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Vanguard, BlackRock Muni ETFs Reap Bonanza in Record Cash Inflow.

- **About \$5.8 billion added to muni ETFs in second quarter**
- **Two biggest funds received nearly half of this year's inflows**

Exchange-traded funds focused on municipal bonds are raking in unprecedented amounts of cash.

The funds have seen a record \$5.8 billion of inflows in the second quarter, according to data compiled by Bloomberg, driving this year's haul to about \$11 billion. That has been a boon to the two biggest ETFs, run by BlackRock Inc. and Vanguard Group, which received nearly half of the funds.

ETFs are a small-but-growing force in the \$4 trillion state and local government debt market, with about \$75 billion of assets. The funds are benefiting from a broader influx of demand for municipal securities this year as President Joe Biden pushes to raise taxes on the highest earners, driving investors to look for ways to shield income from taxes.

During the summer months, the market also typically benefits from a wave of debt payments that bondholders typically seek to reinvest. Issuers are scheduled to pay \$41.5 billion of principal and interest on July 1, adding to the cash hitting the market, according to a June 28 note by CreditSights strategists Patrick Luby and John Ceffalio.

The Vanguard Tax-Exempt Bond ETF, the second-biggest muni ETF with over \$13 billion of assets, has seen \$2.8 billion of inflows year-to-date, more than any other state and local debt ETF tracked by Bloomberg. And BlackRock's iShares National Muni Bond ETF, the biggest muni ETF with \$22.7 billion of assets, has notched inflows of \$2.2 billion so far this year.

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