and the Federal Reserve moved to ensure the market wouldn't be rattled by another liquidity crisis.

There has been little movement lately, with prices of municipal bonds essentially unchanged over the past month and yields on top-rated securities holding not far from the record lows hit this year as investors continue to pour cash back into mutual funds. But the pace of new debt sales is poised to pick up just as the presidential race enters its final weeks, adding potential headwinds to the market.

Citigroup analysts Vikram Rai, Jack Muller and Vedanta Goenka said in a note Monday that they don't expect to see a selloff in the municipal market and that any downturn would likely be brief. "Municipal underperformance, if any, should be short-lived, and we would view it as a buying opportunity in light of our longer term bullish outlook," they wrote.

Their reason for such optimism: either outcome of the election would likely be positive for the municipal market, though a Democratic sweep would be the most advantageous.

If Joe Biden defeats President Donald Trump and Democrats win control of the Senate, Congress will likely extend a large amount of aid to states reeling from the recession and raise federal tax rates on the highest earners, which would increase the value of owning tax-exempt debt. Yet even if Trump wins a second term and Republicans hold the Senate, that could also boost demand: without a big aid package, states and cities will have to raise taxes to cover the massive budget shortfalls they face — which would also increase the value of tax-exempt securities, Citigroup's analysts said.

"Municipals may weaken post-election on the back of a rates markets sell-off (unlikely) but that sell-off should be fleeting and we expect municipals will outperform in the longer-run," they wrote. "If municipals sell off pre- or post-election, by all means, back up the truck and load up."

### **Bloomberg Markets**

By William Selway

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