

Bond Case Briefs

Municipal Finance Law Since 1971

Municipal Bonds on Track to Break Three-Month Losing Streak.

- **Munis have returned 0.67% this month, beating Treasuries**
- **Omicron variant shows little impact on muni market so far**

Municipal bonds are on track to snap a three-month losing streak as investors continue to pour cash into tax-exempt debt and as yields have stabilized after reaching their highest levels of 2021.

State and local government debt has returned 0.67% month to date, beating a 0.55% gain in Treasuries and the 0.2% decline in U.S. corporate debt, Bloomberg index data show.

November has been busy for fixed-income markets with the Federal Reserve's tapering announcement, passage of President Joe Biden's infrastructure package and the emergence of a new Covid-19 variant that spurred a brief flight to safety Friday in Treasuries. Still, munis have remained expensive, bolstered by generally strong local-government financial performance.

"Municipals were much more resilient during November than their taxable counterparts," said Craig Pernick, senior managing director at Chevy Chase Trust. "Fund flows remain really high, maturities are still heavy and the calendar is fairly light."

While cash has flowed into municipal-bond mutual funds for 38 straight weeks, it had eased to almost a trickle in October. It's surged back since then, with \$720 million put in during the week ended Nov. 24 and \$1.4 billion the week before.

Municipal issuers plan to power ahead with \$16.6 billion of sales in the coming month. Illinois plans to sell \$400 million of general obligation bonds this week. California's Golden State Tobacco Securitization Corp. is scheduled to issue \$4.2 billion of tobacco settlement asset-backed bonds in early December.

CreditSights expects at least \$38 billion of redemptions in December, which would ease pressure on pricing.

"There is a really attractive new issue calendar, and that tends to motivate investors," said Patrick Luby, a municipal strategist at CreditSights. "The market is in fairly good footing for the next couple of weeks."

Bloomberg Markets

By Nic Querolo

November 29, 2021, 10:44 AM PST