

Bond Case Briefs

Municipal Finance Law Since 1971

Future Returns: Finding an Inflation Hedge in Municipal Bonds

For wealthy investors, municipal bonds issued to build hospitals, roads, and schools, have often been a no-brainer, offering good yields free of taxes.

But the market backdrop for muni bonds “hasn’t been as attractive as investors would have liked for the better part of 10 years,” says Jonathan Mondillo, head of North American fixed income for abrdn, a U.K.-based investment firm. Interest rates kept falling during that period and yield spreads between municipals and other types of fixed-income securities compressed, providing fewer advantages.

With the Federal Reserve sharply raising short-term rates to combat inflation (the latest was a 0.75 percentage point increase in July), yields on municipal bonds are two to two-and-a-half percentage points higher, in general, than at the beginning of the year, and investors are starting to tip-toe back into the sector. Cash flows into municipal bond funds and ETFs have been turning slightly positive in August after experiencing outflows all year, according to Refinitiv, which tracks fund flows.

[Continue reading.](#)

Barron’s

By Abby Schultz

Aug. 16, 2022

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com