

# **Bond Case Briefs**

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## **Investors Are Looking Back Into Muni Bond ETFs.**

After the sell-off in the fixed-income markets, exchange traded fund investors are looking back into municipal bonds.

For example, among the most popular ETF plays over the past week, the iShares National Muni Bond ETF (NYSEArca: MUB) attracted about \$1.2 billion in net inflows, according to VettaFi data.

Meanwhile, the muni bond ETF segment brought in a record \$1.8 billion for the week ended May 25, or quadruple its weekly average for 2022 so far, the Wall Street Journal reported. However, municipal bond mutual funds continued to bleed money, but outflows dipped to their lowest level since March.

Muni bond prices are also strengthening as investors returned to this fixed-income segment, with MUB returning about 3.2% since its low last Wednesday.

The municipal bonds asset category has declined about 8% this year as of Thursday, including price changes and interest payments, according to the Bloomberg index data. In comparison, the Bloomberg U.S. Aggregate Bond index, which is largely comprised of U.S. Treasuries, highly rated corporate debt, and mortgage-backed securities, has decreased by 8.5% this year through Thursday.

"I think things are turning around. I don't think it's a blip," Municipal Market Analytics partner Matt Fabian told the WSJ. "I think munis had gotten too cheap."

A contributing factor to muni bonds' recent strength may be attributed to their high demand in early summer when a large number of outstanding municipal debt is paid off and investors re-invest in new sources of tax-free income. High-net-worth investors especially target the roughly \$4 trillion market for state and local government bonds since the interest payments are typically exempt from federal and state taxes.

Muni bonds, along with the broader fixed-income market, have taken a beating this year in light of the Federal Reserve's increasingly aggressive monetary policy tightening measures to rein in decades-high inflation levels.

The downward pressure on munis partially came from mutual fund outflows, which were over \$40 billion so far this year, according to Refinitiv Lipper data.

ETF TRENDS

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