

Bond Case Briefs

Municipal Finance Law Since 1971

Mispriced Municipal Bonds Cost Mutual Fund Shareholders And Taxpayers Billions Of Dollars.

In a market where at least 99% of trillions of dollars of fixed income securities have no trades to offer price discovery and the financial data to assess credit risk cannot be readily downloaded to a spreadsheet for analysis and comparison, how can there be “fair market value” in pricing?

That question has vexed investors, issuers, and regulators in the \$3.9 trillion municipal bond market for decades. The market’s lack of trade data is only matched by its lack of digitized financial data. This “dual data void” compounds the problem, causing municipal bonds to be mispriced and undervalued and it costs mutual fund shareholders and taxpayers alike billions of dollars.

On Your Mark to Market, Get Set, Go

At the close of every business day, billions of dollars of municipal bonds are “mark to market”, that is, valued at the closing price of the bonds that day. If you own shares in a municipal bond mutual fund, the prices of those bonds determine the net asset value of that fund and, in turn, the value of your shares.

[Continue reading.](#)

Forbes

by Barnet Sherman

Dec 5, 2022