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Will Municipal Bond ETFs Shatter Records in 2021?

Fixed income investors are looking into municipal bonds and their related exchange traded funds this year.

Investment interest for the munis market has increased this year as rising taxes, the search for more attractive yields, and bets that states and municipalities would benefit from the new stimulus measures have all contributed to rising demand, MarketWatch reports.

According to Refinitiv Lipper data, investors funneled \$41.7 billion into muni bond funds for the year through mid-May or nearly the same amount as for all of 2020, putting 2021 on pace to be one of the best years for muni funds ever.

Weekly inflows have also touched records multiple times this year, according to Lipper data, even as such funds underperformed.

Investor demand for muni bonds has been a boon for state and local governments, which still face a backlog of large spending needs from construction projects to systems modernization.

As a way to focus on the muni bond market, fixed income investors can look to the American Century Diversified Municipal Bond ETF (NYSEArca: TAXF). The American Century Diversified Municipal Bond ETF is an actively managed municipal bond fund that combines investments in thoroughly researched high yield and investment grade municipal bonds. Designed for investors seeking current income, the fund dynamically adjusts investment grade and high yield exposures based on prevailing market conditions.

Additionally, the more recently launched Avantis Core Municipal Fixed Income ETF (AVMU) invests primarily in investment grade quality municipal debt obligations from a diverse group of issuers. The actively managed fund's investment process uses an analytical framework, including assessing securities' expected income and capital appreciation, to seek securities with high expected returns.

ETF TRENDS

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