

Bond Case Briefs

Municipal Finance Law Since 1971

Muni Market Woe Deepens With Biggest Outflow Since 2020 Rout.

Investors yanked the most cash out of municipal-bond mutual funds since April 2020 as they brace for Federal Reserve rate hikes as soon as March.

Muni mutual funds saw \$1.4 billion withdrawn during the week ended Wednesday, according to Refinitiv Lipper US Fund Flows data. That follows last week's \$239 million outflow, which ended 45 straight weeks of gains.

Investors pulled \$454 million from high-yield funds, while intermediate-dated funds lost \$158 million.

With the municipal market heading for the biggest monthly loss since the height of the pandemic-fueled market rout in early 2020, buyers are demanding more in compensation to own debt. Benchmark 10-year municipal bond yields climbed about 6 basis points on Thursday, the most since September, to 1.44%, according to Bloomberg BVAL pricing data. The yield is the highest since April 2020.

"Muni yields have been trending higher given the concerns over inflation and tighter monetary policy. We can expect to see more intermittent outflows," Jeff Lipton, head of municipal credit and market strategy at Oppenheimer & Co., said Thursday. "Much of the cash being pulled out of muni funds will just be added to an already huge pile of cash awaiting investment guidance."

Bloomberg Markets

By Romy Varghese and Danielle Moran

January 27, 2022, 10:56 AM PST Updated on January 27, 2022, 11:34 AM PST