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Why Taxable Municipal Bonds Are Booming and How to Invest in Them.

Municipal bonds and tax-exempt debt are no longer synonymous. Taxable municipal bonds are the fastest-growing sector in U.S. fixed income. This year, issuance has totaled more than \$170 billion, double the \$85 billion sold in all of 2019. The total market has grown to \$700 billion—sizable but still below the \$3.7 trillion tax-exempt muni market.

Taxable munis offer an attractive alternative to corporate bonds, with higher yields and lower historical default rates. The market's obscurity is part of the reason for yields that can be 0.5 percentage point to 1.5 percentage points higher than those of similarly rated corporate debt.

"Issuance has exploded, and we expect that trend to continue. It's about 35% of total municipal issuance," says Peter Hayes, head of the municipal bond group at BlackRock. "Investor appetite is growing domestically and internationally."

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