
How Higher Rates Could Actually Help Muni Bond ETFs.

The widely followed ICE AMT-Free US National Municipal Index is higher by 1.17% year-to-date, indicating 20-year high interest rates aren't sapping muni bonds as they did last year.

It's not clear that the Federal Reserve is done tightening this year. Even murkier is the 2024 timeline regarding when rate cuts will arrive, if at all. However, 2023 sturdiness in municipal debt could be a signal that investors can wade back into the higher-yield portion of the pool and evaluate exchange traded funds such as the VanEck High Yield Muni ETF (HYD).

HYD, which tracks the ICE Broad High Yield Crossover Municipal Index, is sporting a modest year-to-date gain, but investors are well-compensated for embracing the ETF as highlighted by a 4.68% 30-day SEC yield – high by the standards of muni bond funds. Additionally, HYD could find other tailwinds as 2023 draws to a close.

Continue reading.

ETFTRENDS.COM

by TOM LYDON

SEPTEMBER 14, 2023