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Municipal Bonds May Be Poised For A Great 2021, Thanks To Policy Makers.

Though low yields and rising inflation are turning some investors away from fixed income, 2021 is shaping up to be a potentially strong year for municipal bonds.

Long seen as a sleepier, even boring side of fixed-income markets, the municipal bond space is heating up, thanks in part to the ambitious tax proposals being put forth, said Jeff Timlin, head of municipal bond investing at Sage Advisory.

“Once Biden got elected, we knew that the talk of higher tax rates—obviously, higher federal taxes, but higher taxes across the board with both individuals and corporations—would be a positive for municipal bonds from a demand standpoint,” said Timlin. “With higher yields creeping in slowly, the desire for income and tax-free income in particular is going to be more attractive despite some of the price losses bond investors have seen.”

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