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Infrastructure Bill Highlights Opportunity for Income ETF Options.

With Congress passing a \$1 trillion investment plan to upgrade and expand U.S. infrastructure, investors can consider exchange traded funds to capture the renewed focus on debt markets.

For instance, municipal bonds rallied over the past two weeks. The iShares National Muni Bond ETF (NYSEArca: MUB), the largest munis-related ETF by assets under management, gained 0.6% since the late October lows.

Meanwhile, according to ICE Data Services, yields on 10-year tax-exempt triple-A muni bonds declined 8% since October 28, the Wall Street Journal reports. Bond yields have an inverse relationship to prices.

While the municipal bond market was largely left out of the infrastructure package waiting on President Joe Biden's signature, along with Democrats' follow-up social spending and climate proposals, the overall infrastructure plans could still help support cities and states indirectly.

"They left out the tried and true mechanism for building local infrastructure in America," Ben Watkins, director of Florida's Division of Bond Finance, told the WSJ.

Nevertheless, investment in roads, sewers, and trains is typically positive for the market over the long term since it helps strengthen municipal credit. The \$1 trillion investment plan could also lead to more debt issuance, as some projects could gain partial federal aid, and states and cities will need to pay for the rest.

"In many cases, the local contribution will come from municipal bonds," Patrick Brett, head of municipal debt capital markets at Citigroup and chair of the Municipal Securities Rulemaking Board, the muni bond industry's self-regulatory organization, told the WSJ.

Additionally, ETF investors can look to something like the Nationwide Risk-Managed Income ETF (NYSE Arca: NUSI) to access current income seeking a measure of downside protection.

NUSI follows a rules-based options trading strategy that seeks to produce high income using the Nasdaq-100 Index, an index of the 100 largest non-financial stocks on the Nasdaq exchange. The ETF may potentially complement traditional equity and fixed income allocations or function as a possible hedge for investors.

The Nationwide Risk-Managed Income ETF establishes a collar strategy to generate monthly income. Collar strategies involve holding shares of the underlying stock while at the same time buying protective put options and writing calls for the same security. A put option gives its owner the right but not the obligation to sell the underlying asset at a specified price and on a specified date. A call option gives its owner the right but not the obligation to buy that asset instead.

ETF TRENDS

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