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FLMI Could Fly as Municipal Bonds Regain Form.

Headline risk remains in the fixed income space. On Wednesday, the Labor Department said that the June reading of the Consumer Price Index (CPI) checked in at 9.1%.

That increase was larger than expected and represents another 40-year high. It's also stoking speculation among bond market participants that the next interest rate hike from the Federal Reserve could be as high as 1%. To put that 1% into context, the central bank's prior three rate hikes this year total 1.5%.

Obviously, the more rates rise, the more pain is incurred by longer-dated bonds. On the one hand, there are opportunities in the middle of the duration spectrum, including with beaten-up municipal bonds. Enter the Franklin Dynamic Municipal Bond ETF (FLMI). The actively managed FLMI has an average duration of 5.73 years. Add to that, some experts are modestly bullish on munis, assuming some easing of interest rate volatility is realized this year.

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