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Flood of Cash Into Muni Bonds Drives ETFs to Record Year Already.

- **Muni-bond ETFs have pulled in \$14.5 billion year-to-date**
- **Investors have become more comfortable with muni ETFs**

Municipal-bond exchange-traded funds are attracting a record-breaking amount of cash in 2021 as investors get more comfortable with the investment tool and buyers flock to state and local debt.

The funds have pulled in \$14.5 billion year-to-date, more than last year's total of \$14.4 billion, according to data compiled by Bloomberg. That's the highest annual total on record since 2007.

Todd Rosenbluth, head of ETF and mutual fund research at CFRA Research, said the funds are benefiting from increasing investor familiarity with bond ETFs. "This is a continuation of the adoption of ETFs as more investors are getting comfortable using fixed-income ETFs," he said.

The influx into the funds also comes as investors continue to flock to the market for state and local debt, which pays interest that's tax free and offers a shelter for wealthy Americans worried about higher taxes.

Mutual funds focused on municipal securities have seen inflows for 25 straight weeks, with investors adding about \$1.87 billion to municipal-bond mutual funds during the week ended Wednesday, according to Refinitiv Lipper US Fund Flows data.

Within muni ETFs, the biggest, passively-run products continue to dominate inflows. The Vanguard Tax-Exempt Bond ETF, a \$13.9 billion fund that trades off the ticker VTEB, has seen \$3.5 billion of inflows this year, already an annual record for the fund and more than any other muni ETF tracked by Bloomberg. It's also the cheapest muni ETF, with an expense ratio of just 0.06%.

Rosenbluth said buyers have continued to look to "extremely cheap" funds like VTEB that offer broad exposure to the municipal market. But he noted that the space is diversifying, with other funds starting to gain more sizable inflows.

For example, the nearly \$2.1 billion JPMorgan Ultra-Short Municipal Income ETF, which is actively run and launched in 2018, has seen \$941 million of inflows this year, the fourth-most of any muni ETF tracked by Bloomberg. And 40 of the 67 muni ETFs tracked by Bloomberg have more than \$100 million in assets, Bloomberg data show.

"I'm particularly encouraged to see the breadth of ETF products that are gaining meaningful traction," Rosenbluth said.

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