

Bond Case Briefs

Municipal Finance Law Since 1971

Closed-End Bond Funds Are Selling at Steep Discounts. Moves to Make Now.

Leverage helps on the way up, but hurts on the way down, amplifying both gains and losses. That's what closed-end bond fund investors learned the hard way in 2022.

Last year, Barron's warned of the "debt time bomb" inside such funds as interest rates rose. Bond prices move inversely with rates, and leverage made things worse, with the market prices of some levered bond closed-ends such as Pioneer Municipal High Income Opportunities (ticker: MIO) falling by almost 40% last year. (The funds typically trade at premiums or discounts to their underlying net asset values.)

Many bond strategists now think we are close to peak interest rates, which should presage an upturn for leveraged closed-end bond funds. Not only will their leveraged portfolios amplify gains as rates stabilize—and fall during a likely recession—but their leverage costs will decline.

[Continue reading.](#)

Barron's

By Lewis Braham

April 26, 2023

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com