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HYD: Outlook Fading On High Yield, Will Be More Selective On Munis

Summary

- The municipal bond sector has broadly been under pressure over the past few quarters. This includes high yield munis, passive ETFs, and CEFs of all stripes.
- The causes are multi-fold. Rising yields, lack of movement on tax rates, and continued uncertainty on further legislative changes from Washington.
- As a result, the sell-off has opened up wider discounts in CEFs, as well as one-year lows for many muni bonds. This causes me to want to be more creative with munis.
- As a result, I am shifting my outlook on passive, high yield funds like HYD to a more cautious tone. Instead, I would focus more on IG CEFs that have begun to offer some real value.

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